

The logo for FMI Quarterly Issue Two 2018 is centered on a red vertical bar. The letters 'FMI' are in a large, white, serif font with horizontal lines above and below. Below this, 'QUARTERLY' is in a smaller, white, sans-serif font. Underneath that, 'ISSUE TWO' is in a white, sans-serif font. At the bottom, '2018' is in a large, white, sans-serif font.

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A large, stylized yellow fish is the central focus of the illustration, swimming towards the right. It has a blue outline and a blue eye. The background is a dark blue field filled with many smaller, grey fish swimming in various directions.

Leadership Fundamentals for Any Market Conditions

By Rusty Sherwood and Tim Tokarczyk

A look at how strategic, deliberate talent development can make a significant difference in an organization's current and future growth.

In challenging times, leaders react in wildly different ways. Some choose to ignore the trends, bury their heads in the sand, hunker down and change nothing. Others feel great urgency to make change—to try something, anything new. Some slip into overreaction mode, leaping from potential solution to potential solution, depending on the way the winds are blowing that day. Still others take a more conservative approach, keeping an eye on changing trends, but staying true to the path they originally forged.

It's impossible to say what the best course of action is as too many variables impact our decisions on whether to spur great change, stay put or choose a path down the middle. While there's no obvious solution, leaders need to think strategically about how they are leading. Of course, trying something “wildly different” can be pretty tempting during tumultuous times. After all, what could you possibly have to lose by tossing the script and testing out new ideas, approaches and innovations, right?

Not so fast. While there is a certain logic in the phrase “extraordinary times call for extraordinary measures,” leaders who stray far from the fundamentals that served them well during prolonged healthy growth cycles often wind up chasing the “new, shiny solution du jour.” This often causes managers and executives to lose sight of the basics of great leadership.

What we find over time, and despite construction cyclicality, is that leaders who consistently optimize their firm's approach to talent selection and development, deepen collaborative team performance, and strengthen the organization's ability to adapt and embrace change are the ones who consistently outperform the competition and industry averages. In short, taking focus off these three essential tasks leads to roller-coaster-like performance, consistent with the cyclicality of market conditions.

In this article, we explore the key challenges that Canadian leaders are facing in today's E&C environment and show how strategic talent development can make a significant difference in an organization's current and future growth.

Leading With Strength

Depending on which province you call "home ice" or the market sectors you actively serve, the degree of volatility, uncertainty and enduring success you are experiencing is all over the map in Canada right now—not dissimilar to what U.S. markets faced in recent years. But here's the crazy thing: Right now, there are construction firms in the Plains, thriving as much as those businesses situated in one or more of Canada's hot markets—Vancouver, Toronto, to name a few.

There are also firms that are situated in these strong markets but are struggling to find sustained growth. This begs the following questions: How are the leaders of thriving firms delivering growth despite market conditions? How are they leading their people, teams and organization with fluctuating uncertainty pervading the landscape? Finally, what decisions are they making, and what pitfalls are they anticipating and proactively avoiding?

The answers to those questions aren't always easy to find. When dealing with uncertainty and performance pressure, for example, it can be easy to forget that we need to find the best people and continue to invest in them. The problem is that in challenging economic times, training is often the first thing to get cut. While there might not be the same budget for formal training initiatives, great leaders recognize that they cannot stop developing future leaders.

Recent studies¹ in the business world reveal that a single person performing in the top 1% is worth 12 in the bottom 1%. As the construction industry continues to age and more experienced leaders exit the industry due to retirement, the importance of developing next-generation leaders has taken on greater and greater importance. The intense challenge of finding the right people and growing them isn't going away anytime soon.

Leading an Effective Response to Change

Right now, most construction leaders are seeing change happen at unprecedented rates, not the least of which include:

- Massive changes in workforce demographics.
- Acceleration in the scope, scale and economic impact of technology.
- Increased volatility and unpredictability of capital markets.
- Changing consumer confidence.
- And uptick in government policies.
- The list goes on...

¹ Scott Keller and Mary Meaney. "Leading Organizations: Ten Timeless Truths." McKinsey 2017.

Since “survival” isn’t a given for any company, staying agile and tackling changes are both critical right now (and in any market conditions, really). To create organizational agility, leaders should:

- Encourage collaboration throughout teams and across their organizations.
- Recognize that empowering individuals and allowing them to collaborate helps increase organizational speed and flexibility.
- Encourage innovation throughout the company—great ideas don’t just come from the top.
- Realize that great ideas can take many different shapes and forms.
- Place equal focus on near-term performance and its levers as well as on organizational health—ensuring an organization not only achieves “here and now” results but also continuously improves over time.

