



What's Your Strategy When Times Get Tough?

By Rick Tison

How to get the most out of your business strategy—even when the future is unclear.

The U.S. economy has enjoyed a 10-year run since hitting the depths of the Great Recession in 2009. And while a strong economy doesn't just roll over and die of old age, there are some signs that its healthy run will end sometime in the next few years. According to [Bloomberg](#), although the U.S. government said the economy expanded at a faster than expected rate of 2.6% during the fourth quarter, there's little doubt that activity has slowed considerably this year.

This isn't the time to rest on your laurels and hope that project pipelines will remain full. It's time to plan and prepare your firm for the worst, whatever that may look like. The problem is that fluctuating market dynamics challenge how most firms in the built environment approach strategy, and even push some of them to wonder why they're doing it at all. In light of these realities, how can you effectively set direction for an organization that's facing an unclear picture in the future? And perhaps even more importantly, how do you know where to position yourself in the market in a dynamic and uncertain landscape?

Of course, these questions should be answered both in good times and bad, and not just when a recession begins to rear its head. The bottom line is that poor strategy—or the failed execution of a good strategy—is more evident when times are tough.

In this article, we'll look at the core elements that go into a good strategy, show the role that context plays in the strategic process, and help you prepare your company for whatever might be coming around the next corner.

Key Strategic Challenges

Uncertainty poses two key challenges for engineering and construction (E&C) firms that have been riding the wave of good economic times over the last few years. The first is that the future is less clear. In other words, it's harder to see the path for getting to your destination through a dense fog. A universal truth of strategy in many companies, the second challenge is that many companies rely on strategies that fail to live up to the full potential of what those strategies can deliver. This happens when the strategy:

1. Focuses more on planning and budgeting than on identifying and resolving key strategic decisions.
2. Can't balance the tensions inherent in setting long-term direction while informing and inspiring action **right now**.

For many companies, strategy focuses more on planning and budgeting. While both are critical tasks for every organization, these focuses don't ensure that leaders are truly wrestling with the right strategic issues or answering the right strategic questions. You can determine the long-term viability of your company's strategies by asking yourself these eight questions:

How well does our approach to strategic planning...

1. Pose and answer the right strategic questions?
2. Frame choices and force decisions?
3. Identify the few critical strategic issues that need to be addressed?
4. Take objective stock of your current capabilities and limitations?
5. Balance tensions between creativity and analytical rigor?
6. Incorporate broad inclusion to enhance engagement versus getting the right decision-makers in the room to ensure candor with a focus on making the hard choices?
7. Lead the business by setting direction, aligning resources, and motivating and inspiring versus managing the business by planning, organizing and controlling?
8. Factor in the needs of a variety of time horizons (i.e., long term, midterm and near term)?

Use the answers to these questions to gauge exactly where your organization stands on the strategic spectrum and adjust accordingly, knowing that both industry and economic uncertainty could be lurking around the next corner.

Reimagining Strategy

When a company's strategy fails, that entity loses its ability to make quick decisions that help it stay ahead of market trends and/or its competitors. The answer is not to abandon strategy, but rather to reimagine how the company approaches strategy as a whole.

Strategy should move from an episodic, calendar-driven event to a *perpetual* process that identifies the most pressing strategic issues and decisions to tackle. From there, companies can execute on the decisions that they've made. This may sound simpler than it really is; doing it effectively requires separate and distinct time throughout the cadence of planning to focus on both strategic thinking and strategic planning.

“However beautiful the strategy, you should occasionally look at the results.”

– Sir Winston Churchill

Strategic thinking activities focus on vision clarification, setting direction, identifying critical issues that need to be addressed, and figuring out which strategic decisions to make. In general, this is the time to think strategically about the business, your competition, the industry at large and where each of these may be headed over the next five or 10 years. Given the well-informed thinking of your leaders, consider which critical issues you need to address to achieve your vision and stay ahead of the competition.

