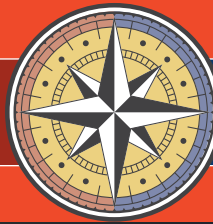


THE CONTRACTOR'S COMPASS



Supply Chain Resilience

FOR SUBCONTRACTORS



CONSTRUCTION/A

POWER THROUGH PARTNERSHIP

Passion Plus Expertise Makes the Difference

With a team of insurance and risk management professionals dedicated to construction, we bring valuable knowledge, risk management skills, claims expertise, and a collaborative approach to help you manage and control risks.

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Executive Vice President & Construction Practice Leader

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Never been to the US Capitol?

What better way to see our government and ASA's advocacy efforts at work?

Legislative Fly-in 2026

Tuesday, June 9 and Wednesday, June 10

Tuesday, June 9, 2026

5:00pm: Capitol Hill Briefing

6:30pm / 7:00pm: Reception and Dinner at The Monocle

Wednesday, June 10, 2026

Morning/Afternoon: Capitol Hill Visits

4:00pm: Reception at The Dubliner

Sponsored by ASA of Metro Washington



Travel Information

Airports serving the DC area include:

DCA – Reagan National Airport (closest)

IAD – Dullles International Airport

BWI – Baltimore/Washington International Thurgood Marshall Airport

Hotel & Meeting Location

YOTEL Washington DC

415 New Jersey Avenue NW

Washington, DC 20001

Room Rate: \$299/night | Hotel Cutoff: May 11

Testimonial

“From getting up to see the sunrise at the Capitol Reflecting Pool, to walking the National Mall seeing the incredible sights, made my first trip to Washington, DC an amazing experience! Our day spent with our representatives discussing key subcontractor issues was fruitful and memorable. We were able to attend both House and Senate proceedings, were escorted through the basements connecting all the buildings, and even caught a ride on the US Capitol subway system!

“Grateful for the insights, connections, and inspiration gained at this event. Thank you, ASA, for a fantastic experience! I will definitely be visiting again in the future, and would love to hear recommendations and some off the beaten path sights to see that will keep three teenagers engaged!”

**Bart Leonard, Owner, Native Wrecking Services
Edmond, Oklahoma**

Book your room today!

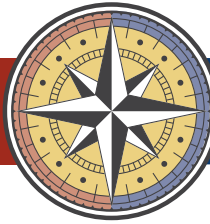
**Registration Is Required
for All Attendees**

Deadline: May 1, 2026



Celebrating 60 years of providing value for subcontractors and suppliers

THE CONTRACTOR'S COMPASS



EDITORIAL PURPOSE

The Contractor's Compass is the monthly educational journal of the Foundation of the American Subcontractors Association, Inc. (FASA) and part of FASA's Contractors' Knowledge Network. FASA was established in 1987 as a 501(c)(3) tax-exempt entity to support research, education and public awareness. Through its Contractors' Knowledge Network, FASA is committed to forging and exploring the critical issues shaping subcontractors and specialty trade contractors in the construction industry. The journal is designed to equip construction subcontractors with the ideas, tools and tactics they need to thrive. The views expressed by contributors to The Contractor's Compass do not necessarily represent the opinions of FASA or the American Subcontractors Association, Inc. (ASA).

MISSION

To educate and equip subcontractors and suppliers with the education and resources they need to thrive in the construction industry. Additionally, FASA raises awareness about issues critical to and about construction in the United States.

SUBSCRIPTIONS

The Contractor's Compass is a free monthly publication for ASA members and nonmembers. For questions about subscribing, please contact communications@asa-hq.com.

ADVERTISING

Interested in advertising? Contact Richard Bright at (703) 684-3450 or rbright@asa-hq.com or advertising@asa-hq.com.

EDITORIAL SUBMISSIONS

Contributing authors are encouraged to submit a brief abstract of their article idea before providing a full-length feature article. Feature articles should be no longer than 1,500 words and comply with The Associated Press style guidelines. Article submissions become the property of ASA and FASA. The editor reserves the right to edit all accepted editorial submissions for length, style, clarity, spelling and punctuation. Send abstracts and submissions for *The Contractor's Compass* to communications@asa-hq.com.

ABOUT ASA

ASA is a nonprofit trade association of union and non-union subcontractors and suppliers. Through a nationwide network of local and state ASA associations, members receive information and education on relevant business issues and work together to protect their rights as an integral part of the construction team. For more information about becoming an ASA member, contact ASA at 1004 Duke St., Alexandria, VA 22314-3588, (703) 684-3450, membership@asa-hq.com, or visit the ASA Web site, www.asaonline.com.

CONTENT TASK FORCE

Richard Bright, William Burke, Sheri Kitchen, Joselin Martin, Michael Metz-Topodas, Adrienne Smoot-Edwards, and Cheri Woodsmall

EDITOR

Mary Klett

FEATURES

AWCI Relaunches "Steel—Doing It Right® Program" 13
by AWCI staff

Construction Data and Figures 14

Is Your Procurement Strategy Ready for the Next Supply Chain Shock?.....27
by Doug Reitz - Maxim Consulting Group

Discipline and the Science of Resource Allocation— An examination in how to return to profitability 32
by Gregg Schoppman, FMI Corp

U.S. Construction Trends for 2026: A Market of Shifts, Not a Simple "Up or Down" 35
by Mary Klett, ASA Communications Team

DEPARTMENTS

ASA PRESIDENT'S LETTER..... 5

CONTRACTOR COMMUNITY 7

ALWAYS SOMETHING AWESOME..... 10
 Celebrating ASA of Mississippi

WELCOMING OUR NEWEST ASA MEMBERS 12

LEGALLY SPEAKING
 Why Retainage Remains a Persistent Challenge for Subs Nationwide ... and What You Can Do to Manage the Risks 19
by Eric Travers, Esq., Kegler Brown Hill + Ritter

Supply Chain Disruption Risk: Legal Perspective for Procurement Functions..... 21
by Jonathan Todd, Benesch

ASK A SAFETY EXPERT
 Building a Safety Culture That Creates Real Value 23
by Mark Steinhofner, PhD, CSP, CHST, CUSP; Safety Management Group

ASK A CPA
 Guarding Against Supply Chain Disruption: Strategic Procurement and Inventory Tactics 29
by Mason Brady, Brady CFO



PRESIDENT'S LETTER



Dear Readers,

As we begin 2026, I want to thank each of you for the work you do every day—building projects safely, meeting schedules, and delivering

quality in an environment that rarely gets easier. A new year offers a good time to recommit to what makes ASA strong: standing together, sharing practical solutions, and protecting subcontractors' ability to compete and operate fairly.

We also extend a warm welcome to the new members who joined ASA in December! [Check them out here.](#)

One encouraging development to start the year is a major legal win for subcontractors in *Third Coast Services, LLC & SpawGlass Civil Construction, Inc. v. Castaneda*. In a decision issued December 12, 2025, the Supreme Court of Texas held that statutory immunity

under Texas Civil Practice & Remedies Code § 97.002 does not require direct contractual privity with TxDOT—meaning subcontractors can still qualify for the statute's protections when their work is performed "for" TxDOT on state highway projects, even if the contract structure runs through a county or other entity.

This clarification is meaningful: It helps reduce the risk that subcontractors are drawn into costly litigation while performing work under public specifications and oversight. ASA's Subcontractors Legal Defense Fund supported this effort through amicus briefing, reflecting the type of advocacy that protects subcontractors well beyond any single project or jobsite. Continued support of the Fund is critical to sustaining this work on behalf of subcontractors nationwide.

This issue focuses on supply chain challenges and procurement strategies—topics that will define competitiveness in 2026. Price volatility, long lead times, and uneven availability continue to impact labor planning and

project execution. The articles and tools in this issue are aimed at helping you tighten your pre-construction approach: qualify vendors early, document substitutions clearly, set realistic lead-time assumptions, and build procurement schedules that match the field sequence—not the other way around.

Thank you for your membership, your expertise, and your voice. Let's make this year about smarter planning, stronger protections, and a more stable marketplace for subcontractors.

Sincerely,

Andrew Christ
ASA President, 2025-26
asapresident@asa-hq.com



BUILD STRONGER BOTTOM LINES

Financial Curriculum for Construction

Running a subcontracting business is more complex than ever—tight margins, rising costs, slower pay cycles, and constant pressure to bid competitively. To stay profitable, you need clear, practical financial skills tailored to the realities of construction, not generic theory.

The American Subcontractors Association Financial Curriculum is a multi-module program designed specifically for subcontractors who want to understand their numbers, protect their profit, and make better decisions on every project.

WHY THIS CURRICULUM?

Learn how to:

- Price work so it's profitable, not just "low"
- Understand what their financial statements are really saying.
- Use job costing and WIP schedules to manage risk and performance.
- Improve cash flow in a world of retainage, change orders, and slow pay.
- Present stronger financials to lenders and sureties.
- Plain language. Real construction examples. Immediate takeaways you can use on the next job.

WHO SHOULD ATTEND?

- Owners and principals
- CFOs, controllers, and bookkeepers
- Project managers and estimators
- Emerging leaders taking on financial responsibility

CURRICULUM MODULES

- Tax & Audit Fundamentals

Build a solid foundation in tax and audit basics for construction companies.

- Tax 101 for construction companies
- Audit 101: what to expect and how to prepare
- Year-end tax planning
- Navigating state/local tax issues
- Common audit pitfalls in construction (including scope creep)

- Financial Statement Literacy

Turn your financial reports into tools you actually use to run the business.

- Understanding the balance sheet, income statement, and cash flow
- Key financial ratios for construction firms
- Reading and interpreting work-in-progress (WIP) schedules
- Cash flow management and forecasting

- Job Costing & True Cost Evaluation

Get behind the numbers so you know exactly where money is made—or lost.

- Fundamentals of job costing
- Allocating overhead and indirect costs
- Technology tools for job costing
- Analyzing project profitability

- Advanced Financial Management (Controller-Level)

For leaders ready to tighten controls and manage more complex financial structures.

- Lease accounting (ASC 842) implementation
- Advanced overhead allocation methods
- Internal controls for construction companies
- Securing and managing lender financing
- Work-in-progress schedules and backlog

- Securing Lender Financing

Position your company to access capital and build relationships with lenders and sureties.

- Preparing financial statements for lenders/surety
- Understanding lender/surety requirements and ratios
- Best practices for loan applications/renewals
- Building strong banking relationships



Take one or more courses or entire modules.
More details coming soon.



Subcontractors Achieve Win in Immunity Case—*Third Coast Services, LLC & SpawGlass Civil Construction, Inc. v. Castaneda*

The American Subcontractors Association's Subcontractors Legal Defense Fund supported a major win for subcontractors via Amicus briefing to the Texas Supreme Court. In December 2025, the high court took up the matter of *Third Coast Services, LLC & SpawGlass Civil Construction, Inc. v. Castaneda*, which significantly solidified subcontractor immunity under Texas law by ruling that direct contract (privity) with the Texas Dept. of Transportation (TxDOT) is not needed for immunity under Civil Practice and Remedies Code Section 97.002. This

Sections provides for immunity as long as the work is performed "for" TxDOT on state highway projects, even if the contract is with a county. The ruling reversed a lower court decision which held that only the prime contractor was entitled to immunity, thereby expanding protections for subcontractors from suits, such as the fatal 2019 crash on SH 249 in Montgomery County that resulted in substantial personal injury claims being made against the subcontractor and prime contractor. **CONGRATULATIONS** are extended to Brian Carroll, managing partner, Sanderford and Carroll, P.C., member of the ASA Attorney's Council, and past President of ASA National, for his work on this important case.

The American Subcontractors Association is actively involved in the promotion of legislative action across

the nation and regularly intervenes in legal actions that affect the construction industry at large. The SLDF supports ASA's critical legal activities in precedent-setting cases to protect the interests of all subcontractors. ASA taps the SLDF to fund amicus curiae, or "friend-of-the-court," briefs in appellate-level cases that would have a significant impact on subcontractor rights. Contributions to the SLDF may be made online at www.sldf.net.

Texas Freezes HUB program

The state of Texas has paused the Historically Underutilized Business (HUB) program, ceasing new certifications and renewals for minority- and women-owned businesses.

This host program follows the frozen Executive Order GA-55 signed by

Governor Greg Abbott, which instructs all state agencies to pursue “color-blind” constitutional protections and ban any government form of discrimination based on race.

Acting Texas Comptroller Kelly Hancock announced the freeze on Oct. 28, explaining that the review of HUB program procedures and rules is underway to ensure full compliance with state and federal constitutions.

Procurement officials clarified that agencies must now perform contracting entirely in accordance with legal race-neutral criteria, which also means that there will be no contract set-asides based on race or sex while the HUB program is on hold.

