

Las Vegas Commercial Contractors' Mitigation Techniques for Inflationary Impacts

The construction industry in particular has experienced a decrease in already slim margins due to a plethora of inflationary related factors. Employers have had difficulty affording increased labor rates to accommodate higher costs of living, ultimately leading to a labor shortage in many areas. Supply chain issues are a product of this labor shortage, as well as the rising price of fuel and unpredictable global trade. This has led to dramatically increased lead times which poses major supply chain management issues for project management teams. Construction professionals, whether general contractors or subcontractors, must address these issues if their company is to remain profitable. In this study, three commercial general contractors and three commercial subcontractors from Las Vegas have been interviewed to examine how their target markets have been impacted by inflation and their implemented techniques to mitigate those challenges. Each interview was conducted in semi-structured fashion with each question addressed throughout the session. The results (degree of depth in technique) from each interview demonstrate an overall objective success as each company has maintained profitable margins and balanced employee retainment.

Key Words: construction inflation, mitigation techniques, labor shortage, lead times, supply chain management

RESULTS

Team Based
communicating, negotiating, relationship formation

Tool Based



Full-Time Employment *employee ownership
Early Procurement
Reducing contract acceptance date
Avoiding riskier projects (scope and financing)
Early trade integration = greater synchronicity + reduces risk of project stalling

TEAM BASED STRATEGIES



TOOL BASED STRATEGIES



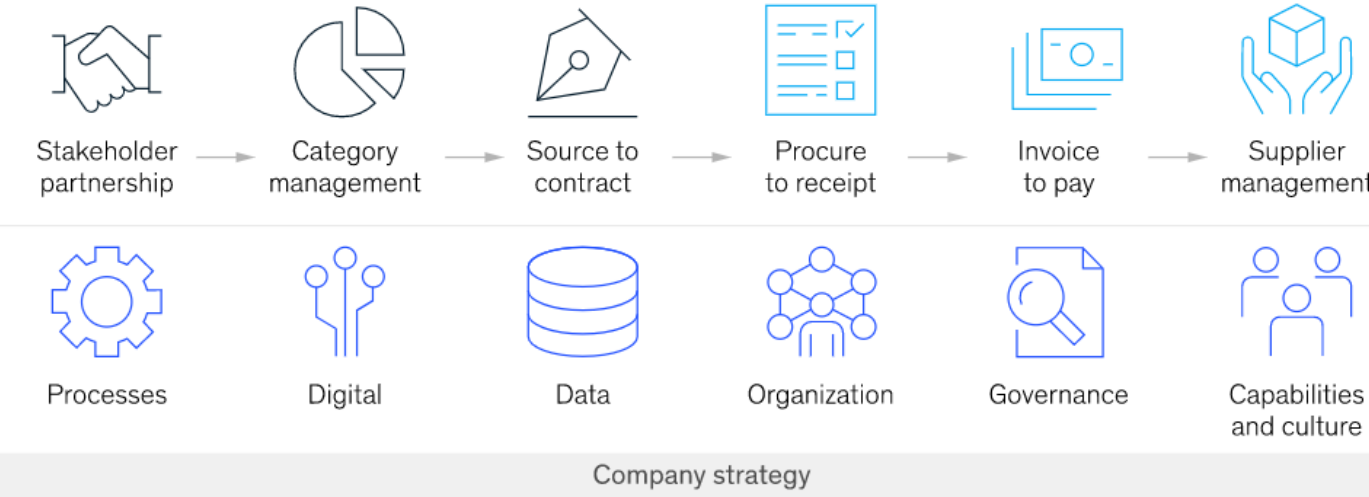
Top procurement organizations have an end-to-end operating model focused on three sources of value.

6 strategy-based enablers to support value in procurement

Value creation through partnership with the business in identifying and executing commercial, demand, and specification levers and through supplier collaboration and innovation

Value preservation through implementation of buying channels to drive compliance and eliminate leakage and through proactive management of supplier performance

Value enablement through deployment of a next-generation operating model comprising 6 enablers



- *Keep your friends close.* Companies can identify which suppliers are their true strategic partners. The best incumbent suppliers will continue to collaborate.
- *Waste not, want not.* Reducing waste helps companies get through short-term challenges. Moving inventory and consumption control to top of mind is critical and can help over the long term as well.
- *Share and share alike.* Raw-material prices affect both buyers and suppliers. Each party is interested in incentives, creating real opportunities to create win-win outcomes.
- *Increase value by design.* The time is right to revisit value engineering and design to value. Changes to material costs can change business cases and offer the largest savings.
- *Plan for the long term.* Suppliers want to plan ahead. They value long-term commitments and are willing to give something in exchange.