

WHITE PAPER

DUCKER  CARLISLE

Solving the Productivity Problem:

A Blueprint for Growth in Manufacturing and Construction



Introduction

US labor productivity growth has slowed dramatically since the early 2010s and has declined outright in the US manufacturing sector over the same period. In the US Construction sector, the situation is even more acute, with persistent labor productivity decline spanning decades.

For companies serving the manufacturing and/or construction sectors, a critical question emerges: *Can you help your customers be more productive?* Can you add measurable value to the overall productivity of your ecosystem and ultimately be rewarded for that value creation?

While no individual company can single-handedly reverse a persistent macroeconomic trend, if you stand out as a “productivity enhancer” for your customers and your industry, you will win market share, grow revenues, and expand profits.

The Productivity Problem

Broad Economic Context

The overall US nonfarm business sector has experienced significant labor productivity slowdown since 2010:

- 1988–2010: Labor productivity grew 2.4% annually
- 2010–2023: Annual growth rate slowed to 1.3%, a 46% reduction in growth rate

See Figure 1 below:

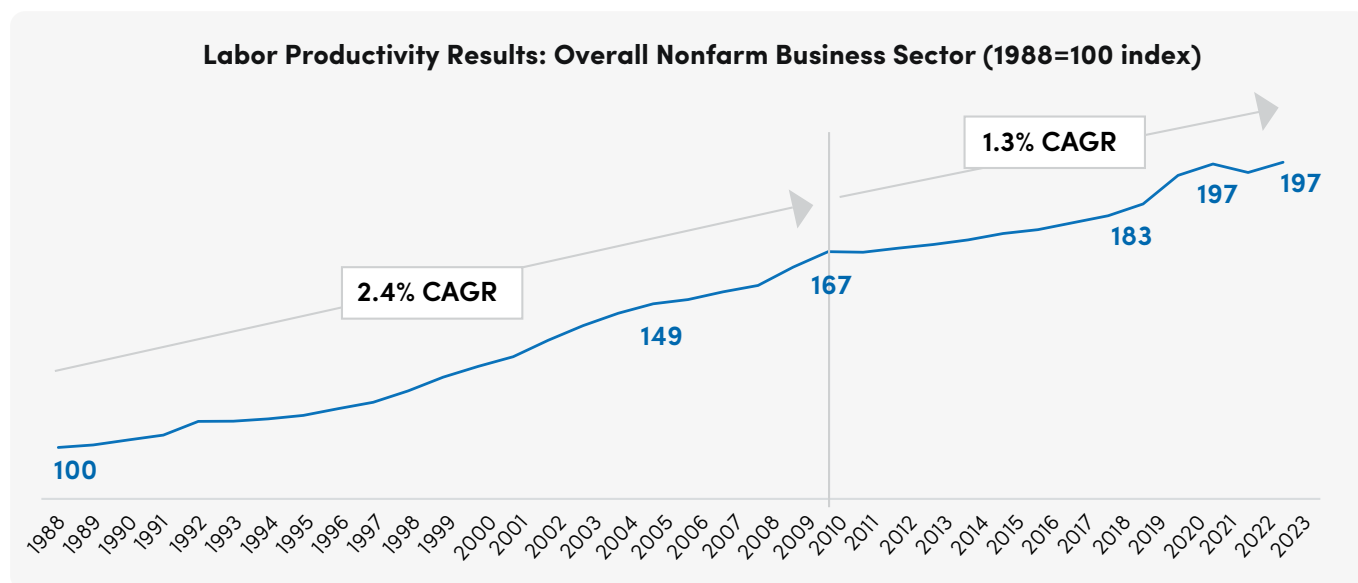




Figure 1: Labor Productivity for US Nonfarm Business Sector
(Source: US Bureau of Labor Statistics)

Manufacturing & Construction: The Crisis Deepens

The situation is more dire in manufacturing and disastrous in construction:

Sector	Productivity Change	Time Period
 Manufacturing	-4.7% decline	Since 2013 (10 years)
 Construction	-10.4% decline	Since 1988 (35 years)

See figure 2 below:

