



TECHNOLOGY

Don't waste a good recession

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SUMMARY

Leading economist Anirban Basu says recessions can be opportunities. He advises contractors to prepare by watching for signs like government spending and company backlogs. Using technology and planning ahead are key to surviving and thriving during tough times.

Look into the construction crystal ball with leading economist, Anirban Basu

Anirban Basu isn't psychic nor does he own a crystal ball. However, some may consider the knowledge he possesses close to having a sixth sense. After he earned exceptional college test scores in micro and macroeconomics, he learned he had a knack for helping organizations make better business decisions by using his knowledge in economics. He has been recognized on two occasions as one of Maryland's 50 most influential people and named one of Baltimore region's 20 most powerful business leaders. Basu is the current CEO of [Sage Policy Group, Inc.](#) and teaches global strategy at John Hopkins University. We are pleased he took time out of his busy schedule to share his expertise during one of our recent podcast episodes, [Construction Economics and the State of the Industry](#). What did we learn from Basu and his economics ESP?

'Never waste a good recession'

Having the ability to predict an economic downturn can help contractors manage cash and [make appropriate decisions during a recession](#). Whereas many businesses panic when a downturn hits, Basu noted that companies that are prepared can not only ride out the storm, but benefit from that preparation by knowing how to map out an effective business plan. "I never waste a good recession," he said.

There are broad indicators that can help predict where the construction industry is headed. For instance, besides assessing the global and national economy, research your state and local government spending plans. These plans can help determine how much money is being spent on infrastructure. Limited spending may signal an upcoming, slow economy. Also, looking at the architecture building index or local building plans can shed some light —an abundance of plans could mean a lavish economy in the future. What else? Look at your organization's back log. Is there enough work to sustain your company during tough times? How will a recession impact projects or contractual obligations? All three indicators can help predict the

economic state of the industry and help you manage cash flow if a potential downturn is detected.

Technology to the rescue

From robots to artificial intelligence to cloud-based construction software, technology will help construction organizations complete jobs faster and help move companies in the right direction before, during and after a recession. Technology is already helping combat the construction labor shortage, which has been the construction industry's most pressing concern in the past decade. According to Basu, "the construction industry added approximately 280,000 new workers, [but] it's hard to predict how reliable they are and how long they will stay in the industry.

That's a big challenge in combination with delivering construction services with confidence."

Thanks to advances in construction technology, the labor shortage gap is beginning to close as automated workflows, robotics, in-house production and more are reducing the need for skilled workers in certain areas. Basu noted these technologies help architects, engineers and project managers remove bottle necks and work quickly and more efficiently. Bottom line: most construction jobs are completed by humans, but there aren't enough humans to complete construction projects. Technology will need to step in and help.

Basu believes part of the labor shortage in the construction industry has to do with the lack of millennials entering the industry. Why? More options are available. Millennials and younger generations are entering computer sciences, retail and hospitality, etc. Jobs that have flexible schedules and teleworking options are appealing to millennials as well — schedules that are often not available in the construction industry. But as contractors become more technology savvy and show they can be tech innovators, more younger professionals could gravitate back. It's up to the industry, however, to tell its technology story and appeal to these younger, more tech-inclined workers.

What should contractors do to prepare?

For contractors that want to set themselves up to successfully ride out the next recession, Basu has some advice: Don't make any "unforced errors." In 2005, he noted, many people purchased million dollar homes. They took cash out of their businesses instead of investing in their organization. All of a sudden, when they needed money in 2009, their home wasn't worth nearly as much four years later.

Ask yourself a very important question: If there was a recession tomorrow, what would my enterprise look like? Would I own any equipment? What would I keep? Are there enough jobs lined up or contractual work in place to keep operations fluid? Does your company have the right people in the right positions? Do I have proper technology in place to maximize efficiencies and cut costs? It makes sense to ask and answer these questions now in order to be prepared.

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