Eligible businesses may continue to solicit and submit bids for state contracts, but not under any new or newly renewed HUB certification status while the program is suspended.

The HUB program's future is now in the hands of the review results showing evidence of possible legislative changes when the Texas Legislature meets again. Business owners will have to wait for the new procedures to take effect if they are seeking a certification or an expired certification renewal.

There will be no impact on ongoing contracts or non-HUB reporting.

ASA and ASA CA Urges the California Supreme Court to Review a Decision that Creates Substantial Instability in California's Construction Industry and Threatens the Economic Survival of Thousands of Licensed Subcontractors.

The American Subcontractors Associations' Subcontractors Legal Defense Fund supported an Amicus Letter in Support of Petition for Review in the Pacific Carpets, LLC v. 2525 Main Apartments, LP, et. al., Case No. S294545

ASA is a national trade association representing more than 7,000 subcontractors and specialty trade contractors, including thousands of members performing work throughout California. Our members routinely undergo lawful business entity conversions-from corporations to limited liability companies or vice versa-for tax planning, succession, insurance, and liability management. These conversions are expressly authorized and encouraged under California law.

The current decision, however, holds that such a lawful entity conversion may render a long-licensed contractor "never licensed" for purposes of Business and Professions Code section 7031, triggering catastrophic forfeiture of all

- the same business operations continued without interruption, and
- the processing delays were caused by the government agencies that issue the licenses

If left standing, this ruling will place virtually every California subcontractor at risk of total economic loss whenever a routine corporate conversion occurs and administrative processing is delayed. Such a result conflicts directly with Corporations Code section 1158, undermines decades of settled construction practice, and transforms section 7031 into a weapon of unjust forfeiture rather than a consumer-protection statute.

The resulting uncertainty is already affecting contract negotiations, insurance



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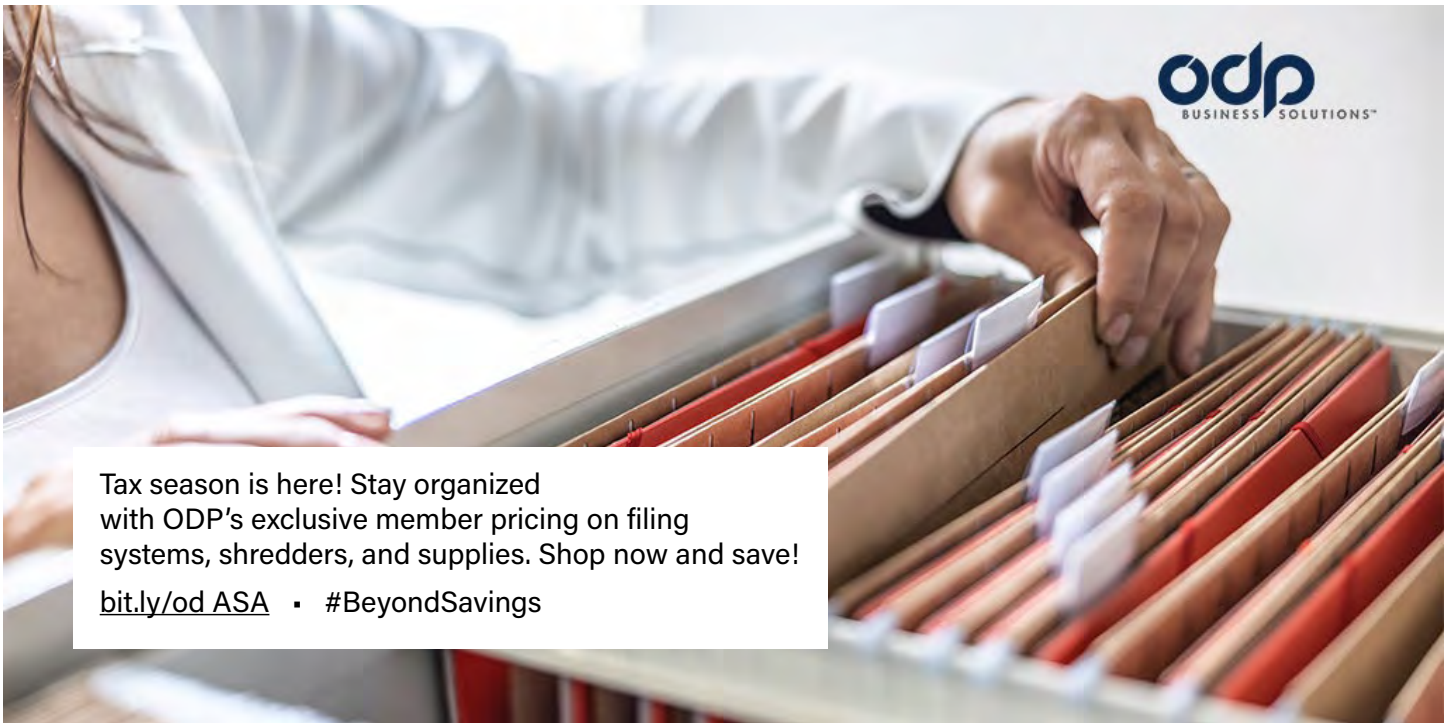
<https://www.savewithups.com/asamembers>

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compensation and extinguishment of constitutional lien rights-even when:

- the same Responsible Managing Officer continuously supervised the work,
- the same license classifications were maintained throughout,

underwriting, and project risk allocation throughout the industry. Subcontractors cannot predict whether lawful corporate restructuring will later be used to impose multi-million-dollar forfeitures after work has been completed and accepted. Owners and lenders are increasingly



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weaponizing section 7031 as leverage in commercial disputes unrelated to public safety or contractor competence.

This Court's guidance is urgently needed to:

- harmonize section 7031 with California's corporate conversion statutes,
- clarify the proper scope of the substantial compliance doctrine,
- prevent government-caused delay from serving as the basis for mandatory forfeiture, and;
- restore predictability to California's construction

The issues presented in the petition are of exceptional statewide importance. They directly affect thousands of construction businesses, tens of thousands of workers, and billions of dollars in annual construction activity. ASA respectfully submits that review is not only appropriate but also necessary.

The American Subcontractors Association is actively involved in the promotion of legislative action across

the nation and regularly intervenes in legal actions that affect the construction industry at large. The SLDF supports ASA's critical legal activities in precedent-setting cases to protect the interests of all subcontractors. ASA taps the SLDF to fund amicus curiae, or "friend-of-the-court," briefs in appellate-level cases that would have a significant impact on subcontractor rights. Contributions to the SLDF may be made online at www.sldf.net.

Founded in 1966, ASA promotes the rights and interests of subcontractors, specialty contractors and suppliers by building strength in the community through education, advocacy, networking and professional growth. ASA adheres to and promotes quality construction, ethical and equitable business practices, safety in the work environment, and best industry practices. For more information about ASA, visit www.asaonline.com, and for more information about the SLDF, visit www.sldf.net.

Contact: *Mike Oscar*
(703) 684-3450, Ext. 1322
moscar@asa-hq.com

ACI and GLOBE sign MOU to Promote Sustainable Construction Practices Worldwide

The American Concrete Institute (ACI) and the Global Consensus on Sustainability in the Built Environment (GLOBE) today announced that the two organizations have signed a memorandum of understanding (MOU) to foster collaboration and cooperation between the organizations. Through the MOU, both organizations commit to improving sustainable concrete construction by making the relevant technical expertise of each organization available through publications, meetings, conferences, committee membership, and other strategic initiatives. As such, ACI and GLOBE encourage all stakeholders in the construction industry to share knowledge to identify, direct, and implement changes needed in present best practices to reduce greenhouse gas emissions and promote sustainable construction. More...

ASA of Mississippi Welcomes Mr. Joel Waters as New Executive Director



The American Subcontractors Association of Mississippi is proud to announce that Mr. Joel Waters has been hired as our new Executive Director. Joel is the former Executive Director of the Mississippi Concrete Association, serving from 2016 to 2025, and has been instrumental in their growth and success.

Prior to 2016, Joel was Executive Director of the Big Brothers Big Sisters of MS. He has also previously been an active board member of Build MS and instrumental in the growth of that organization, along with several ASA

members on that Board. Joel brings vast experience in the Mississippi Association community and has strong ties to the Subcontractor sector and knows how to operate in the Association space. He is a 1984 Graduate of University of Southern Mississippi, where he was a member of the USM Baseball team.

Joel and his wife Susan have been married for 43 years and reside in Madison. They have three married children and five grandchildren.

"ASA of Mississippi is proud to welcome someone of Joel Waters' work history, character and work ethic as our new Executive Director, to continue the successful growth of ASA of Mississippi well into the future." —Cody Curry, 2025-2026 ASA of MS Chairman

ASA of MS Gives Back!

The spirit of giving was on full display in December as Executive Director Joel Waters and 2025-2026 Chairman Cody Curry presented a \$10,000 donation to Shower Power in Jackson. WAPT and WJTV captured the event with strong coverage throughout the afternoon and evening. Click the link of the [Shower Power FB post](#).

If you would like to know more about Shower Power, click the link to their website and Facebook page
[Shower Power website](#) [Shower Power FB](#) Thank you for your commitment to ASA of MS.





2026 ASA Mardi Gras Drawdown and Partner Firm Recognition

\$150 Ticket for Two • \$25 Insurance*

SATURDAY,
February 7, 2026

6:30 PM

MISSISSIPPI TRADE MART
1200 Mississippi St.
Jackson, MS 39202

- \$10,000 Drawdown (Need not be present to win)
- Silent Auction • Drink Tickets • Heavy Hors D'oeuvres
- Music

One ticket is Admission for two

Admission includes 4 drink tickets

Additional drink tickets available for purchase

*Insurance allows the 1st 50 tickets to be put back in for drawings

For ticket information, contact Mary Ellen Goza, megozaasa@gmail.com

HELLO and welcome

WELCOME NEW ASA MEMBERS IN DECEMBER 2025

We're glad to have you join our community of dedicated subcontractors and industry partners. Together we share resources; advocate for a stronger business environment; and create opportunities to learn, grow, and succeed. We look forward to welcoming you at upcoming events and hearing your voice and your priorities in shaping the future of our industry.

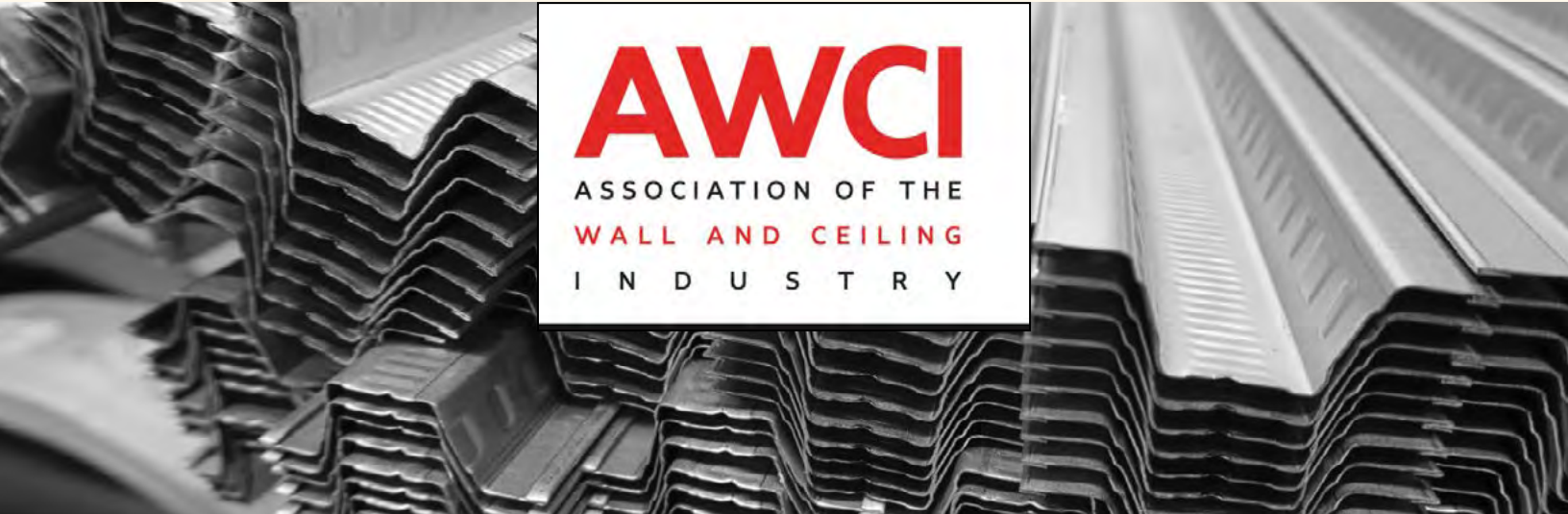
- Advanced Environmental Testing and Abatement
- Air Solution Mechanical Services
- Americrane
- Atlantic Construction Group
- AWS / SMI
- Bandera Utility Contractors, LLC
- BCR2 LLC
- Blueprint Specialties
- Campbell Pavement Specialties, Inc.
- Cochran Inc.
- Cornerstone Mechanical Services
- Dallas Metal Fabricators & Maintenance
- DFW Electric Group, LLC
- DLZ
- Dumpstor Baltimore Columbia
- FraserCon, LTD
- Green Latrine Portable Toilets
- Greene Concrete Cutting
- Gulf Coast Nail & Staple, INC
- HD Concrete
- Heartland Acoustics and Interiors, Inc
- HSM Edifice Construction Services
- Intermountain Mechanical Contractors llc
- James River Equipment
- Knightsbridge Insurance Agency
- Koetter Fire Protection
- Kolton Construction
- KRB Concepts
- Lawrence Law, LLC
- Legacy Four Logistics
- Logical Solutions, Inc.
- Maximum Possibilities, LLC
- Mechanical & Plumbing Systems, LLC
- Mobile Box
- Mobile Modular
- Pete King Corp.
- Purefoy Electric, LLC
- Rain For Rent
- Resilient Enrgy Solutions
- Satellite Shelters
- Schoggenscapes Inc.
- Seatonhill Partners
- SilverEdge
- Tejas Equipment Rental
- Texas Johns
- Tital Fuels, LLC
- VSC Fire & Security
- Walthall Sachse & Pipes, Inc.



