

# 5 challenges every small construction business needs to watch out for

Before investing significant resources into a new construction venture, it's important to consider some of the common challenges in the industry. According to Roelof van den Berg, CEO of the Gap Infrastructure Corporation, thorough planning can prevent these obstacles from becoming significant barriers on the path to success.



Roelof van den Berg, CEO of the Gap Infrastructure Corporation

These are his top five challenges that small businesses and entrepreneurs in construction should watch out for:

## 1. Forecasting and budgeting

Calculating total project costs, including labour, materials and equipment, is a monumental task for any construction company, but is especially difficult for novices in the construction industry to perform correctly.

Risk tends to scale up and increase in line with the scope of the project, making it particularly easy to underestimate material quantities during the planning and budgeting phases.

“The solution is to appoint a skilled project manager who is adept at calculating and setting up material lists and who strictly regulates store levels throughout,” says Van den Berg.

“Ultimately, the three most important Ps in the construction industry are planning, planning and planning. Spending time and money on planning is the key to a successful project.”

## 2. Project location

Newer contractors rarely make additional consideration for where a project is located and what issues the site may pose. However, not all projects will be ideally located in or near a city, close to suppliers, subcontractors or the necessary labourers and workforce.

It is therefore important to do research before accepting a contract. Is the worksite easily accessible or will you need to budget for additional transport costs for machinery, material, and workers located far from the site?

“This has been the downfall of various projects in South Africa, especially those projects in rural areas which are not close to cities and suppliers. Material prices can easily double in price due to transport costs,” he says.

“Make sure that suppliers know the exact destination before submitting their quotations.”



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## 3. Supply-chain instability

Global events caused serious supply chain disruptions throughout 2022, resulting in higher prices and difficulties in sourcing the right materials and equipment.

“The global supply chain should correct itself later in 2023,” says Van den Berg. “But until then, new contractors should consider how any material shortages will affect their workflow and be ready to seek out alternatives.

“There is always an alternative solution in the construction industry. Focus on remaining resilient when facing a supply chain challenge – if you keep searching for a solution, you will find one.”

## 4. Onsite security

Worksites are especially attractive targets for criminals and vandals at night. Construction sites are filled with expensive tools, machinery, and materials, and extra steps should be taken to improve security.

It's therefore crucial to appoint trustworthy security officers or a security company to patrol worksites after hours. Additionally, care should be taken to securely store and lock up expensive equipment that cannot be removed from the site every day.

“Even one security incident could be the cause of your entire project failing. Prioritising security and allocating the necessary funding to your security bill will pay off in the long run.”

## 5. Don't quit attitude

More than 90% of new construction companies in South Africa fail within the first 24 months. Most of these have the

relevant skills and resources to make it work, but lack resilience and a 'don't quit' attitude, notes Van den Berg.

"The construction industry is not a walk in the park. Those who have the resilience to withstand the strong winds are those who succeed," he says.

"Always remember that in the construction industry, a better tomorrow is just one certificate away."

As the industry picks up steam again, 2023 will be rich with opportunities for new construction companies. Small businesses are sure to achieve some success provided they take care, performing the necessary risk management in order to overcome any challenges and provide high quality work to clients, says Van den Berg.

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