A Case Study on the Capacity and Competitiveness of Small-Sized Contractors in the Central-Coast Region of California

Abstract

Small-sized construction firms throughout California compete under unique market conditions. Using the perspectives of two companies, one that recently grew into a medium sized company and one that is small-sized, this case study aims to identify forces impacting small-sized contractors’ abilities to compete on the Central Coast. According to the outlooks of each company, competition between existing companies, the threat of new arrivals, the cost of labor and rate of growth influence competitiveness most significantly. These forces rely significantly on the companies’ preexisting relationships, the level of process differentiation, the number of firms in a market, ability to control fixed costs, reputation, and resources.

Small-Sized Business Standards

Methodology

The threat of new arrivals
- Contributing factors: 
  - Economies of scale
  - Government regulation
  - Capital investment requirements
  - Relation between existing business entity and users/clients

Suppliers’ bargaining power
- Contributing factors: 
  - Cost difference between alternative suppliers

Clients’ bargaining power
- Contributing factors: 
  - Cost difference between alternative contractors

Competition between existing companies
- Contributing factors: 
  - Number of competitors
  - Exit barriers
  - Process differentiation

Substitute of product or service
- Contributing factors: 
  - Additional forces

Additional forces
- Contributing factors: 
  - Shift of fixed costs to variable costs

Results & Discussion

High Impact
- The cost of labor (SCI)
- Competition between existing companies
- Rate of growth (MPMI)

Moderate Impact
- Threat of new arrivals

Low Impact
- Suppliers’ bargaining power
- Clients’ bargaining power

Little to No Impact
- Substitute of product or service

Conclusion

Lev Garcia | lgarci89@calpoly.edu