FEATURE

AWCI Relaunches "Steel—Doing It Right® Program®"

by AWCI staff



The Association of the Wall and Ceiling Industry (AWCI) is proud to announce the 2026 relaunch of Steel—Doing It Right®, the premier training resource for cold-formed steel (CFS) framing. Marking two decades of industry leadership, the newest edition transitions the program into its most comprehensive, digital-first format to date.

Launched in 2006 to support contractors handling complex structural steel projects, and online since 2020, this program has evolved from multi-day seminars into a sophisticated, self-paced online curriculum. As CFS framing becomes the standard for health care, multifamily and mixed-use construction, this update delivers the deep practical expertise necessary to meet modern building demands.

A Modernized Learning Experience

The 2026 edition represents the third version of the program and its second iteration as a fully online experience. Key enhancements include:

- **Enhanced Visuals:** Modern animations, video clips, and high-quality photographs demonstrating real-world

applications and code principles.

- **Expert-Led Content:** 13 modules featuring narrated content and a streamlined learning pathway.

- **Expanded Technical Scope:** New content focusing on multi-story commercial construction, load distribution members, load-bearing framing and panelization.

- **Interactive Tools:** Built-in glossaries, product catalogs, and refined "knowledge checks" to reinforce learning.

Strategic Advantages for Professionals
"AWCI's mission has always been to provide the wall and ceiling industry with the highest level of technical expertise," says AWCI CEO Michael Stark, CAE. "By modernizing Steel—Doing It Right, we are making world-class CFS education accessible to every professional, helping them gain a competitive edge and increase profitability."

The program offers specialized benefits across the project team:

- **Contractors:** Gain clear, current code-based guidance for noncombustible, mold-resistant cold-formed steel systems, addressing tolerances, movement and constructability.

- **Estimators:** Utilize a dedicated module to establish consistent methodologies for quantifying scope and materials.
- **Project Managers:** Learn the nuances of delegated design and submittals to ensure predictable project outcomes.
- **Architects and Engineers:** Participants can earn professional development hours (PDHs) or self-report AIA learning units (LUs).

Industry-Backed Excellence

The 2026 update was curated by a prestigious group of subject-matter experts from across the steel industry, including leaders from CEMCO, ClarkDietrich, Grabber Construction Products, F.L. Crane & Sons, MAREK, Marino\WARE, Offsite Systems, TrusSteel, Salas O'Brien (Colorado), Steel Framing Industry Association (SFIA), Sure-Board and South Valley. This collaboration ensures that the curriculum translates complex engineering and code requirements into actionable field knowledge.

Learn more at www.awci.org/education/doing-it-right/steel-doing-it-right.

Construction Data & Figures

2026 Forecast



Resilience and innovation can help companies position themselves for success in the coming year. Here's the bottom line.

Economic headwinds persist, but growth remains possible.

The U.S. construction industry faces slowing economic momentum, high interest rates, and tariff uncertainty. GDP growth for 2026 is projected at just 2.3%, signaling modest expansion amid fiscal challenges like rising deficits and debt.

Labor and cost pressures demand strategic action

Immigration policy shifts and aging workforce trends are tightening labor supply, while material costs continue to rise under aggressive trade policies. Experts urge firms to prioritize cost control, workforce upskilling, and automation to maintain competitiveness.

Bright spots: Data centers and institutional projects.

Despite overall softness, data center construction is booming—up 33% in 2025 and projected to grow another 20% in 2026—driven by AI demand. Institutional sectors like health care and education show resilience, though demographic and funding challenges temper long-term outlooks.

[Read the entire article at Glass Magazine.](#)



Tariffs Push Construction Materials Prices Higher in November

Construction input prices increased 0.6% in November compared to the previous month, according to an Associated Builders and Contractors analysis of U.S. Bureau of Labor Statistics' Producer Price Index data released today. Nonresidential construction input prices also increased 0.6% for the month.

Overall construction input prices are 3.4% higher than one year ago, while nonresidential construction input prices

are 3.8% higher. Prices increased in 2 of 3 energy categories last month. Natural gas and unprocessed energy materials prices were up 10.8% and 1.4%, respectively, while crude petroleum prices were down 1.1% in November.

"Construction input prices surged in November and are now up 3.4% on a year-over-year basis," said ABC Chief Economist Anirban Basu. "While that's a relatively modest annual increase, it's also the largest since January 2023 and the trend offers plenty of cause for concern. Many tariff-affected materials, like derivative metal products and switchgear equipment, have experienced considerable price escalation in 2025.

Prices for aluminum mill shapes and primary and secondary nonferrous metals are both up more than 25% over the past year.

"Unfortunately, it is impossible to know exactly how the cost of tariffs will be distributed throughout the supply chain, and that makes it exceptionally difficult to know how construction input prices will behave in 2026," said Basu. "Despite this uncertainty, contractors are on net optimistic that their profit margins will expand during the first half of the year, according to [ABC's Construction Confidence Index](#), albeit slightly less optimistic than they were at the same time last year."

Construction Data & Figures

Producer Price Index November 2025



	1-Month % Change	12-Month % Change	Change Since Feb 2020
Inputs To Industries			
Inputs to construction	0.6%	3.4%	43.4%
Inputs to multifamily construction	0.4%	2.9%	43.5%
Inputs to nonresidential construction	0.6%	3.8%	44.5%
Inputs to commercial construction	0.5%	4.7%	46.6%
Inputs to healthcare construction	0.5%	4.5%	46.1%
Inputs to industrial construction	0.6%	4.4%	42.2%
Inputs to other nonresidential construction	0.6%	3.7%	44.0%
Inputs to maintenance and repair construction	0.6%	3.1%	41.1%
Commodities			
Adhesives and sealants	0.0%	3.4%	40.4%
Brick and structural clay tile	0.0%	1.6%	33.1%
Concrete products	0.2%	1.7%	43.0%
Construction machinery and equipment	0.0%	4.7%	36.3%
Construction sand, gravel, and crushed stone	0.4%	6.1%	50.0%
Copper wire and cable	-0.4%	11.7%	59.1%
Crude petroleum	-1.1%	-11.6%	23.3%
Fabricated structural metal products	0.8%	8.3%	65.5%
Gypsum products	0.0%	0.5%	49.0%
Hot rolled steel bars, plates, and structural shapes	2.2%	7.9%	54.8%
Insulation materials	0.2%	-0.4%	45.6%
Iron and steel	-2.2%	3.1%	46.8%
Lumber and wood products	0.1%	-0.3%	25.2%
Natural gas	10.8%	21.0%	47.4%
Plumbing fixtures and fittings	0.1%	5.6%	26.7%
Prepared asphalt, tar roofing and siding products	-0.1%	1.2%	45.4%
Softwood lumber	0.1%	-6.7%	9.4%
Steel mill products	-3.2%	4.6%	55.4%
Switchgear, switchboard, industrial controls equipment	0.0%	11.1%	63.7%
Unprocessed energy materials	1.4%	-4.9%	43.4%

Source: U.S. Bureau of Labor Statistics, Associated Builders and Contractors

Producer Price Index Percent Change Inputs to Construction Industries November 2017 Through November 2025



Source: U.S. Bureau of Labor Statistics, Associated Builders and Contractors

Visit abc.org/economics for the Construction Backlog Indicator and Construction Confidence Index, plus analysis of spending, employment, job openings and the Producer Price Index.

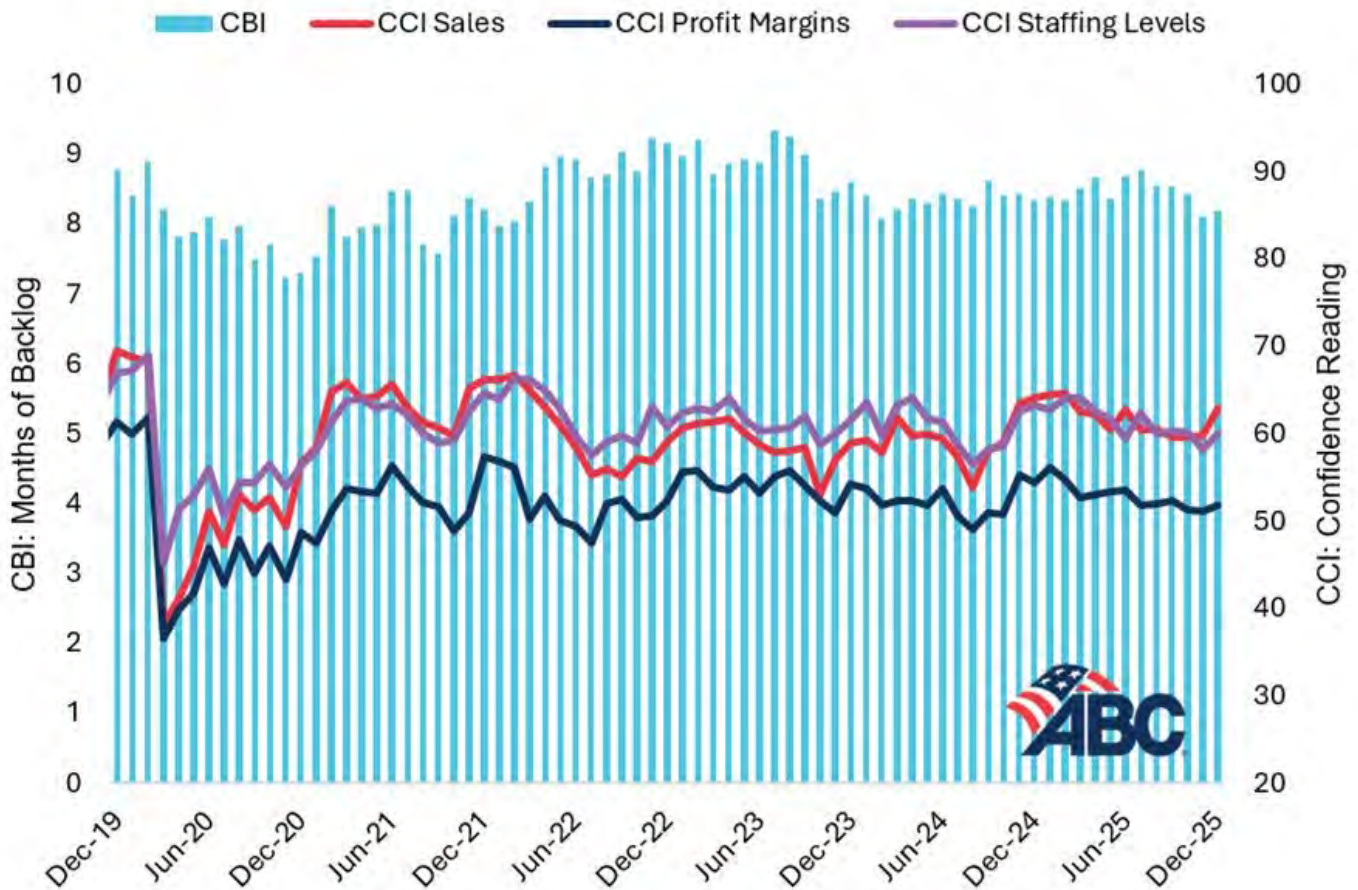
ABC's Construction Backlog Indicator Inches Higher in December, Fueled By Data Center Momentum

ABC's Construction Confidence Index reading for sales, profit margins and staffing levels increased in December but are all down on a year-over-year basis. The readings for all three components remain above the threshold of 50, indicating expectations for growth over the next six months.

