Commercial insight

The Growth Trap

Why Winning More Work Can Squeeze Your Margins

For most contractors, a stronger order book should mean a stronger business. Increasingly it does not. As demands for evidence and reporting rise, the overhead attached to each new contract can grow faster than the margin it brings. This briefing explains the growth trap, and why the traditional response makes it worse.

Aldbry Intelligence Briefing

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AT A GLANCE

- The hours spent proving work was done correctly are rising, while the hours doing the work stay flat (Construction News, 2026).
- A firm that wins more work usually needs more people managing the paperwork behind it, unless how that paperwork is handled changes (Construction News, 2026).
- The UK needs more than 251,500 additional construction workers by 2029 (CITB). Hiring to absorb admin means competing for people the whole industry is short of.

The paradox of a full order book

In most industries, growth brings operating leverage. Fixed costs are spread across more revenue and margins improve. Construction often experiences the reverse. A contractor can win a significant new package, grow turnover and still finish the year with thinner margins than before.

The reason is structural. Every new contract arrives with its own documentation obligation: prequalification, RAMS and method statements, inspection and quality records, subcontractor compliance, progress reporting, NEC4 administration and handover information. That obligation scales with the volume of work. Revenue rises, overhead rises with it, and the margin that growth was meant to deliver is quietly absorbed.

The evidence burden is rising

The pressure is intensifying. Construction News reported in 2026 that as tier-one contractors demand more detailed evidence, more frequent reporting and tighter audit trails, the hours spent proving work was done correctly are rising even as the hours doing the work stay flat.

> A firm that wins more work usually needs more people managing the paperwork behind it, unless how that paperwork is handled changes.
>
> Source: Construction News, 2026

The drivers are durable. Clients and principal contractors carry greater accountability for what they build, and the Building Safety Act 2022 has raised expectations of the record, particularly on higher-risk buildings. Those expectations flow down the supply chain.

For mid-tier contractors and specialist subcontractors, these requirements are set upstream and are not negotiable. A firm cannot decline to evidence its work. It can only decide how efficiently that evidence is produced. That single choice increasingly separates the firms whose margins grow with their order book from those whose margins shrink.

How the trap closes

The growth trap rarely announces itself. It builds through a sequence most directors will recognise.

A new contract is won.

The tender succeeds and the order book strengthens. The bid assumed a margin based on the cost of delivery.

The admin arrives before the revenue.

Onboarding, RAMS, reporting schedules and compliance evidence land at mobilisation, well before the work generates meaningful income.

Existing managers absorb it.

Project and site managers stretch to cover. Industry productivity research already puts direct supervision at only around 35% of a site manager's time, and that share comes under further pressure.

Oversight and records slip.

Reporting falls behind, records become harder to rely on, and the risk of rework and disputes rises.

The firm hires to relieve the pressure.

New coordinators and administrators are brought in. Overhead is now permanently higher, and the margin on the new work is thinner than the bid assumed.

Then the next contract is won, and the cycle repeats at a larger scale.

Why hiring is not a sustainable answer

Recruitment is the instinctive response, and sometimes it is the right one. As a structural answer to the evidence burden, it fails on three counts.

The labour market will not support it. CITB projects that the UK will require more than 251,500 additional construction workers by 2029 to meet demand, against a backdrop of a major skills shortage. Every hire made to manage paperwork competes in the same constrained market as the firm's delivery roles.

251,500+

Additional construction workers the UK will require by 2029 to meet demand

Source: CITB

It adds fixed cost to a variable pipeline. Construction workload moves with tender success and client spending. Administrative headcount does not flex down easily when a framework slows.

It scales the process as it stands. A new coordinator inherits the same manual workflow, the same retyping and the same chasing. The firm has added capacity, but the cost of compliance attached to each contract is unchanged. Growth still brings proportionally more overhead.

This is also part of why the sector's productivity problem persists. Output per UK construction worker is approximately 13.5% behind the UK economy average (ONS). Adding people to admin-heavy processes does nothing to close that gap.

Why the other traditional responses fail too

Working harder.
Stretching existing managers can cover a busy quarter. As a strategy it erodes supervision, wellbeing and retention, and the most capable people are often the first to leave.

Buying more software.
A new system for each new requirement often means another login and another place to enter the same information. Firms can end up with more tools and the same hours.

Pushing it down the supply chain.
Subcontractors face the same squeeze. Passing the burden down tends to return as higher prices, slower mobilisation and strained relationships.

Turning work away.
Declining opportunities protects margin by capping growth. It treats the symptom by giving up the prize.

The common thread is that each response treats the admin burden as a fixed feature of the work and rearranges resources around it. None of them changes the underlying relationship between the volume of work and the volume of administration.

Breaking the link

The firms that escape the growth trap are the ones that break that relationship. The evidence still gets produced, often to a higher standard, but the effort required no longer rises in step with turnover. Growth becomes profitable again.

This is a structural change to how a business operates, not a software purchase. It depends on a precise understanding of where the evidence burden sits within a firm's own workflows, which parts demand expert judgement and which are mechanical, and how the work can change without weakening assurance or competent-person sign-off. Done well, it improves the economics of every contract that follows. Done badly, it adds cost and risk.

Questions for the leadership team

Before the next major bid, it is worth asking:

- If our order book grew significantly next year, how many additional non-delivery roles would we need to support it?
- What share of our project and site managers' week goes on evidencing work rather than delivering it?
- Do we know the administrative cost attached to each contract we price?
- When a tier-one client raises its reporting requirements, what does it cost us, and who absorbs it?

Most firms cannot answer these with confidence. That uncertainty is itself the clearest sign of exposure.

THE NEXT STEP

Grow the order book without growing the overhead.

Aldbry has built a proprietary system for removing the admin, documentation and compliance burden in UK construction and engineering firms, so capacity can grow without adding headcount. It is shaped by people who have delivered major UK schemes.

The AI Opportunity Audit is where every engagement starts: a fixed-fee assessment of where your hours and margin are going, ending in a prioritised roadmap that is yours to keep. It starts with a 30-minute call, where we talk through your firm and confirm the audit is the right first step.

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Visit aldbry.com or email info@aldbry.com

Sources: Construction News (2026); CITB, construction workforce outlook to 2029; Office for National Statistics (ONS), output per worker hour; industry productivity research on site manager time.