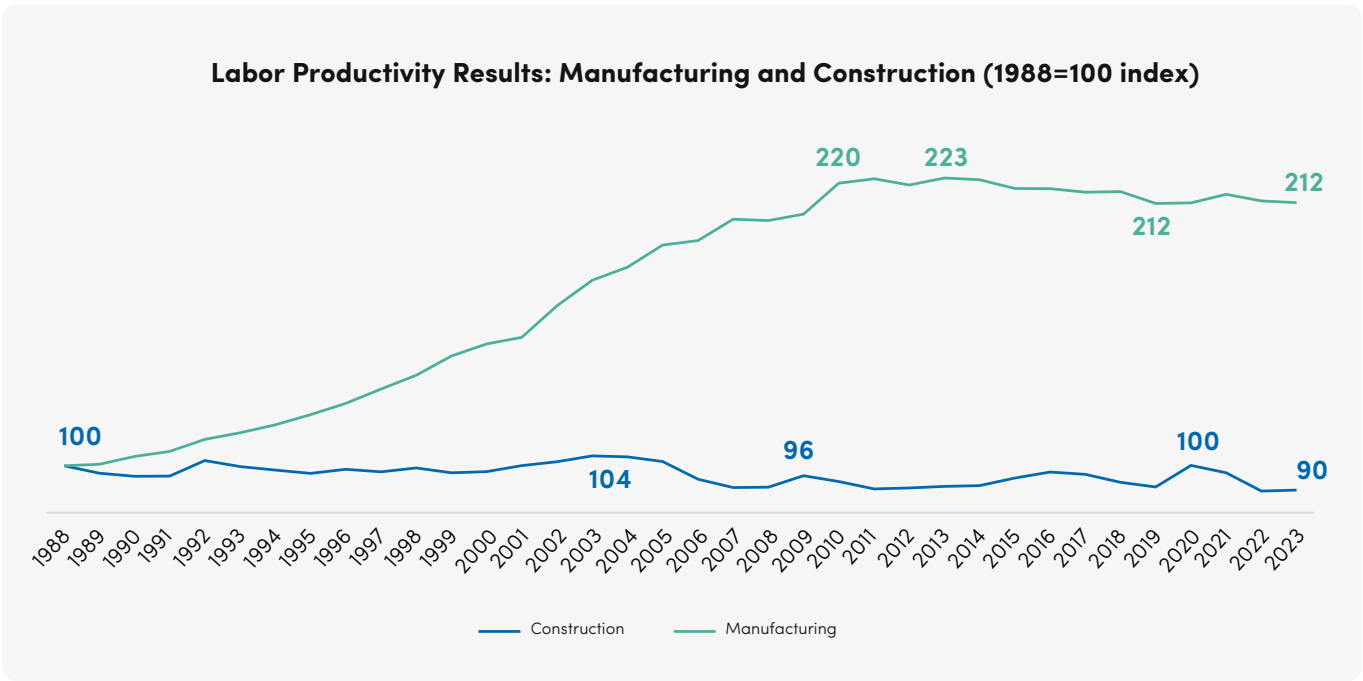


Figure 2: US Labor Productivity in Manufacturing and Construction
(Source: US Bureau of Labor Statistics)

Root Causes: Why Is Productivity Declining?

Table 1: Drivers of US Manufacturing Labor Productivity Decline












Driver		Impact
	Skilled labor shortage	Difficulty finding qualified workers slows production
	Supply chain disruptions	Material delays create idle time and inefficiency
	Regulatory compliance burden	Increased administrative overhead diverts resources
	Aging workforce	Knowledge transfer gaps and reduced physical capacity
	Technology adoption lag	Slower implementation of automation and digital tools

Table 2: Drivers of US Construction Labor Productivity Decline

Driver		Impact
	Chronic skilled labor shortage	Projects delayed; inexperienced workers reduce efficiency
	Fragmented industry structure	Poor coordination across multiple stakeholders
	Low technology adoption	Persistent reliance on manual processes
	Project complexity increase	More sophisticated buildings require more coordination
	Regulatory requirements	Permitting, inspections, and compliance slow timelines
	Weather and site conditions	Unpredictable delays compound scheduling challenges

The Opportunity: Benefits of Becoming a Productivity Enhancer

Why should your business invest in enhancing customer productivity?

Direct Financial Benefits:



Premium Pricing: Reducing labor requirements in customer processes provides substantial cost savings, value for which you can charge a premium, thereby increasing revenue and profit margins



Market Share Growth: As your business proves its ability to enhance productivity, you will win more business from current customers and attract new prospects



Customer Retention: Customers who realize measurable productivity gains become sticky, loyal partners



Competitive Differentiation: In commoditizing markets, productivity enhancement creates defensible competitive advantage



The Approach: 4 Steps to Partner with Customers and Create Value

There is likely nothing an individual company can do to stem or reverse the macroeconomic drivers of declining labor productivity. However, if your company serves the manufacturing and/or construction industries, you can help your customers and the overall ecosystem, realize higher productivity.