"Backlog fell sharply for smaller contractors during 2025," said ABC Chief Economist Anirban Basu. "That decline was largely due to the fact that nonresidential construction momentum is confined to the data center segment, and those projects are far more beneficial for the largest contractors. In

December, the 13% of ABC members under contract to work on a data center project had significantly higher backlog (11.0 months) than those who were not (7.8 months). While contractor confidence improved slightly for the month, it remains well below late-2024 and early-2025 levels."

ABC Construction Backlog Indicator and Construction Confidence Index 2019-December 2025



© Associated Builders and Contractors, Construction Confidence Index

Note: The reference months for the Construction Backlog Indicator and Construction Confidence Index data series were revised on May 12, 2020, to better reflect the survey period. CBI quantifies the previous month's work under contract based on the latest financials available, while CCI measures contractors' outlook for the next six months. View the [methodology](#) for both indicators.

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Increase in extreme weather negatively influences global supply chain. Report finds extreme weather has a 93% threat level, as severe weather events increase in frequency and intensity around the world, negatively affecting Americans financially.

everstream
ANALYTICS



Everstream Analytics released its 2026 risk report determining that extreme weather is the second-biggest threat to the global supply chain, right behind geopolitical tensions.

The report found that extreme weather has a 93% threat level, as severe weather events increase in frequency and intensity around the world, negatively affecting Americans financially.

"We've seen this accelerating trend with extreme weather events on energy, on agriculture, on people," Everstream Analytics Chief Meteorologist Jon Davis said. "And the real concern looking ahead to this year...we will continue to see an acceleration of those extreme weather events that have ramifications financially and with all aspects within the supply chain."

A neighborhood destroyed in the aftermath of Hurricane Ian in Fort Myers, Florida. (RICARDO ARDUENGO/AFP / Getty Images)

According to the report, which was based off the company's machine learning algorithm, within the last decade, tropical cyclones have been the leading cause of supply chain losses around the world, while strong wind events associated with

non-tropical cyclones are the second-largest contributor.

"It's the lingering effect of those overall situations. They have major ramifications in the supply chain," Davis said in an interview with FOX Meteorologist Bob Van Dillen.

Other weather events, including flash flooding, have increased since the turn of the century. Economic losses from floods rose from \$33 billion in 2000 to an average of \$42 billion in later years. That is a 27% increase.

This image comes from drone video showing the scope of flooding after a levee failed in Tennessee.

(Jacob Fulbright via Storyful / FOX Weather)

In Europe, for years, flooding disasters have been one of the leading causes of economic impacts, but in the summer of 2025, drought, heat and flash floods resulted in almost \$50 billion in losses.

Recently, the agricultural supply chain has been experiencing the worst impacts from the increase of extreme weather.

Just last year, the global wheat harvest was 18% below its early average due to droughts in major producing areas

causing food prices to increase.

The decline in the agriculture supply chain has also influenced pharmaceuticals, skincare, biofuels, certain resin and plastic products.

"It goes far beyond food and beverages, things that we eat. It also goes into every little aspect within the supply chain," Davis said.

The continuous disruption to the agriculture supply chain will result in price hikes as different industries compete for the same limited product.

This was evident with cacao in late 2024, when many markets faced a high demand for the commodity. Prices rose by almost 300% due to a decline in production caused by devastating weather, combined with the surge in demand.

Everstream Analytics predicts that this is only going to get worse in 2026.

"When you tend to get any kind of issues where you have scarcity in commodities and scarcity in products, then it becomes a situation where all of these sectors will compete to get those commodities and those products," Davis said.

The company preaches that traditional weather risk management is no longer practical in today's environment.

Everstream Analytics said that companies must invest in advanced climate modeling and real-time weather monitoring systems in order to be proactive when it comes to extreme weather.

"Building climate resilience requires fundamental changes to supply chain design, including geographic diversification, increased inventory buffers, and flexible logistics networks that can rapidly reroute around weather-impacted areas." Everstream Analytics states in the report.

Dodge Momentum Index Jumps 7% in December as Nonresidential Planning Accelerates

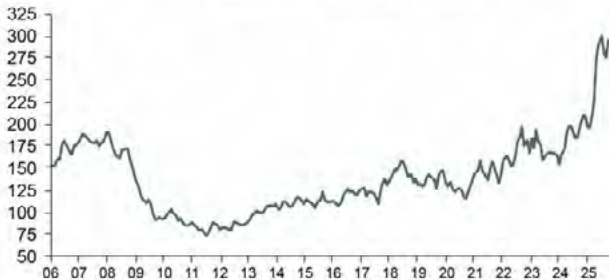
Network grew 7.0% in December to 296.8 (2000=100) from the upwardly revised November reading of 277.4. Over the month, commercial planning improved 3.5% and institutional planning increased by 14.9%. In 2025, the DMI was up 37% from the average reading in 2024. The commercial portion was up 35% and the institutional portion was up 43% over the same period.

DODGE MOMENTUM INDEX
(2000=100, Seasonally Adjusted)

	Dec-25	Nov-25	% Change
Dodge Momentum Index	296.8	277.4	7.0%
Commercial Building	361.6	349.3	3.5%
Institutional Building	216.5	188.4	14.9%

Source: Dodge Construction Network

DODGE MOMENTUM INDEX
(2000=100, Seasonally Adjusted)



“Nonresidential construction starts (excluding manufacturing and transportation) are projected to accelerate in 2027 alongside sustained planning momentum in data center, healthcare and recreational building construction throughout 2025,” stated Sarah Martin, Associate Director of Forecasting at Dodge Construction Network. “Inflationary pressures will further support nominal

activity levels, even as economic risks remain elevated. Notably, projects moved through the planning process marginally quicker in 25-Q4 (16 months vs. 18 months in 25-Q3), offering a modest boost to our near-term outlook.”

On the commercial side, planning momentum accelerated most strongly for warehouses, office buildings and data centers. Within institutional planning, education and recreational building activity showed the

strongest growth, while planning for public buildings pulled back after elevated activity in mid-2025. Year-over-year, the DMI was up 50% when compared to December 2024. The commercial segment was up 45% (+30% when data centers are removed) and the institutional segment was up 60% over the same period.

A total of 34 projects valued at \$100 million or more entered planning throughout December. The largest commercial projects included four phases of the Google Data Center Campus in Summit, Oklahoma – each valued at \$500 million dollars. Additionally, Phases 2 and 3 of the Central Park Data Information Processing Center in Loxahatchee, Florida entered planning – valued at \$473 million and \$431 million respectively. The largest institutional projects to enter planning were the \$450 million Atrium Health Hospital in Fort Mill, South Carolina, the \$295 million St. Joseph Hospital Tower (Phase 2 Expansion) in Stockton, California, and the \$182 million SunRay Casino and Park in Clovis, New Mexico.

The DMI is a monthly measure based on the three-month moving value of nonresidential building projects going into planning, shown to lead construction spending for nonresidential buildings by a full year to 18 months.



Architecture firm billings remained soft in November

The AIA/Deltek Architecture Billings Index (ABI) score for the month remained well below the 50 level at 45.3 (a score over 50 indicates billings growth). This marked the 13th consecutive month of declining billings at architecture firms, and the 35th month of a score below 50 out of the last 38. Inquiries into new projects only increased modestly this month, and the value of newly signed design contracts

continued to soften. Until work in the pipeline starts to pick back up, firms are unlikely to see a significant increase in their billings.

While business conditions at architecture firms have been soft in most sectors this year, the Midwest remained a bright spot in November. Billings increased at firms located in that region for the third consecutive month, and more firms

reported growth this month than last month. However, billings continued to decline at firms located in all other regions of the country, particularly at firms located in the Northeast and the West. Firms of all specializations also saw billings continue to contract in November.

[Download ABI report for November 2025](#)



Why Retainage Remains a Persistent Challenge for Subs Nationwide ... and What You Can Do to Manage the Risks

by Eric Travers, Esq., Kegler Brown Hill + Ritter

As a construction attorney with over two decades of experience working closely with subcontractors and the American Subcontractors Association (ASA), I can confidently say that retainage has been, and remains, a significant and ongoing challenge for subcontractors nationwide.

The concept of retainage originated in the 1840s. Its purpose was straightforward: to hold back a percentage of each progress payment (typically around 5-10%) to give owners and general contractors leverage, to correct defects before final completion, and ensure that their subs were/are incentivized to complete necessary punch-list work.

For subs, though, retainage creates serious cash flow problems. In practice, it forces subs to finance the project. Bills must be paid on a tight schedule: labor costs accrue weekly or biweekly, while charges for materials and equipment used by subs are billed immediately upon purchase or rental. Yet while subs generally have to make their own payments quickly, they often find themselves waiting for the Project to reach "substantial completion" and the owner or general contractor to release funds for work that was completed correctly and paid for by the sub months to years earlier.

This delay can strain liquidity, especially for firms operating on narrow margins, where retainage may be equal to or less than the margin. Thus, aggressive retainage and delayed release of retainage can compel subs to draw on personal savings or take on loans to cover payroll, contributing to a cycle of financial distress. Despite

performing over 75% of the hands-on work on typical projects, subcontractors frequently receive their final payments last. This disparity can breed disputes and, ultimately, mechanics' liens filed for survival rather than spite.

Legislative Developments

While state legislatures have taken action to address these issues, the effectiveness varies. Laws primarily focus on public works projects.

Ohio's retainage laws are a good example of this. The law applies only to public works, so private projects are essentially a matter of private contract and the parties' contractual leverage.

Public Owners in Ohio have, prior to September 30, 2025, been limited to 8% retainage withheld for the first half of completion, dropping to zero thereafter (if progress is satisfactory).

By law, House Bill 96, passed on September 30, 2025, reduced this to a maximum of 4% for labor on the entire project, throughout the life of the Project, with retainage mandated to be paid within 30 days of substantial completion of the Project.

But for private work, the landscape remains murky with minimal regulation. The closest statutory hammer available to subs on private work is Ohio's Prompt Payment Act, which requires general contractors to release payments within 10 days of receipt, applying an annual interest rate of 18% on delayed payments, accompanied by potential recovery of attorney's fees. But the Prompt Pay Act is riddled with loopholes that minimize its effectiveness.

Other states have enacted their own variations of retainage and Prompt Pay

Act regulations, but each comes with its own set of challenges.

Navigating the Landscape

Understanding local laws is crucial, but these regulations are not foolproof. As noted above, many are only applicable to public projects, and subcontractors often face pay-if-paid clauses that jeopardize their legal protections.

Because of the relative lack of bargaining power most subs have, it's essential to view retainage as a predictable obstacle rather than an insurmountable barrier. A proactive approach involves pushing for lower or no retainage when you can and working with general contractors who are aligned on that and will advocate for it with the owners. Where you have to accept retainage (which will be reality on many jobs), well managed subs should seek to manage the risks and ensure smoother cash flow with meticulous documentation and strategic nudges.

Six Practical Tips for Subcontractors to Manage Retainage

Based on years of reviewing subcontractor contracts and advising on retainage-related challenges, here are six practical tips tailored for subs negotiating from a position of limited leverage.

Tip 1: Pre-Bid, Master Your State's Playbook

Integrate a construction attorney into your process early on and utilize ASA's 50-state manual or free online resources to familiarize yourself with retainage caps, timelines, and penalty provisions.

If you detect terms in a subcontract exceeding local statutes, gently inquire about alignment: "Since this is a public project, I think this needs to be tweaked to align with Rev. Code § 153.12. What do you think?"

State statutes can also provide "ammo" for suggested modifications of retainage on private jobs: if 4% on labor is considered good enough to protect the state on state jobs, that fact should carry some weight in your up-front negotiations, particularly if you can get the prime Contractor's ear and Owner's buy-in.

ASA's 50-state manual is frequently updated to stay on top of changes to each state's law. As a bonus, the contributing attorneys for the states are prominently listed, giving you a potential ally to get on your side early in the negotiations if you don't already have a good construction attorney in your corner.

Tip 2: Peek at the Prime Contract Early and Often

Seek insights into the prime contract's retainage clauses.

If the Subcontract flows the prime down (and it will), you are entitled to see the Prime Contract. If retainage is blurred or obscured, ask about it outright. And make it a practice to ask the prime contractor to confirm in the Subcontract that it will not withhold more retainage from you than the owner withholds from it.

This approach can reveal if the general contractor is seeking to use retainage to increase your exposure while minimizing direct confrontation.

Tip 3: Log Milestones Like Your Next Meal Ticket

Document your work with timestamped photos, field reports, and joint sign-offs where possible. This can provide proof of "substantial completion" as defined by state law, laying groundwork for partial retainage releases.

