

Building Blocks: A DCN EAB discussion on globalization

by Richard Gilbert Dec 30, 2014

At this year's Daily Commercial News (DCN) Editorial Advisory Board (EAB) meeting, board members discussed some core issues facing Canadian construction. The members looked at what is key in construction leadership, how to meet the challenge of globalization, growing business threats and dispelling myths about a career in construction. Today, we present the second part of the Building Blocks series — a discussion about the threat of globalization in domestic construction.



The ability to guide and transform construction organizations using a collaborative approach, while adapting to a rapidly changing global business environment, is essential for today's industry leadership.

"I think results are achieved by those leaders who are able to collaborate to build bridges, to find common ground, and then take that collaborative effort in a focused way. I think that is where results are achieved," said Sean Reid, Progressive Contractors Association of Canada, federal and Ontario vice-president.

"We use a lot of time, energy and resources fighting each other in this industry. So, where the opportunities seem to emerge is when leaders step up and find areas we can collaborate. I think collaboration is one of those attributes in this industry that is key for effective leaders."

Reid and his fellow DCN EAB members discussed the challenges and opportunities that face leadership in the Canadian construction industry at their board meeting earlier this year.

According to Reid, the fragmentation of the construction industry makes it necessary to cooperate with other associations, and pull as many parts of the industry together as possible to move things forward.

For this reason, a business strategy based on a collaborative approach is critical for leaders to share their vision with people in their organization.

"I think good leadership requires an understanding of various market and societal trends," said Andy Manahan, Residential and Civil Construction Alliance of Ontario executive director.

"The ability to get in front of these changes or adapt to them I think is critical. In the past I would say that construction, being quite a traditional and maybe a more hands-on kind of industry, has been slow to adapt to some of those changes."

The traditional perception of construction leaders is that leadership should focus on the technical and managerial features of the construction project.

However, construction leaders are adapting their vision and mindset in response to changes in the business environment, such as globalization and other geo-political and economic challenges.

"We are about to head into a free trade deal with Europe, in which European companies will have pretty well open access to the Ontario market," said David Frame, Ontario General Contractors Association government relations director.

"A lot of the industry has been concerned about that, because they have already thought they had free and open access, and now they are going to have even more."

The Canadian government recently signed the Comprehensive Economic and Trade Agreement (CETA), which will integrate Ontario's economy deeper into the European Union.

"There is a real discussion going on in the industry — do we welcome this competition and acknowledge this is where it's going to go, or rebuff it and try and build barriers to it to try to keep the market for ourselves," said Frame.

From a local construction perspective, CETA and the process of globalization make it more difficult for Ontario to retain the value of public infrastructure investment. Multi-national firms may be awarded these contracts and some of the benefits may flow out of Canada.

Manahan said there is also concern that free trade is not a two-way street. Europe gains access to Canadian projects, but Canadian firms may not get to enter European countries.

"The real leaders in the industry see this trend and are working towards it," said Frame. "They are either getting some kind of European experience, or they build their company up as well."

Local firms recognize they must be bigger, stronger, better financed and more diversified in order to deal with international competition. This could cause a trend towards mergers and change the structure of the industry.

"Mid-size firms have usually competed on local-based work and suddenly there isn't that much local work or its being bundled, with other projects around the province," said Frame. "And, there is huge pressure on those companies, either to merge with bigger companies, or to specialize in something where they can continue. But, to be a generalist and small is not a good position to be in right now."

Other trends that may be of interest to construction leaders include economic growth, the cost of construction materials and building codes.

Reid argues that construction leaders have to be students of their membership, business and people.

"If we are not students of our industry, we are not effective," he said. "I find engaging with our members and talking about how their businesses are going is the best time for innovation and to re-energize."

The EAB members agreed that construction organizations and the companies that have leadership with a vision to get in front of changes will be the most successful.