There are 4 actionable steps to partner with your customers, improve productivity, and create mutual value:

	Action Required:	Key Questions:
<div>Step 1</div> <div>Understand Your Customers' Business Processes</div>	<ul style="list-style-type: none">• Develop a comprehensive understanding of how your customers operate, execute critical processes, and create value for their customers• Map where your offering integrates into their critical processes• Conduct detailed value stream mapping for your key customer segments	<ul style="list-style-type: none">• Where does your product or service plug into your customers' operations?• How does your offering help them create value downstream?• What metrics do they use to manage their business?
<div>Step 2</div> <div>Identify Critical Customer Productivity Challenges</div>	<ul style="list-style-type: none">• With full understanding of customer processes, identify bottlenecks or challenges that limit effectiveness and productivity• Establish close partnerships and open conversations to uncover their pain points• Look beyond your immediate transaction to understand the full customer journey	<ul style="list-style-type: none">• Where are the inefficiencies in their operations?• What keeps your customer's operations manager awake at night?• How might these challenges be overcome?

Step 3

Determine If/How You Can Address Productivity Challenges

Action Required:

- Synthesize your understanding of customer processes, pain points, and integration points
- Honestly assess whether your company's processes are causing bottlenecks or issues for customers
- Identify services you could provide that would address customer challenges, improve productivity, and create tangible value

Key Questions:

- Are we part of the problem or part of the solution?
- What services could we provide to take problems off customers' plates?
- Can we quantify the value we could create?

Step 4

Implement Processes and/or Services to Enhance Productivity

- Determine which new or refined processes/services are most impactful and create the most value
- Quantify the value provided to customers (time saved, cost reduced, errors eliminated)
- Communicate this newly created value to ensure customers understand the advantage
- Expect and demand enhanced compensation for this value, sharing the surplus with customers

Key Principle: Value created = Value captured (shared)

Case Study – Shifting from Product Differentiation to Productivity Enhancer

The Challenge

A manufacturer of building products traditionally competed on product quality and durability – boasting products that would last “over a million cycles”. While important, this differentiation had eroded as competitors closed the gap; quality and reliability became the minimum expectations, not differentiators.

The Complex Customer Chain Problem

Building products face exceptionally complex customer chains with myriad pathways from manufacturer to final installation. (See Figure 3 below)

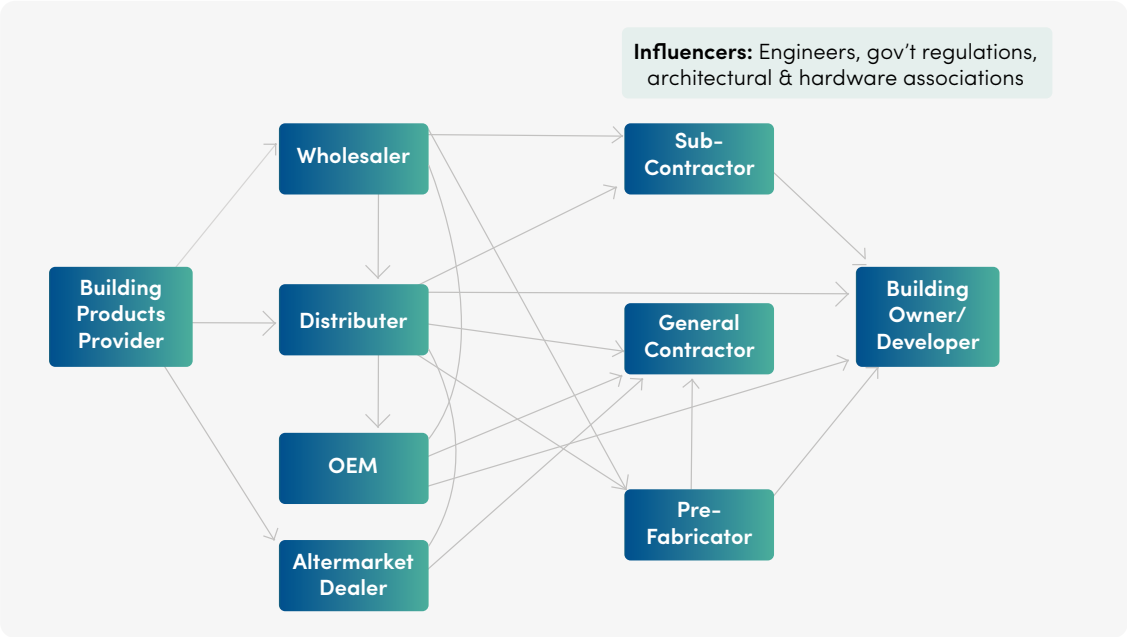


Figure 3: Example customer chain pathways by which building products ultimately arrive at and are installed in a completed building

Given the many entities involved – developers, architects, general contractors, distributors and installers, there are ample opportunities for inefficiencies. When these entities are poorly coordinated, the result is:

Mistakes and miscommunication

Delays and rework

Project failures

Increased costs that erode profit pools across the entire customer chain

The Customer-Centric Discovery Process

The company took a customer-centric approach, developing robust understanding of business processes and productivity challenges across the entire customer chain. They put themselves in customers’ shoes, thinking like an operator and manager of their customers’ businesses.