If you are an early finishing trade, strongly consider seeking release based on your substantial completion instead of Project Substantial Completion. It's fair to ask for, and if the answer is no, make sure you have worked a cost into

your bid to put a price tag on having to wait for an extended period for your retainage.

Tip 4: Incorporate Retainage into Your Bids

Don't forget about retainage when bidding. Consider integrating a buffer (5-10% or whatever you feel you can justify) to account for anticipated cash flow disruptions. By planning for retainage from the start both here and in the schedule of values, you'll be better positioned to avoid panic during payment delays.

The obvious difficulty is walking the line between a competitive bid and pricing yourself out of work. Still, doing things like the above, and making your bid contingent on an agreeable retainage release clause, mutually agreeable contract terms, or other language that gives you a hook for the conversation can provide valuable leverage to secure reasonable concessions on this point without unduly compromising the competitiveness of your price.

Tip 5: Leverage Interest as Your Silent Enforcer

Most states, including Ohio, automatically apply penalties on overdue retainage. Ohio's is 18% per year, to be exact. Don't leave money on the table; track your upstream payments through public notices or gentle inquiries.

When you become eligible for a retainage release, promptly send a clear written notice referencing the contract terms and deadlines, and attach relevant milestone documentation. Many general contractors are averse to statutory interest accruing on late payments. They may be more willing to pay, particularly when it is clear that the Owner has released the retainage.

If you see those overdue amounts and aren't satisfied with the response you've received, invoice for the accrued interest yourself.

That'll get their attention.

Tip 6: Align with Trusted Allies for Bulk Insight

Engage with the ASA or your local chapters for invaluable resources like webinars, templates, negotiating tips and

insights on developing areas of the law in your state. Many members are willing to share their retainage experiences, giving you free education to navigate this landscape more effectively. If you know what owners or general contractors are known for fair terms and timely releases, you can prioritize bids with them and cultivate relationships built on trust and mutual benefit. Networking can help turn isolation into a strategic advantage.

Retainage isn't going away anytime soon as it's too closely tied to perceived risk allocation in construction contracts.

And while laws provide some protection on some projects, your habits are what elevate you above the fray. With leverage often in short supply, your best bet is thorough preparation and unwavering persistence. The subs who excel are those who document diligently, forecast thoughtfully, and maintain professional nudges throughout the process.

When disputes inevitably arise, that's the moment to call your legal counsel and enforce the strong foundation you've built. As regulations continue to evolve (a number of states, not just Ohio, have enacted substantive changes in the past 3-4 years to retainage statutes) being prepared and staying informed will serve you well.

Your cash flow deserves it, and so do you.

About the Author

Eric Travers, Esq., is a seasoned construction attorney at [Kegler Brown Hill + Ritter](#), bringing extensive experience in guiding contractors through complex legal challenges, including payment disputes, contract negotiations, and change order issues. Eric's practical, results-driven approach makes him a trusted advocate for construction businesses seeking to negotiate contracts and change orders, and fairly and efficiently navigate the intricacies of project disputes with his client's best interests in mind. Eric is also a recognized national speaker and author on construction law topics and has advocated for industry interests before the U.S. Supreme Court.

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Supply Chain Disruption Risk: Legal Perspective for Procurement Functions

by Jonathan Todd, Benesch



Geopolitics and supply chain risk have emerged as top concerns for Chief Legal Officers. These factors are shaping strategic plans and competitive advantage as well as day-to-day operations. Along the way, traditional approaches to the supply chain discipline are evolving in response to this time of great change. This article summarizes some of the changes taking place in supply chains, the top risk categories that are challenging supply chain professionals, and ways to help manage those risks going forward.

Historic Practices Under Threat

There is no one-size-fits-all supply chain, but there are a number of historic practices that were commonly deployed and are now under threat. The staggering breadth of product portfolios is no longer efficient leading

many companies to reduce the variance of raw inputs and volume of finished goods SKUs. Even product categories, service lines, and markets are being rationalized in some verticals with a renewed focus on core competencies and profitability. Inventory management is challenged by tariff burden, the loss of de minimis for low-value imports to the US, and inbound logistics disruption, leading to a trend of holding higher inventories closer

to the point of use. The “partnering” approach of selecting single-source suppliers is no longer viable for critical supply or in single non-US countries, leading to increases in supplier diversity.

Acute Supply Chain Management Risks

The ways in which threats manifest in supply chains all have one thing in common – irregularities against expectations. Certain occurrences are commonly suffered across supply chains regardless of industry or geography that prevent companies from performing as expected under normal operating conditions. The consequences of these occurrences impact the bottom line but also spread up and down the supply chain with a so-called bullwhip effect. Risk assessments and strategic

planning are two of the primary tools in the practitioner’s toolbox for anticipating these risks. Procurement practices, and active supplier or vendor management, are the tactical tools for managing risk together with strong contracting practices.

Compliance Variance Risk

Suppliers, service providers, or products may be found to fall out of compliance with applicable laws or regulations. Examples include recognition mid-relationship that items cannot be entered through US customs because of allegations that inputs were produced with forced labor. Recognition that a supplier or provider is, or has become, listed on denied parties lists or has become subject to sanctions program is another increasing challenge in this environment.

Cost Variance Risk

Increased costs to land products or fully receive a service is a unique type of financial risk. It does not prevent the purchase but it does challenge the commercial viability of continued procurement. Severe variance will destroy margins and, as we’ve seen recently, even challenge the financial viability of a company. Examples of this type of risk include the recent worldwide reciprocal and universal tariffs imposed on most imports. Landing product in the US became cost-prohibitive for many companies and forced negotiations or downstream notices. Significant challenges were also experienced by equipment or raw input suppliers who may have had lengthy production cycles for essential purchases that were, only in the end, subject to multi-million-dollar tariff exposure.

Availability Variance Risk

Product supply can be short and services may be unavailable which immediately impacts company production and sale. Examples include the inability for a supplier to deliver as contracted due to upstream raw materials constraints from cost or availability. Sometimes these variances have nothing to do with the quality of the supplier or service provider. The occurrences may be entirely outside the control of our contracting party such as force majeure events or acts of government authority. Still, the impacts can be significant particularly in operations with low safety stock.

Quality Variance Risk

Products or services that fail to meet industry quality expectations, or those agreed upon in purchase contracts, have immediate negative consequences for operations and customer experiences. Examples can range from failure to meet specified dimensional or color specifications or, in the extreme, failures in special conditions or handling that yield total loss. These variances essentially amount to a purchaser's failure to receive what was agreed upon for purchase, but the magnitude of impact (and availability of damages) can vary greatly depending on the particular type of variance, its circumstance, and contract terms.

Procurement Best Practices for Managing Risk

Supply chain disruption risks are sometimes unavoidable. Still, professionals can approach relationships in ways that prevent unforeseen risks as best as possible and that place companies in the best positions if those events arise. Three parts make up the best approach to managing risks: (1) proper preparation for going to market, (2) thoughtfully managing the bid process and supplier or vendor relationships afterward, and (3) negotiating appropriate contractual terms so expectations are clear along with the roadmap for the relationship.

Preparing to Go-To-Market

The first step to managing supply chain disruption risk is to gain a practical understanding of critical nodes in the supply chain. Many companies today are performing "supply chain mapping" to determine as best as possible the entire upstream value chain across companies and countries. This has become essential for companies with forced labor risk but it is also a valuable exercise for other complex supply chains. Doing so allows for risk assessments of key nodes and identification of where visibility, or documentation, for third-party operations may be low if not clearly risky. Risk-appropriate measures may then be implemented to address those known concerns.

Bid Processes and Supplier Management

Procurement teams then use these learnings when going to market for new goods and services. Risk assessments often yield specific RFP or RFQ questions, more discrete populations of potential suppliers, and tailored onboarding processes. These are all tools for supplier and provider due diligence, which is fundamental from a lawyer's perspective. High impact review points may have serious implications for whether a supplier moves forward in the process and how the relative risks among suppliers are weighted. Those meaningful points often include party screening against sanctions lists, determination of trade compliance risks for the country or region, sectoral compliance risks for the product or industry, maintenance of required licenses and permits, and more traditional financial diligence. Targeted written confirmation of diligence questions are often implemented as part of onboarding processes. Periodic certification can occur throughout the relationship life cycle.

Risk-Appropriate Contract Terms

Far too often teams will simply "dust off" contract terms when going to market. This risk environment necessitates thoughtfulness in contract

structures, ancillary documents such as Purchase Orders and Supplier Codes of Conduct, and every term used throughout those sets. Distinct terms can be used to reasonably address every identified risk. For example, appropriate compliance representations and warranties regarding goods or services are protective particularly when paired with indemnity for breach or third party claims. Creative payment structures, clarity around price inputs, and price or cost indexing can be valuable tools for managing price variance. Forecasting and clear force majeure provisions can help manage disruption due to availability variance. Drafting meaningful Service Level Agreements or Product Specifications, and tracking against Key Performance Indicators, will help actively manage quality variance and any claims. Supply chain management tools such as periodic management meetings, root cause analysis, and corrective action plans drive active supplier management. Damages provisions, including liquidated damages, can reduce disagreement over the appropriate remedy for variance.

Every supply chain is different, but clearly understanding risks and calmly deploying these approaches with an eyes-wide-open understanding of potential outcomes will position procurement teams to best avoid disruption and weather storms when they arise.

About the Author



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ASK A SAFETY EXPERT

Building a Safety Culture That Creates Real Value

by Mark Steinhofer, PhD, CSP, CHST, CUSP; Safety Management Group



Most construction organizations believe they take safety seriously. They have programs, procedures, and experienced people in place. Toolbox talks happen, training gets done, paperwork gets signed. And still, incidents happen.

When something goes wrong, the root cause is rarely missing rules. It is more often the gap between what the program

says and how the job actually unfolds when production pressure ramps up, weather changes, crews turn over, or the schedule starts slipping.

Strong safety performance isn't built in binders or checklists. It's built in the moments that matter; when work changes, pressure rises, shortcuts look easier, and people still choose to do the right thing, even when no one is looking.

Beyond Compliance: Where Safety Programs Commonly Break Down

If safety only lives in paperwork, it falls apart under pressure. Build it into how you plan and lead the job, and it starts running the work.

On paper, plenty of programs look sharp. Policies check the boxes, training

logs are full, dashboards are green. Then the work shifts, crews rotate, the schedule gets tight, and conditions start to change.

You see the gap when you ask simple questions. How does this apply to today's job? What changes when the scope moves or the crew turns over? When the answers scatter, the problem is not motivation. It is operational clarity.

Evaluating safety is not a paperwork review. It is seeing how safety shows up in planning, in effective safety huddles, in supervision, and in the decisions people make all day. It also means having honest conversations at every level about what works, what gets bypassed under pressure, and why.

When safety lives as a requirement, it sits outside the work. When it is built into how the job is planned and led, it starts guiding how the organization actually runs and creates a real culture.

Safety Culture Is the Result of How Safety Is Implemented

Safety culture is the result of running safety as an operating system, not as a program people are expected to remember.

Safety culture is not found in a poster or a pep talk. It is the proof that your system runs the work the right way, every day, even when outside factors get in the way. Strong systems do not rely on doing the job the same way every time. They help people adapt when conditions change.

The strongest teams run safety like an operating system that sets direction at the top, supports supervisors in the field, turns training into real reps, builds hazard control into job planning, and uses learning to tighten the system after the work is done.

When the system is fragmented, performance degrades as pressure builds. When it is aligned, safety becomes more stable, repeatable, and resilient in real-world conditions.

Training Alone Is Not Enough

Training gets you started. Coaching and real reps are what make it hold up when the job changes.

Training matters, and videos and one-time orientations play an important role in setting expectations and creating a baseline. They give people a common starting point and a shared language before the work begins. What makes training hold up in the field is what comes next: coaching, real reps, and reinforcement when the job changes.

Strong organizations treat training as the starting point of a learning system. Expectations are reinforced through



coaching, real conversations, and scenarios tied to the work at hand. Learning does not stop after orientation. It continues as conditions change, crews rotate, and new risks show up.

This approach takes pressure off memory and helps people make better decisions when the job does not go exactly as planned.

Supervisors Are the System in Action

If people do not understand the why, the rule will not survive real work, and supervisors feel that first.

People want to know why safety expectations exist. When the reason behind a control or procedure is not clear, it does not hold up very long in the field.

Explaining the why helps workers connect safety to their own well being and to getting the job done right. It also supports better judgment when conditions change and the plan does not fit perfectly.

Zero injuries may be the goal, but experienced leaders know not all risk can be eliminated. What matters is whether risks are identified early, talked through, and reduced through planning and execution rather than dealt with after something goes wrong.

Teaching the Why Builds Better Judgment

Teach the why by tying controls to real risk, talking it through before the job starts, and coaching adjustments as conditions change.