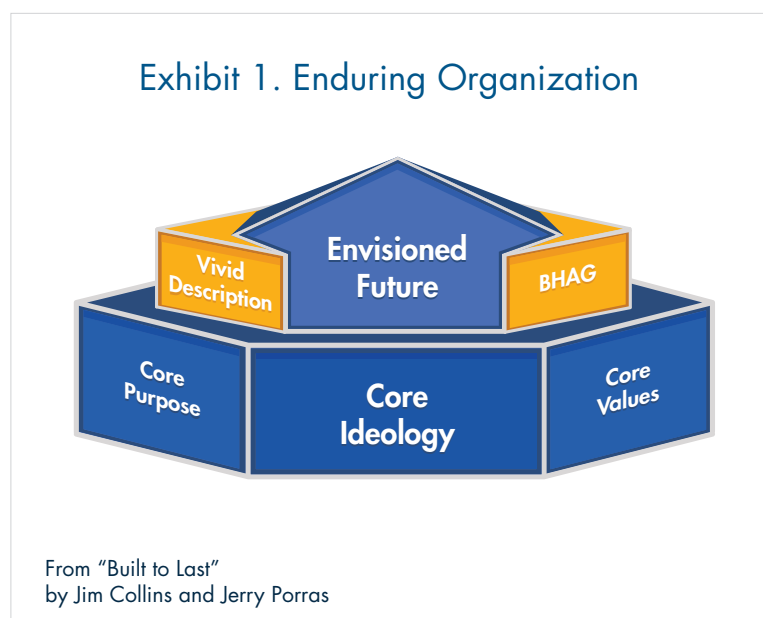
With this foundation in place, leaders can then make sound choices about how to position the business. They can also develop the critical initiatives needed to be able to achieve those goals and then do what great managers do best: create implementation plans, allocate resources, set budgets and create accountability for implementation.

Putting It Into Context

At its core, strategy should determine a company's priorities and how to best achieve those goals. Done right, leaders start with their vision, take stock of their context, and drive change toward their desired outcomes, all while remaining committed through implementation.

As Jim Collins first defined in his book, “Built to Last,” an organizational vision is comprised of these four components:

1. **Core Purpose** – Why the organization exists, beyond just making money.
2. **Core Values** – How everyone is expected to behave, what filters to use when making decisions.
3. **Big, Hairy, Audacious Goal (BHAG)** – The 20-year overarching strategic goal.
4. **Vivid Description** – What the organization looks like once it has accomplished the BHAG.



Now, context provides a holistic framework for understanding your current situation to inform what strategic choices matter and how to make them. It includes the following components (Exhibit 2):

- **Climate** – What is the demand outlook for our services? What are the drivers of that demand? How do we anticipate these demands changing over time?
- **Customers** – Who are our current and prospective clients? How do they procure our services? Why do they buy our services? How do they perceive us relative to our competition?
- **Competitors** – Who are we competing with to fulfill customer demand? How do they compete differently from us? How do we anticipate the competitive landscape changing over time?
- **Company** – How well-positioned are we to exploit market opportunities? What are our primary capabilities and constraints? What is our state of readiness of change?



Context informs your leadership team's understanding of the market environment, its current positioning and your company's capabilities and constraints to operate in that market. A deep understanding of context in setting strategy improves decision-making around where to play and how to win.

The role of context changes as a company shifts from strategy development to execution. No amount of information gathering or insight generation can answer all questions about the future during a planning session. At best, a good understanding of context narrows the probability for success. Ultimately, strategic decisions are based on some degree of well-informed assumptions or hypotheses about how the world will unfold. These assumptions must be continuously monitored and tested during implementation.

When times are good, these assumptions and hypotheses may go untested by the market, so companies do not spend significant time or energy monitoring them. When uncertainty arises, however, these assumptions can make or break your strategy, making it more important to monitor your understanding of the market and your business on a regular basis.

Clouds on the Horizon

As the clouds grow on the horizon, it may be tempting to batten down the hatches and prepare to weather the storm by focusing solely on day-to-day execution. The challenge here is that, in addition to operational excellence, truly weathering the storm requires a more *perpetual approach* to strategy that focuses on alignment with vision and near real-time changes in context—all with a specific focus on the key assumptions that underpin past strategic decisions.

Ultimately, your company's vision will provide essential guidance throughout your strategic planning process, while your core purpose and values create guardrails to protect your cultural DNA in the face of hard choices that must be made. Finally, your envisioned future reinforces long-term priorities that will transcend any single business cycle or recession. While recessionary environments will challenge fundamental business economics and balance sheet health to invest in pursuing the envisioned future, steady focus on the long-term goal increases the odds of progress, even if at a slower pace.



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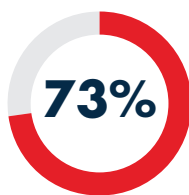
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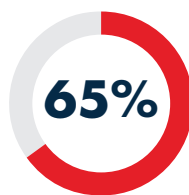
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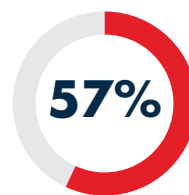
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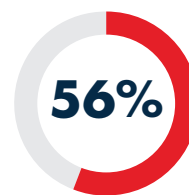
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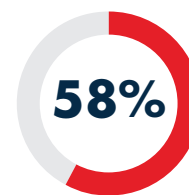
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