Representative customer feedback revealed critical pain points:

	Productivity Impact
<p>Building/Property Developer</p> <p><i>“What I see is a lot of inefficiency in the communication we use. There’s a lot of lobbing Requests for Information (RFIs) and refining questions. If we didn’t have entire project stakeholder meetings each Wednesday, then nothing would ever get done. These RFIs occur throughout the project, and there are tons of different ones we continually must react to.”</i></p>	<p><i>Weekly coordination meetings consuming 4-8 hours of senior team time; constant RFI firefighting</i></p>
<p>General Contractor</p> <p><i>“Sometimes we end up with a door and too many parts or lacking parts. We had an 8-hour meeting on a project to go through one portion of the project. The meeting required the entire design and engineering team to be in the office. We spent \$10k for a meeting that the design team should have taken care of upfront. Working with different specifiers, I have seen the same issue from project to project. I run into this problem on 9 out of 10 big projects that I do. One of the first things I need is door frames, but I can’t get the schedule to get them ordered properly.”</i></p>	<p><i>\$10,000 emergency meetings; 90% of major projects experience specification/ordering problems; critical path delays</i></p>
<p>Distributor</p> <p><i>“It would be helpful to offer expertise in helping distribution with pre-installation assembly “flow” if requested. Meaning a manufacturer has great expertise in the “assembly line” approach in the production of a finished product. As the model evolves for the distributor to provide finished assemblies to the jobsite, collaboration between the manufacturer and distributor in setting up their shop for the efficient movement of components to complete a finished product will be helpful.”</i></p>	<p><i>Inefficient assembly processes at distributor level; missed opportunity for value-added services</i></p>

The Strategic Pivot: Repositioning as a Productivity Partner

The company realized the key differentiation opportunity was to help improve productivity for customers and their customers’ customers. They would become a partner facilitating the timely, successful delivery of construction projects.

New Value Proposition: “We enhance productivity across your construction project ecosystem”

Two Concrete Solutions Implemented



Solution 1: Cloud-Based Collaboration Ecosystem

- Developed a cloud-based platform where construction project team members collaborate on specification, design, and construction issues for the company’s products
- Provides a centralized place to capture, maintain, and verify product requirements and decisions
- Offers easy options to push information back to design tools being used on the project

Measurable Impact

- Reduced RFI cycles and emergency coordination meetings
- Eliminated specification errors before they reached the jobsite
- Improved communication across fragmented stakeholder groups



Solution 2: Distributor Kitting Program

- Partnered with distributors to “kit” products installed together
- Previously: Different brands and hardware types shipped separately with separate invoices: *creating unpacking and inventory chaos on jobsites*
- Now: Consolidated kits with items sequenced in installation order

- Reduced installation time by simplifying unpacking and sequencing
- Eliminated missing parts problems
- Reduced jobsite confusion and errors

The Results

The company enhanced productivity for customers in areas where they could have direct impact:

- ✓ **More consistent, open communication across project stakeholders**
- ✓ **Reduced errors and rework**
- ✓ **Simpler, less time-consuming installation on jobsites**
- ✓ **Positioned as a strategic partner, not just a product supplier**

Business Impact: The company successfully differentiated in a commoditizing market, commanded premium pricing for value-added services, and increased customer loyalty.



Conclusion

As you consider ways to address the productivity challenge, ask yourself these critical questions:

01

When was the last time you put yourself in your customers' shoes?

Or your customers' customers shoes?

02

Does your company fully understand your customers' processes and challenges?

Do you know the metrics they use to manage and drive their business?

03

Are you able to identify ways you can create value by helping customers enhance productivity in their processes or operations?

It is time to be less in-ward looking and consider:

- The challenges customers face downstream from your offering
- How your company may be limiting their productivity
- How you can help enhance productivity

The Opportunity Is Real

There are likely a multitude of opportunities for those serving complex B2B building, construction, and industrial markets to create value by helping customers enhance productivity.

The companies that act now will:

- Differentiate in commoditizing markets
- Command premium pricing
- Win market share
- Build lasting customer partnerships
- Create defensible competitive advantage



The question is not whether productivity enhancement is important, the data proves it is critical. The question is: Will your company lead or follow?



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