People want to understand why safety expectations exist. When the reasoning behind controls and procedures is unclear, compliance becomes fragile.

Explaining why expectations exist helps workers connect safety to their own well being and to the success of the work. It also supports better

judgment when conditions change and procedures do not perfectly fit the situation.

Measuring the Health of the System

Don't wait on injury rates. Watch the reps: plan it, talk risk, speak up, tighten up. When those are strong, the system is working.

Injury rates tell you what already happened. They do not tell you how well the job is being set up or how close you might be to the next problem.

If you want to know whether your safety system is working, look at how the work is planned, how often crews are talking about risk before the job starts, and whether people are comfortable speaking up when something does not feel right. Pay attention to what happens after those conversations. If lessons learned actually change how the next job is run, the system is doing its job long before an incident forces the issue.

Where Safety Culture Actually Lives

Safety isn't extra work. It's how good work gets done.

A safety culture with real value shows up when the job gets stressful and the clock is working against you. It shows up in the decisions people make when the plan changes, not just in how well policies read in a conference room.

You see it when supervisors are given the tools and support to lead safety instead of being blamed after something goes wrong. You see it when teams talk about what almost happened and adjust the work, not just when an incident forces the conversation.

That kind of culture is not built with slogans or binders. It is built by running safety the same way you run the job. When safety is built into planning, supervision, and follow-through, it

guides decisions before problems show up. That is how work stays controlled, crews stay confident, and people go home safe at the end of the day.

About the Author

Mark Steinhofer, PhD, CSP, CHST, CUSP—Director of HSE Special Services, Safety Management Group



Dr. Mark Steinhofer is a nationally recognized expert in environmental, health, and safety leadership with more than 20 years of experience across construction, utility, pharmaceutical, and manufacturing environments. He provides executive level safety consulting, leads safety culture and leadership initiatives, and serves as an expert witness in regulatory and incident related cases. Dr. Steinhofer is a frequent keynote speaker and published author focused on aligning safety strategy with real world execution.

About Safety Management Group

Safety Management Group (SMG) has partnered with construction and industrial organizations to strengthen safety performance through leadership engagement, integrated safety systems, and practical field based solutions for over 35 years. With over 325 dedicated EHS professionals and deep experience supporting complex projects and multi employer worksites, SMG helps clients move beyond compliance to build safety operating systems that hold up when conditions change.



Is Your Procurement Strategy Ready for the Next Supply Chain Shock?

by Doug Reitz – Maxim Consulting Group

Key Questions in Procurement

Procurement is more than purchasing. It is the act of building a stable path through uncertainty. The leadership mindset gets you out of the weeds and asks three questions:

1. Where are we?
2. Where do we want to be?
3. What must we build to get there?

These three questions are part of the “Listen. Plan. Build” process I outline in my book *BUILD: A Blueprint for Constructing Success in Leadership and Life*. When we approach procurement with intentional systems—early planning, diversified options, transparent information, flexible contracts, and strong relationships—we build a system that can absorb shocks rather than collapse under them.

In a world where disruptions are inevitable, the real question is not whether your procurement team can avoid the next shock. The real question is: have you built a procurement strategy capable of withstanding it?

Where We Are

Lead times have improved, but unpredictability continues to ripple across projects. While the crisis may no longer dominate the news cycle, its aftershocks continue to shape bids, schedules, and day-to-day field operations. Global logistics remain unstable due to geopolitical conflict, tariffs, and capacity constraints. These issues show up on projects as delayed transformers, extended lead times for mechanical equipment, and uncertainty around specialty materials that rely on

overseas manufacturing.

Compounding the issue is a national labor shortage affecting manufacturers, transportation providers, distributors, and contractors alike. When labor is constrained across the entire supply chain, delays compound quickly and unpredictably.

For leaders, this is not a time to relax, it is a moment to reset expectations with your team. When disruption becomes normal, procurement must be treated as a strategic discipline rather than an administrative function. Builders who anticipate risk, plan deliberately, and build resilient systems will consistently outperform those who rely on optimism and last-minute problem solving.

Where We Want to Be

Inconsistency is the only consistent thing in construction. Your job is to mitigate those inconsistencies by leading your team, and your team includes more than you might think. It is the client, design team, general contractor, trade contractors, agencies, inspectors and more. They all have an impact on your project. Submittal approvals, color selections, testing, coordination and communication affect the project schedule. Now you might be thinking: “How can I lead a project when I am not in charge of all of those entities?” The truth is you can lead from anywhere in the chain of command. You must build trust, relationships, and accountability.

While inconsistencies will still remain, please consider the advice that Patrick Lencioni discussed in his book “The Advantage”; You can’t predict but you can prepare. You can prepare systems for your team, the right mindset, communication strategies,

documentation techniques, and visual aids to give your team the best chance for mitigating the uncertainties.

LISTEN – PLAN – BUILD.

The BUILD philosophy applies directly to procurement. Builders must clearly understand where they are, identify the gaps between today’s conditions and tomorrow’s needs, and deliberately construct systems that allow the project to move forward despite uncertainty. Procurement is not about reacting to problems after they occur, it is about building foresight into the process. Using the “Listen. Plan. Build” process will help bring consistency to your team.

Listen · Plan · Build is a leadership and problem-solving framework rooted in the construction process. It is the deliberate practice of first listening to understand the situation and perspectives involved, then planning a clear and shared path forward, and finally building the solution together.

- Listen - Establishes understanding. It requires stepping back, gathering information, and hearing all perspectives to clearly define the real problem—not just the symptoms.
- Plan - Establishes direction. Planning turns understanding into a roadmap by identifying where you are, where you want to go, and what must be built to bridge the gap.
- Build - Establishes momentum. Building is the act of execution—constructing solutions, relationships, trust, and results through coordinated effort. It is where plans become reality and progress is made incrementally over time.

Together, Listen · Plan · Build is not

a one-time sequence but a repeatable process that leaders use to solve problems, gain buy-in, align teams, and move projects and people forward in a sustainable way.

What We Need to Build

There are four key areas that you can implement today to have the greatest impact on your projects.

1. Know your lead times
2. Confirm contracts are executed
3. Include alternate manufacturers
4. Mark up your CPM Schedule with lead times

Lead Times

Effective procurement begins early, during preconstruction, by gathering information on long-lead materials and equipment and integrating those procurement milestones directly into the CPM schedule. Communicate early and often with your team about the lead times to confirm nothing has changed. Having the lead times noted on the schedule will provide a visual aid for reference. Treating procurement activities with the same importance as physical construction activities creates visibility and accountability long before material shortages impact the project.

Contracts

Be sure your contracts are in place quickly. From the prime contract to the trade contracts, nothing can proceed until they have been executed. Whether you are a trade contractor, a prime contractor or a supplier, logging all your contracts and purchase orders and tracking them weekly with dates will keep you in the leadership role. Knowing where you are and following through will make you an effective leader and you will have a successful project.

Alternate Manufacturers

Relying on a single manufacturer or distributor creates unnecessary exposure. You must vet alternates

early, understand geographic risks, and suggest flexibility in specifications so you are better positioned to adapt when disruptions occur. You can discuss this with the client and the design team in preconstruction. If you are in a hard bid situation, be transparent with the team and discuss alternative manufacturers early in the project including time and cost implications.

A Practical Visual for the Field Team

For the field team, procurement challenges usually appear as missing materials, late deliveries, or trade partners arriving unprepared. With the daily demands of meetings, inspections, coordination, and issue resolution, procurement must be simple, visible, and actionable. One of the most effective tools available to the field is placing the CPM schedule directly on the wall.

Beyond showing activities, the wall schedule should visually identify procurement milestones. Pins or markers can be used to highlight submittal deadlines, the latest date materials must be ordered, and critical delivery windows. These visual cues allow the team to quickly confirm whether procurement is on track and identify risks before they turn into delays.

Daily huddles should include a brief review of both the CPM schedule and the look-ahead schedule. During these huddles, team members should be assigned responsibility to follow up with trade partners at key intervals—three weeks, one week, and two days before each trade is scheduled to be on site. These follow-ups confirm that materials are ordered, labor is available, and the jobsite is truly ready.

When Things Don't Go as Planned

The Four Mindsets of a Builder

Solve the Problem. A builder focuses on solving the problem, not assigning blame. This mindset requires putting

the issue on the table, understanding its root cause, and working collaboratively toward a solution.

Focus on What You Can Do. Builders concentrate on the actions within their control. Instead of waiting for others to change or for perfect conditions, they ask, "What can I do right now to move this forward?"

Always Be Curious. Curiosity keeps builders learning. Rather than assuming they already have the answer, builders ask questions, seek input, and remain open to new perspectives.

Always Improve Your Situation. Builders are committed to continuous improvement. They view setbacks as opportunities to learn and make incremental progress. Whether improving a process, a relationship, or their own leadership skills, builders focus on leaving the situation better than they found it.

Conclusion

Whether you are proactive or facing a challenge, implementing key processes will help you lead through adversity. Your mind set combined with the systems we just discussed will set you apart from all of the rest.

I challenge you to be a builder: Build trust, relationships, systems and accountability. When you do, it will lead to the success of your team and your project.

About the Author

Doug Reitz is a Director with Maxim Consulting Group, where he works with contractors across the country to strengthen leadership, operations, and project execution. He is the author of BUILD: A Blueprint for Constructing Success in Leadership and Life and has spent more than three decades leading construction teams and building projects throughout Central California. Doug is also an owner of a construction company in Central California and brings a practical, builder-focused mindset to every aspect of the industry—from the jobsite to the boardroom.



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Guarding Against Supply Chain Disruption: Strategic Procurement and Inventory Tactics

by Mason Brady, Brady CFO



The year 2020 served as a stark reminder that supply chain disruptions can happen without warning. For subcontractors, these disruptions can quickly escalate from a minor inconvenience to a severe threat to project timelines and profitability. By implementing strategic procurement and inventory management tactics, you can fortify your business against the next unforeseen crisis.

Strategic Procurement: Building a Resilient Supply Chain

A proactive procurement strategy is your first line of defense. It starts with a rigorous, data-driven assessment of your material needs and extends into deep collaboration with your suppliers.

Needs Assessment: Know Your Materials

A needs assessment helps you understand not just what you need, but how critical and difficult each item is to source.

- **Analyze Your Work:** Compile a comprehensive list of materials used in past jobs, current projects, and open bids/specs. Group similar items into aggregate batches to keep the list manageable.
- **Rank by Risk:** Rank every material on two critical criteria:
 - **Difficulty in Sourcing:** Past and present challenges in acquiring the material.
 - **Demand Volume:** The level of quantity you require.
- **Determine Focus:** Your main focus should be on materials ranked with High Demand and High Difficulty in

Sourcing. Surprisingly, you should also pay close attention to Low Demand and High Difficulty items. These are often specialty products that many suppliers do not prioritize, which can create disproportionately large bottlenecks for your business.

Planning and Partnership with Suppliers

Once your material ranking is complete, use this insight to collaborate with your supply partners.

- **Prioritize Discussion:** Discuss your high-risk material priorities (high demand/high difficulty and low demand/high difficulty) with both current and alternative suppliers. Seek their insights on their own sourcing and inventory strategies. If they aren't willing to be transparent and share insights, it might mean they don't have a strong plan/system in place, which

should concern you. On the other hand, you want to really understand your potential risk. For example, you would want to understand if the wholesalers you buy from all procure their supply from the same single source. That would represent a significant risk concentration you want to manage.

- **Understand Their Needs:** Ask your suppliers what they require from you—the customer—to efficiently and accurately fulfill your orders. Develop an internal plan to meet these communication needs, and establish a series of recurring check-in meetings to troubleshoot issues and identify successes.
- **Identify Shared Risks:** Gain insight into which materials your suppliers are also struggling to source. If these align with your needs, develop a contingency plan, such as submitting orders earlier or, if you have the capability, maintaining a small buffer stock of these critical items in-house.

Tactical Tips for Contractors

For sustained stability, diversify your supplier relationships and formalize your bidding process.

- **Maintain Three Suppliers at Minimum:** It is best practice to regularly maintain a relationship with three suppliers for any particular material or supply. This ensures diversification of supply in the event of a major disruption.
- **Formalize Bids and Negotiate:** Whenever possible, have your suppliers submit formal bids or proposals. Use these to negotiate your final pricing. Remember, a price listed on a website or price sheet is often not the final price available. Logistics, volume, and long-term partnership are all factors open to negotiation. As Wayne Gretzky is often quoted, “You miss 100% of the shots you don’t take!”—so ask for better pricing.
- **Concentrate the Majority of Business:** Select one supplier to receive the majority of your business. This high volume incentivizes them to provide superior service and makes you a priority client.