At the heart of all successful responses to change is organizational clarity to the company’s vision and strategic direction. While your organization may innovate in many areas, it’s critical that people understand the foundational, nonnegotiable elements of your company’s culture and vision. This gives your people an “anchor” and allows them to more fully embrace the inevitable changes that are around the next corner.

Building Out the Pipeline

Great leaders recognize the importance of continuing to build a pipeline of future leaders across the organization. This starts with identifying the pockets of leaders where growth, execution and motivation happen today and then asking how these role requirements will change over the next five years. The characteristics and competencies of great leaders within the Canadian construction industry will likely look much different by that time. For example, it’s not a stretch to believe the skills we’ve mentioned—the ability to develop talent, build effective teams and appropriately respond to organizational change—will take on even greater significance.

To prepare for these shifts, leaders must build those skills in their people today, so that their next-generation leaders are equipped to deal with the world as it is. Too many organizations spend their time developing next-generation leaders to solve today’s challenges. Then, when they come into leadership positions of their own several years later, they find they were prepared to fight yesterday’s battles, not today’s.

“*Vision without action is a daydream.
Action without vision is a nightmare.*”
– Japanese Proverb

When things are complex and ambiguous, people tend to lose sight of what is important. They get tunnel vision, focus on the day to day, instead of looking ahead. Leaders need to continually remind people of the organizational vision and of the path ahead. They must remind their people not only what needs to be done, but also why doing it matters. This can serve as an incredible motivator for people, especially those in the younger generations. Too many leaders look out across the landscape and stop communication (in reaction to the confusion that they feel). A better approach is to bring your people together and get them refocused on what matters. Investing in your people is more than just providing them training or stretch assignments. In fact, it can be as simple as ensuring they don’t lose sight of your organization’s core values.



How to Create Effective Teams

While developing individual people is essential to future organizational success, leaders also need to be able to build all-star teams. This requires a different skill set than simply cultivating and building individuals. Teams can be challenging—you're bringing together different people with unique viewpoints and motivations and trying to get them all to focus in the same direction. You likely have to deal with task conflict, relationship dynamics and/or the impacts of losing or adding a member to the team.

Harnessed properly, teams can accomplish significantly more than any individual could ever hope to achieve. And yet, like individuals, in trying times leaders often lose focus on their role in building peak-performing teams. Here are three strategies that E&C firms can use to build out effective teams in any business environment:

- 1. Get everyone on the same page.** At the heart of the issue is understanding why the team exists and ensuring everyone on the team is undeniably clear on that purpose. According to a “Global Institutional Investor Survey” conducted by Ernst & Young in 2009, **there is a 1.9-times likelihood of having above-median financial performance when top teams are aligned and working together toward a common vision.** While this may seem obvious, it's extremely common for individual team members to take different views on the inherent reason the team exists.
- 2. Create strong team dynamics.** One of the most challenging aspects of building effective teams is navigating through the many different team dynamics that directly influence the team's performance. Leaders need to intentionally work on opening the lines of communication across the entire team, work to build trust among team members, deftly handle and manage conflict that arises, and ensure team members are providing effective feedback to each other.
- 3. Cultivate synergies across the team.** The elements of team synergy outlined above don't just happen by accident. Leaders need to focus on building these among the teams they are leading. This takes time and it can be messy. This is why too often leaders ignore these aspects, especially when they are feeling pressure and stress.

What's Ahead?

If history has taught us anything, it's that we should expect to see Canadian construction markets eventually return to more stable conditions countrywide. At the same time, however, we shouldn't expect the construction landscape to return to "the way it used to be." We're in a new world now, one characterized by constant and rapid change and unwavering expectations of better, faster, cheaper by our clients. In this setting, it will be tempting for leaders to chase every new solution that presents itself.

While any potential solution or idea should never be ignored, it's important that leaders don't turn a blind eye to reality but that they also don't overcompensate in response to environmental changes. Innovations are critical to long-term success, but there are fundamentals that leaders neither turn a blind eye to reality nor overcompensate in response. In any environment, with any level of competition and in good and bad economic times. Leaders ultimately rise above average performance when they take the long-term view and focus on finding and developing people, building high-performing teams and responding to change in agile and effective ways.



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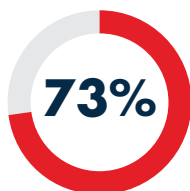
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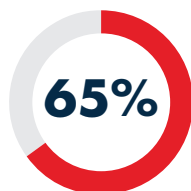
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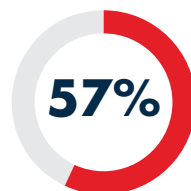
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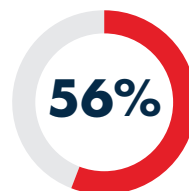
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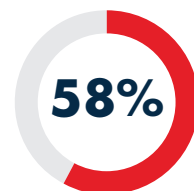
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