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Construction Industry Sector Analysis

## Introduction

The construction industry sector has played a great role in the life of man since history. In addition, the sector has contributed to various developments across the world including economic and social developments. The construction industry sector involves a collaboration of different enterprises to cover the broad spectrum of construction projects ranging from skilled human personnel, supply of building materials and machines to perform the process of construction (Statista 2014). This paper focuses on the construction industry sector analysis including the historical development, the performance in different market cycle, challenges and future projection made.

The construction industry encompasses the building of various structures and infrastructures in a number of sectors including commercial, residential, transportation, defense, and environmental and energy. All the construction projects are planned, designed, coordinated, and supervised by competent and trained personnel and managers. Globally, the leading companies in the sector include the China's CRCC, the France's Vinci, and the Spain ACS Group. The clients for the sector include the federal, state, and local government for heavy construction, as well as individual developers. Globally, the largest geographic markets for heavy construction are located in the Middle East, North America, Europe, and the Asia/pacific regions (Statista 2014).

The historical development of the construction industry dates back during the early days of man's civilization, particularly when people started developing the ability to build crude structures for use by other valuable things. Consequently, this gave way for skilled artisans who began trading their services for their construction work. In the past two centuries, the construction industry has rapidly evolved due to technological advances following the industrial revolution and rapid global population growth. Between the late 18th and the early of 19th centuries, the construction industry took another direction with the establishment of factories, resulting to the improvement in metal working. In addition, architectural advancements also improved with various development of structural design for the sector. As a result, the use of machines replaced the work previously done by people during construction, as well as rapidly increasing the rate at which the building construction could be completed (Roughneck 2010).

Compared to the previous construction industry, the construction industry was more labor intensive and expensive than the recent and modern construction industry. The rise of construction industries led to the creation of new and cheaper building materials such as concrete and steel, which are essential for use in any construction project due to their strength and durability. Steel has enabled interior strength while the concrete has provided the exterior support among the large-scale building projects. After the World War II, the construction sector advanced following the creation of

American interstate highway and outskirts due to rising demand for housing, thus that easing accessibilities between the cities (Roughneck 2010).

The performance of the construction industry in different markets depends on spending on construction-management services, which is cyclical across the globe. Different countries and regions encounter distinct economic situations at different periods of the year including the economic recession and inflation. Therefore, many clients of the construction industry sector often increase the investment, especially during the middle and late stages of an economic recession of the country or the region whereas they reduce on the spending during economic downturns. Similarly, the governments spend heavily on infrastructure and heavy construction projects when the countries are undergoing the recession period in order to stimulate economic recoveries (Antonson 2014).

Most of the companies within this sector often compete for management contracts across the globe. However, the forms of construction contracts vary depending on every stage of the business cycle. During the early stages of an economic upsurge, the rising demand in the transportation sector consequently increases the country's spending on construction in infrastructure. Additionally, as the country's economic recovery progresses, the commercial businesses begin to invest on construction for expansion. At the late stage of the business cycle, the commodity and energy price rise, increasing the spending on energy exploration and mining. As a result, the existence of the business cycle within the construction industry sector enables the most diverse construction companies to produce steady revenue and revenue throughout the year (Antonson 2014).

In the recent years, the construction industry has experienced a stunted growth due to the global economic down downturn. As the market and business of home building continued to grow over time, the sector suffered huge losses during the early 21st century, especially due to the collapse of home market loans that led to millions of defaulted loans. Similarly, the global economic downturns have to the increase in prices for building raw materials that have led to reduced investments within the construction industry by clients hence generation of low income. Moreover, the global rise in many construction companies have served as barriers for entry by several companies in the market, especially in heavy construction due to the intensive capital funding needed and complexity in construction projects (Antonson 2014).

However, the industry is slowly in the process of recovering and increase once again in the near future. Most of the construction companies have made progress to share the intensive capital funding, as well as reduce the complexities of constructions projects venturing in various markets through mergers and acquisitions (M &A). The M&A deals have offered diversification through a wider service base, resulting to improved market-end, increased geographical coverage and maintained a favorable competitive position. Besides, most companies have focused on proper management of long-term constructions projects in order to reduce the heavy debt burdens. As a result, this has allowed these companies to predict and manage the cash flow and earnings through a business cycle (Antonson 2014).

### **Conclusion**

The construction industry has played a vital role in the developments of any country through various construction projects. The global rapid growth of the human population and Industrial Revolution of the 19th century marked the beginning for the sector improvement, especially creation of

construction machines and building raw materials. Consequently, the labor costs reduced while the rate of completing construction projects increased. However, the global economic downturn has led to stunted growth of the sector due to huge debts, as well as increased prices on building materials and construction machines. In future, the construction industry may improve through further advance in technology, acquisition and mergers, proper management, and leadership. As a result, this would enhance the construction companies to operate through the business cycle hence realizing constant generation of cash flow during both economic upsurge and recession.

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