- **Keep Minority Accounts Active:** Procure smaller, minority items from your two alternative suppliers. This is not just about price; it’s about validating their service—how they accept Purchase Orders, handle logistics, communicate, and invoice. Crucially, this keeps your account active with them. During a critical supply chain disruption, most suppliers only service active customers to protect existing relationships, making an active account an invaluable asset for rapid recovery.

Relationship Management Considerations

While business is conducted with people and relationships matter deeply, this relational approach must be balanced with developing your own robust disruption plan.

- **Honor Relationships, but Be Vigilant:** Many contractors place significant trust in a single supplier to avoid damaging the relationship, only to be disrupted when that supplier makes difficult business decisions. Honor partners who go above and beyond, and seek to give your business to those who can meet your needs today and in the future.
- **Develop Your Own Contingency:** Be aware that suppliers, despite their best intentions, are making business and strategic decisions that may impact your supply. I have witnessed scenarios where a materials supplier went bankrupt or a vendor ceased working with entire business models, forcing subcontractors into desperate, poor negotiation positions.
- **Assess and Adjust:** Honor your past and current relationships, but continually assess if they can reasonably meet your needs going forward. Do not pay above-market prices merely to honor a past relationship. Additional value that commands a premium must be based on a current value proposition—superior service, better logistics, or inventory management with minimal stock-outs.

Inventory Management: Strategic Stock vs. Overhead Cost

Considering a small stock of high-demand items is a logical step after a thorough material review, but this is only recommended if you have existing, robust inventory management systems in place.

- **The Cost of Inventory:** Inventory management is a high-cost function. You must account for the overhead of ordering, counting, tracking, and issuing materials. Furthermore, consider shrink (loss/damage), transportation, logistics, and the security required to guard your stock.
- **The 10% Rule of Thumb:** It is reasonable to assume that the cost of all associated overhead (the hidden costs of holding inventory) is, on average, a minimum of 10% of the cost of the goods themselves.
- **The Strategic Question:** If you procure \$20 million in supplies, the additional cost of managing a buffer inventory could be \$2 million. You must seriously weigh the question: Is this additional cost worth it versus maintaining a highly refined, strategic procurement and multi-supplier strategy? For many, the strategic procurement path offers a higher return on investment and a more agile defense against disruption than building a costly, in-house warehousing system.

By combining proactive strategic procurement, multi-source supplier tactics, and a realistic assessment of inventory costs, subcontractors can minimize risk and ensure continuous operation even when the supply chain is under stress.

About the Author

*Mason Brady is the Founder and President of **Brady CFO**, a Fractional CFO practice specializing with construction businesses. Brady CFO works with construction business owners to optimize their accounting, develop strategic growth plans, forecast and secure needed cash flow, and build long-term equity value. Mason is the proud husband to Giovanna, and 3x girl dad to Olivia, Giovanna, and Grace.*



Discipline and the Science of Resource Allocation An examination in how to return to profitability

by Gregg Schoppman, FMI Corp

Construction demonstrates the ultimate in extreme comparisons. Gluttony or starvation. For what seems like the better part of the last 10-15 years – minus a short COVID holiday – the industry has seen unbridled growth in just about every sector. Construction organizations seem to have no shortage of opportunities and revenue growth often resembles a runaway train, accelerating ever northward. Reflecting on previous recessionary times not only creates a sickening feeling in the pit of most leaders' stomachs, but also seems to have an air of non-strategic desperation. Simultaneously, industry leaders have constantly opined about the lack of talent, in that the industry is facing. For over 40 years, there have been countless studies that describe the overall lack of tradespeople, supervision and management personnel. Coupled with a relatively low nationwide unemployment rate across the board, there is a perfect recipe for the classic construction industry deficit. Anecdotally, just about every construction leader has had that moment of exasperation when trying to find the right person for their next project. "Great, we have the project but who is

going to run it?"

There are also many correlations that show how a sharp increase in volume often has a deleterious effect on profitability. For instance, consider the following case study that provides a broad framework of year over year growth when compared with profitability (Figure 1). The situation illustrated is extremely common in today's world. An organization grows as opportunities arrive across the estimating desk. Clients are flush with capital expenditure dollars and often supply construction organizations – general contractor and trade contractor alike – with more than enough opportunities to keep them fed. However, the "governor switch" for many construction firms is the ability to staff projects with the appropriate level of supervision as well as craftspeople. An interesting phenomenon occurs at this point. Many contractors will begin to price discriminate by increasing their bids, almost to deter a client from a project. There is the common belief that if one is honest with a client about capabilities (or lack thereof), there may not be a future opportunity. "If we say no

to them today, they will remove us from their bid lists. Plus, we've been chasing (INSERT CLIENT HERE) for X years..."

However, the deterrent fails, leaving the contractor with the dubious challenge of building more, with less resources.

However, it is a bit myopic to examine this case by only looking at the lost profitability. Figure 2 on the following page represents another illustration of how the firm had addressed the management personnel ranks. The organization managed to grow in lockstep, to a point. The team grew as projects were added. As with any case study, there is the story behind the story. More importantly, it is important to note that this organization did not have a codified set of parameters with which to govern the management and supervision of projects. Put another way, new team members were added as "free agents", bringing whatever set of best practices they utilized at their previous employer rather than the Brand X Operational Way. Sure, they had the newer software programs but there was hardly a consistent approach to how those tools were utilized. Additionally, the screening of new personnel was viewed through a lens of "Right Fit Now" versus "Right Fit for the Long-Term." Using a sports analogy, personnel are inserted regardless of capabilities, with a "next person up" mentality.

One important delineation is that a sport's team more than likely has depth. In professional football there is more than likely two other quarterbacks, representing the back-up and possible junior understudy. Comparatively, construction organizations – particularly the representative firm in our example – have zero bench strength. Of course, the first argument is that a professional sports team has a substantial payroll boost compared to most construction organizations, which would be a fair

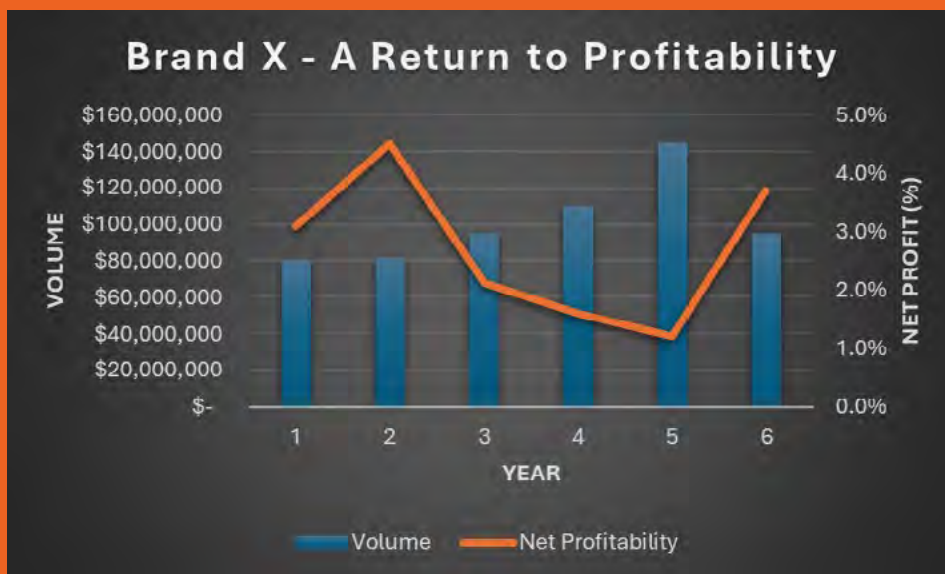


Figure 1

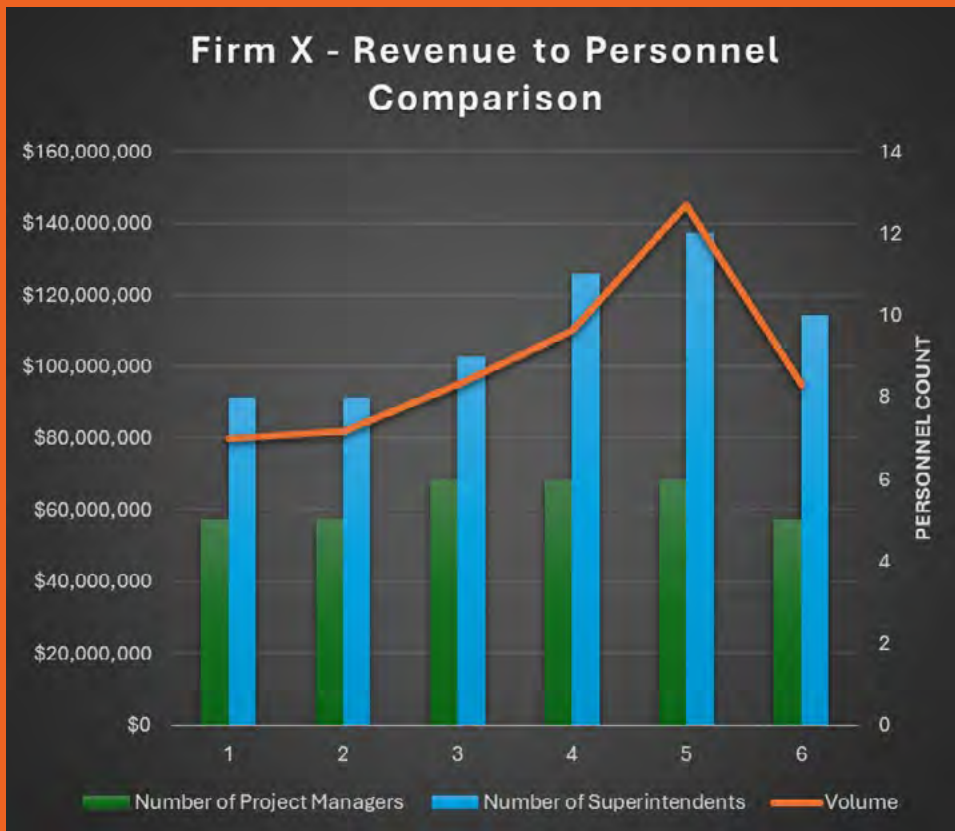


Figure 2

characterization. Additionally, there are most likely support team members that are helping the supervision and management, in the form of project engineers, foremen and assistants. The firm in this case did have a small group of newer team members. However, it is important to note that this junior corps was also hired reactively and immediately dropped on site to fulfill project needs. Consequently, their internal attrition on personnel was high, exacerbating a fragile personnel situation. Some of the common quotes that were used to describe the current state at the firm are as follows:

- "If we lose (INSERT PERSON HERE), we are in trouble. They were going to run (INSERT PROJECT HERE)."
- "Everyone you work with does it slightly differently, which creates a challenge when we have to shift personnel around. You'll spend half your time re-learning project management 101 with your manager or superintendent."
- "We throw people to the fire/wolves/ deep end of the pool. Throwing them into the fire doesn't seem right but we have no choice."
- "Our client loves (INSERT PERSON

HERE). Unfortunately, we are worried that (INSERT PERSON HERE) is a flight risk. When they leave, so does that revenue."

Phrases like this are commonplace and they always have to be taken into context of the number of mentions. Simply put, if the organization is not focused on creating a stable environment for its most critical asset, it is simply building on a fragile house of cards. On the other hand, there is a strong argument about how this organization has approached its strategic growth.

For example, consider the following arguments:

- Build internally and then grow – In a classic case of "the tail wagging the dog," the case study demonstrates a willingness to add volume then add staff, reactively. Comparatively, what if the firm created a willingness to absorb cost, or at least spread that cost of additional personnel over a longer period of time. For instance, personnel are added with the intention to grow and the development of those individuals is put first. Put another way, which might be a better long-

term solution – recognizing the cost of a project manager (\$100,000) over time while consciously developing that individual or having a new associate parachuted in that could make a costly mistake with a project or critical client, possibly accounting for over \$100,000 in expenses? There are certainly no guarantees. There are definitely situations where free agency has benefited a firm. However, there is also a high probability that that misdirected wrong hire will end up costing the firm, with little or nothing to show for it.

- Create discipline around decision making - What if the organization is built with discipline? For instance, what if the "growth decisions" were predicated on a series of analytical tools that weighed factors such as current backlog, current staffing, profitability probability, etc. Go-No Go decision making is not meant to become the only mechanism on which a firm decides to chase opportunities. However, providing a fact-based decision making that accounts for internal variables, will provide a mechanism to grow profitably. Will certain clients or project owners be disappointed that a firm opts out? Most definitely. However, they will also express gratitude for not meeting expectations or causing undue stress in the long-term.
- Build the correct firm-wide model of operations – It is imperative that the firm has a consistent and proactive operational model. This is not to be confused by "personalities" or "management styles" but rather a methodology around preconstruction strategy, resource utilization, change order management structure, financial acumen, project execution at the conclusion of projects, etc. One of the best ways to determine where a firm stands, is to ask the team these questions – "How many different meeting agendas do we have for (INSERT MEETING HERE)?" If you hear, "Well, it depends on who you work with..." it is likely time to consider refining the Operational Playbook.
- Build institutional training and rigor – There has to be a system to introduce and train the "Brand X Way of Doing Things" and there must be discipline around managing that system to drive firm-wide adoption. This is not only to

create internal accountability but also create a vehicle to “catch people doing things correctly.” For instance, firms that create effective on-boarding that is longer a single day are more likely to create buy-in to the institutional model, creating long-term success.

