



## What E&C Companies Can Learn From the Texas Model

By Candance Hernandez and Pat Kiley

**Built on four key pillars of strength, Texas parallels the engineering and construction industry as a strong, vibrant component of the U.S. economy.**

“The secret’s in the dirt.” Uttered by legendary golfer Ben Hogan about how he developed his winning swing, that statement also very accurately describes the foundation of Texas’ continuing prosperity since winning independence from Mexico in 1836 (and then joining the U.S. as the 28th state in 1845).

Texas’ dirt has always been its destiny, and there’s a lot of it—268,597 square miles, to be exact. This massive land has sequentially supported thriving industries in cattle, cotton and crude—all industries that are both vibrant and growing. The state leads the nation in the cattle business (with 11.8 million head), the cotton business (producing over 45% of American output), and the crude oil production business (with roughly 3 million barrels per day, thanks to the deep reserves in the Eagle Ford and Permian Basin shale fields).

The state’s abundant resources have provided ample opportunities for companies to create fame and fortune over the years. However, all three of these basic industries are tough and “dirty” and require the dedication of rugged, courageous, optimistic entrepreneurs who are willing to make big front-end investments for long-term returns. To be successful, these people have to be confident in their ability to manage the risks of weather, unknown conditions, bad data and—as in the case of cattle and cotton—disease. As such, these industry pioneers are kindred spirits to contractors. The businesses these industry pioneers launched became magnets for people who were seeking a better life for their families and/or freedom from tyrannical governments—a trend that continues today.



## Texas' Four Pillars of Strength

Texans admire the grit and the guts that entire communities of Czechs, Germans, Norwegians, Irish, Italians and Mexicans (to name a few) showed in the early 1900s when some walked hundreds of miles and took unfathomable risks to become citizens of their state. These immigrants were (and continue to be) welcomed and appreciated. For example, most Texas construction company leaders are vigorously supporting comprehensive immigration reform that will give these determined workers legal status to remain. Texas' character, culture and continuing success were born in this alchemy of a new state, which offered new opportunities and attracted diverse, independent, rock-solid people who learned how to live and work together. Those qualities are alive and tangible yet today.

This environment predictably unleashed an absolute bonanza for construction companies. These budding businesses needed facilities, and the migrating people needed homes. Large cities began to emerge primarily as hubs to support the specific industries: Fort Worth (cattle), Dallas (cotton) and Houston (oil). The business infrastructure began expanding too, and rail and telegraph were critical to all three industries. The banking, manufacturing and law industries began to take root, as did specialized services for each nascent industry. At the same time, the massive Texas highway system was built. And human infrastructure soon followed, comprising utilities, schools, churches, hospitals, hotels and services provided by the cities (i.e., police, fire, water, sewer, streets, bridges, waste removal, etc.).

So what makes Texas such a great state for business, year in and year out? And what are the values that form its culture and drive its prosperity? Research reveals the foundation for its success is built on four pillars.

1. **Texas has a declared vision**, articulated by then-Gov. George W. Bush, to be a “beacon for business.” Texans want businesses to start, stay and thrive in their state. Thus, the state has a minimalist attitude toward regulations and taxes. It has no state income tax, it is a right-to-work state, and it has at-will employment. Construction employment is over 90% nonunion. When an issue arises that is harmful to companies, business leaders respond quickly and forcefully. In the mid-1990s, Texas was becoming known as “the lawsuit capital of the world.” The TV program “60 Minutes” covered the trend, Time magazine published an article on it, some businesses considered leaving the state, and certain communities could not find new physicians. Three businessmen, one being the late Leo Linbeck (a commercial building contractor), formed Texans for Lawsuit Reform and achieved comprehensive reforms to the tort laws. The organization's grass-roots approach became a national model.

2. **The state retains its entrepreneurial soul** and reveres the committed risk-taker. Individuals who have great ideas will get funded in Texas. It does not matter who their family is, “what their daddy did,” or where they went to school. If they have an idea and are willing to go all in themselves, they will find backers. But they better be doers, not talkers. Texans, like contractors, value authenticity. The worst insult a Texan can give is, “that person is all hat and no cattle,” meaning a person needs to walk the talk.
3. **There is pervasive optimism in Texas**, and that optimism is often combined with big, expansive thinking. Much like construction, the state’s three foundational industries (cotton, cattle and oil) require inherent optimism that reflects an understated confidence, not braggadocio. Ranchers must be congenital optimists to breed, raise and sell cattle, believing they will get a price at the end of the year that makes all their efforts profitable. The same is true of the cotton farmers, while the oil business requires even more optimism and perseverance. A person must believe there is oil under the ground, at the bottom of the ocean or in those shale rock formations—and have an unwavering belief that his or her efforts will pay off someday.