Ultimately, one great question that every leader should ask themselves is this– if you hired a new team member today, would they simply represent a new project that your firm could take on or do they represent future bench strength? Put another way, does that posting on social media for a new superintendent backfill an already depleted roster? Many firms are running a deficit rather than creating an internal surplus of talent.

Consider the example within the case study. Let’s say that in the last year – the year where they regained profitability – there was an internal movement towards the aforementioned disciple. Rather than add volume, the firm strategically committed to both less volume and greater operational discipline. This approach had several benefits that were realized:

- Quality NOT Quantity – Rather than chasing every opportunity, they increased the profitability of the right opportunities.
- Risk Profile – Making less money on more volume is a risky proposition. In a business that is regarded as one of the riskiest industries in the world, making more money on less volume is the only strategic decision.

- The Brand X Way – By establishing a replicable model this organization was able to identify the right “levers of success”, enabling greater control on their projects. Rather than paper whipping
- Magnet for Talent – Rather than succumbing to the churn of bodies, Brand X was able to reestablish itself within its market as a top employer. Much better than the people mill it had previously become associated with.
- Client Loyalty – No client likes to be told “no” but this organization was able to creatively sell themselves better for the long-term opportunities rather than resemble a bobblehead doll, accepting everything that came their way, only to under perform.

Finally, the case study simply examined the impact of management and supervisory personnel on overall profitability. What if this was to also include a component of self-performing labor? For instance, what if each superintendent was also responsible for 3-5 foremen that may lead crews of labor or fleets of equipment? This provides an added level of complexity that is illustrated in Figure 3.v

As the firm’s revenue increased over the six-year span, there was a precipitous drop in overall productivity across the major labor codes that this firm utilizes. Many organizations would have discounted this as being an estimating error or contributed the decline to some external factor like the weather

or permitting. There are often plenty of reasons that must be accounted for but the best summation is an anecdotal example within the organization. A project was bid at an astounding 51% gross margin! The primary factor for the high bid-day margin was the lack of resources to complete the work – there were no crews on staff. Fast forwarding to the conclusion of the project, the final gross margin was 11.2% with an overhead of 9.5%. The 40%+ write down would end up being attributed to crew shuffling, lack of adequate supervision focus, zero planning, and an inherent belief that they had “enough padding” in their bid. However, what if a catastrophic accident had occurred, all to make a meager 1.5 net margin? Was it worth it then? Additionally, what was the impact to customer confidence and satisfaction as they constantly saw underwhelming performance day in, day out?

Certainly, a crystal ball would make this easy. If every firm knew what their revenue would be and if the market participated as planned, this is an easy endeavor in strategic planning and forecasting. However, returning to profitability may mean a return to realism in strategy, marketing, talent development and operations. Creating bench strength is more than simply having one extra manager on deck. Rather it is a strategic push to develop the correct foundation to build successfully for the long haul.

About the Author

As a principal with FMI, Gregg specializes in the areas of productivity and project management. He also leads FMI's project management consulting practice. He has completed complex and sophisticated construction projects in several different niches and geographics markets. He has also worked as a construction manager and managed direct labor. FMI is a unique and fast-growing firm of professionals passionate about creating a better future for engineering and construction, infrastructure and the built environment throughout North America and around the world. For more information on FMI, please visit www.fminet.com or contact Gregg by email at gschoppman@fminet.com.

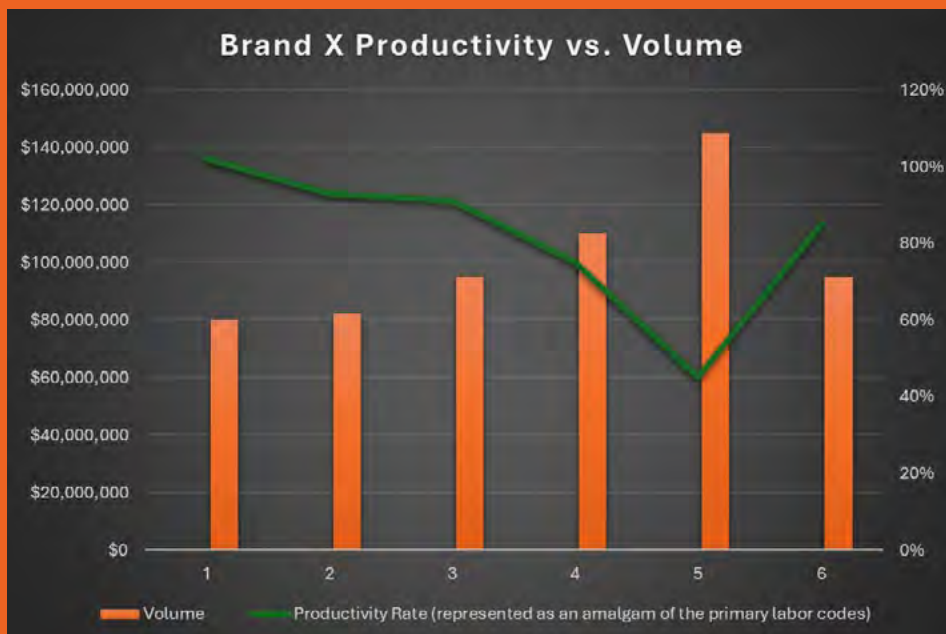


Figure 3



U.S. Construction Trends for 2026: A Market of Shifts, Not a Simple “Up or Down”

by Mary Klett, ASA Communications Team

U.S. construction in 2026 is shaping up as a year of rebalancing. Activity is not disappearing so much as moving—away from some traditional commercial categories and toward power-hungry, infrastructure-linked work like data centers, energy, and select public projects. Contractors and subcontractors that track where demand is concentrating—and tighten procurement and labor strategy—will be best positioned to protect margins.

Demand concentrates in “power + digital + infrastructure”

Multiple indicators point to continued strength in planning and backlog, even as sentiment becomes more cautious. Dodge Construction Network’s [Dodge Momentum Index](#)—a leading indicator tied to nonresidential planning—rose 7% in December and was up 37% in 2025 vs. 2024, signaling a healthier pipeline than many firms felt during parts of 2025.

Where is that work showing up? Industry surveys and forecasts consistently highlight data centers and power-related construction as standout categories. AGC’s 2026 outlook notes surging demand expectations for data centers and power facilities even as overall expectations “dampen” across other segments. External forecasts echo that concentration: ENR reports FMI expectations that data center construction remains a major growth driver into 2026 (albeit with a slower growth rate than the prior surge).

This concentration has real downstream impacts on subcontractors: more work tied to electrical, mechanical, controls, commissioning, and civil/site packages—and more schedule pressure from long-lead equipment (more on that below).

Nonresidential buildings stay sluggish, even if “megaprojects” grab headlines

While certain sectors are booming, the broader nonresidential building outlook remains modest. The AIA Consensus Construction Forecast projects nonresidential building spending growth to remain low, with overall spending on nonresidential buildings increasing only around 2% in 2026 (nominal, not inflation-adjusted).

That does not mean “no work”—it means more selective bidding environments, with tougher competition in slower categories like traditional office and some commercial interiors, and stronger pricing leverage where specialized capacity is constrained.

Labor remains the limiting factor—and it’s not just craft

Labor constraints continue to be structural, not seasonal. [ABC estimates](#) the industry will need to attract almost 500,000 new workers in 2026 to meet demand.

AGC’s survey results reinforce the point from the employer side: 63% of firms expect to add headcount in 2026, yet 82% report difficulty filling hourly craft positions and 80% report difficulty filling salaried openings.

For subcontractors, this shows up as wage pressure, productivity variability, and “capacity triage”—choosing which jobs to pursue based on crews, foremen depth, and the availability of critical specialties (e.g., electrical power distribution, controls, high-voltage work, piping, and niche fabrication).

Pricing and contracting keep evolving: more uncertainty clauses, more scrutiny

Even as inflation pressures have moderated from the 2021–2023 peak, pricing uncertainty is still a defining theme—especially where policy, tariffs, and domestic-content requirements affect inputs. AGC reports that roughly 70% of firms were impacted by tariffs, with many responding by raising bid prices or adding price-sharing terms, and some accelerating purchases to reduce exposure.

Owners, meanwhile, remain sensitive to financing and budget risk. In AGC’s survey, 63% of respondents report an owner postponed or canceled a project in the prior six months, commonly citing funding uncertainty and expensive financing.

Expect continued emphasis on tighter buyout, clearer escalation language, and more disciplined scope definition—especially on fast-track jobs.

Supply chain concerns: “better than 2022” but still a schedule risk in critical packages

Supply chains are no longer broadly broken, but they are uneven—and that’s what makes them dangerous. AGC reports that 45% of firms saw no supply-chain issues in 2025, yet many still changed behavior: 41% accelerated purchases after winning contracts, 29% used alternative suppliers, and 24% specified alternative materials or products.

The [biggest pain points](#) are exactly where 2026 demand is concentrating: electrical equipment (switchgear, transformers, generators, controls), plus

HVAC/mechanical systems (chillers, air handlers, controls, insulation). Industry reporting also continues to document long lead times in power/electrical gear (e.g., switchgear and transformer categories), reinforcing why early procurement and approved-equals strategies matter.

For procurement strategy in 2026, the practical playbook looks like:

- Bid with real lead-time logic, not optimistic placeholders—especially for gear that gates energization and commissioning.
- Front-load submittals and approvals, and negotiate release terms that let you buy early without taking unmanageable risk.

- Use alternates and pre-approved substitutions where specs allow, and push clarity on domestic-content requirements that may lengthen lead times.

Technology adoption accelerates, mainly for estimating and office workflows

2026 is also a year where tech becomes less optional. [AGC reports](#) 61% of firms use AI or plan to increase investment in it, with notable use in office/admin functions and estimating.

The immediate trend isn't robots on jobsites—it's faster precon cycles, tighter

takeoffs, improved document control, and more consistent risk review.

What this means for subcontractors in 2026

Expect a market where winners are defined by discipline: disciplined backlog selection, disciplined procurement schedules, and disciplined contract language. The opportunities are real—especially in data centers, power, and infrastructure-adjacent work—but so are the traps: long-lead equipment, labor scarcity, and tight commissioning dates. Build your year around capacity, not optimism, and treat supply chain planning as a core production activity, not an afterthought.





UPCOMING WEBINARS

Economic Construction Sector Outlook

Tuesday, February 10, 2026
(12:00 PM - 1:00 PM) (EST)

Register [here](#).

Maximizing tax savings is a critical challenge for contractors and subcontractors operating under the OBBBA. Overlooked opportunities such as R&D tax credits and the 179D energy-efficient commercial building deduction can have a substantial impact on profitability and competitiveness. Many construction professionals, including design-build MEP contractors and specialty trades, may not realize how much of their daily work qualifies for

these incentives.

This session will demystify the IRS's broad definition of "research" and clarify how activities like custom design, process improvement, and material testing can qualify for R&D credits. We'll also break down the essentials of 179D, showing how energy-efficient building projects can unlock additional tax benefits. After this webinar, you will be able to:

- Identify which construction activities may qualify for R&D tax credits and 179D deductions.
- Understand the financial impact of leveraging these tax incentives on your projects and business performance.
- Communicate the value of these opportunities to internal and external stakeholders.

- Outline practical steps to document and claim R&D and 179D benefits within your organization.

Presented By: Wesley Veigle, CPA – Director, Boyer & Ritter

Wes Veigle is a Director at Boyer & Ritter and a key member of the firm's Construction and Real Estate practice group. He supervises and conducts audits for construction companies and closely held businesses, oversees day-to-day engagement operations, and develops effective work plans to deliver clear outcomes. Wes also advises clients on tax-saving strategies and compliance—bringing practical, field-tested insights that help contractors improve financial performance and capture available incentives.

National Family Business Forum (NFBF)

Tuesday, February 24, 2026
(1:00 PM - 2:00 PM) (EST)

Register [here](#).

Peer to Peer exchange discussing what Management Leadership Structure Preparation Vs Ownership every business needs to go to in preparation for succession and/or sale.

Getting the business ready.

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*shipping costs saved by ASA members with UPS in 2023










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