Patillo Higgins, a self-declared geologist who had failed twice in other businesses and who had one of his arms shot off by the police, believed there was oil under the large salt dome near Beaumont. No one else bought into his theory, with the naysayers including trained and respected geologists and investors. Undeterred, Higgins paired up with retired Croatian Navy captain and former salt miner Anthony Lucas. An investor who would later cut him out of the deal, Lucas worked with Higgins in 1901 to insert a rebuilt drill bit into a pipe now 1,020 feet underground. They heard gurgling sounds, then a noise like a cannon shot, and saw the drill pipe shoot out. They then watched oil gush 150 feet into the air. “Mighty Spindletop” roared into existence, producing 100,000 barrels per day, more than all other wells in the U.S. combined. Over 100 companies were born because of this discovery, including Gulf Oil, Amoco and Humble Oil (now Exxon).

4. **Texas has a commitment to embracing and celebrating diversity.** Since its earliest days, the state has been a melting pot of many races, nationalities and religions. The international companies and medical institutions headquartered in Texas have recruited and hired the best minds from all over the world, elevating and enhancing the international flavor of the major cities. Houston is the most racially and ethnically diverse city; this decade Texas became one of only a handful of U.S. “minority-majority” states. Many of these immigrants have an entrepreneurial bent. They start businesses, attract growth capital, prosper and give back to the community through philanthropy and service—it’s a virtuous cycle. This comfort with differences is just an extension of the entrepreneurial culture of the state. Dreamers who are also doers are always welcome, no matter their roots.

## How to Sprinkle a Bit of Texas Into Your Business

The qualities that work together to make Texas such a consistent success story have also generated strong results for engineering and construction firms. There is an impressive number of Texas-based firms representing all market segments. Many of them are now over 100 years old. Austin Industries, Bellows and Tellepsen have all found success in the vertical construction market for over a century. Others like Dean Word Company and Heldefels Enterprises have established themselves in the highway markets. The firms between 50 and 100 years

old are too numerous to name, and many were founded by veterans of WWI or WWII. Other companies with long histories that have opened offices in Texas and thrived include McCarthy, Gilbane and Chamberlin Roofing and Waterproofing, to name a few.

What has made these companies so successful in Texas? These firms have, first and foremost, a clearly articulated vision, a compelling picture of their desired future. And while that picture may not ever be truly attainable, it is both highly desirable and believable. This is a proven best practice; many of the most heralded companies in the world have inspiring visions.

Additionally, these firms epitomize the pillars of strength mentioned above, particularly in terms of the retention of the entrepreneurial soul and pervasive optimism. These qualities integrate rather naturally and are highly visible in long-lasting engineering and construction companies that serve mature, cyclical and increasingly volatile markets. Survivors not only adapt and change, but they also reinvent themselves to seize new opportunities, no matter how big, or procedure- and process-oriented, they become. Their leaders relish taking new risks to gain market share and grow. These firms stay agile and opportunistic. They are giants who can dance, to paraphrase Harvard author Rosabeth Moss Kanter.

Another critical characteristic of these highly adaptable companies is their core ideology. The combination of a strong core purpose and solid core values has supported these companies' envisioned future and remained unchanged over time. These sacred principles were their reliable "true north"—their indestructible foundation that allowed them freedom to take new risks and change. Their leaders were strategic over many generations and reinforced the old business maxim, "Modify form, preserve substance, know the difference."

Firms that moved to Texas and achieved the highest levels of success came with no preconceptions that they are better than the local firms. Embracing the "Texas Way," engaging within their local communities and leaving their egos at the door served these firms well. Texans want to see the big front-end investment that proves your company is serious about Texas and that it's not just a drifter looking to make a quick buck on a trophy project. Acting local brings a warm welcome; acting superior brings a swift boot.

Finally, there is increasingly visible evidence of real and deliberate diversity in these firms. The VUCA (Volatility, Uncertainty, Complexity and Ambiguity) environment requires very bright people with critical competencies, often not available from traditional hiring sources. Smart, data-driven leaders are studying and emulating high-performing companies (i.e., the technology leaders, which are global melting pots). Texas itself is a melting pot, with no clear ethnic majority. As a result, diversity is blossoming by gender, race, age, educational background and country of origin in many Texas E&C companies.

Historically, what has been good for Texas is good for business. By ensuring these pillars are a part of your company culture, you will maximize your success in the Lone Star State—and everywhere else too.



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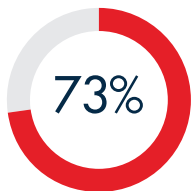
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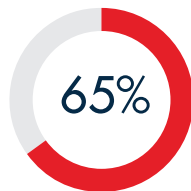
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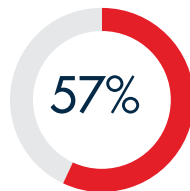
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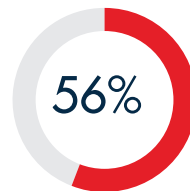
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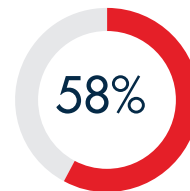
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