

The Changing Game of Strategy

By Jay Bowman

Why E&C companies need to approach strategy differently in times of heightened uncertainty and volatility.

The global pandemic has created a heightened sense of uncertainty across nearly all business sectors, where companies have suddenly found themselves dealing with an unusually high level of disruptive forces. The full impact of COVID's threat to human life and the subsequent shut-downs, closures and layoffs are still unknown; but one thing is certain: We have never experienced anything like this before.

While much of what's happening right now is unprecedented, it's important to remember that we live in a world filled with uncertainty, and engineering and construction (E&C) firms can't just rely on a single forecast, opinion or outlook when charting their paths forward. Instead, they should be factoring in a *range of different scenarios* and then strategizing new ways to play—and even win—in these times of uncertainty.

The question is, how can you effectively measure market potential—and gain a winning market position—in an environment that's changing daily. The key is to assess any new opportunities

carefully, versus just jumping into them with the hope that they'll be able to buoy your sales—or your business as a whole. Put simply, taking a superficial view of a market (e.g., top-line spending only) or assuming past performance will be the same this time around is a mistake.

Don't Be a Blockbuster

The business world is littered with the skeletons of companies that have failed to see the need to strategize, change and adapt in real time. You could argue that Blockbuster was the best video rental store that ever existed. It dominated the market like no one else could and was the best at what it did for a specific slice in time. It had a chance to buy Netflix—whose current market cap is \$187 billion—for \$50 million and passed on it; now Blockbuster is gone (see "[Strategy in a Time of Industry Disruption](#)" for more details).

So while Blockbuster was one of the best companies in the video rental market at a certain point in time, it just wasn't adaptable. We can assume that the same situation could apply to

the maker of the original kerosene lamp—an industry that was plugging along nicely until someone invented electricity and light bulbs. Intent on selling its kerosene lamps despite this obvious disruption, the manufacturer may have failed to realize what it was really selling: light. Kerosene lamps just happened to be the vehicle for that light (for a period of time); but if the manufacturer had really thought about what it was selling, it might have turned its attention to electric light bulbs.

Companies like Blockbuster went out of business because they focused solely on *industry dominance*. They doubled down on a strategy that reflected, at best, the current context or, at worst, a past context. When the context changed—as it is right now for many during this global pandemic—Blockbuster failed to recognize it or adapt to it. As the organization waited for things to “return to normal,” the rest of its competitors dusted off their strategic plans, reworked them and focused on more relevant opportunities. Here’s how you can follow in their footsteps and develop a solid strategy for managing through the current, disruptive environment.

- **Start with a solid business strategy.**

Having a solid business strategy in place is important in any market conditions, but it becomes especially critical during disruptive events like COVID-19. This doesn’t mean laying out a four- or five-year growth plan and then hoping that everything just falls into place during that time frame. You also must monitor, tweak and act on the plan on a dynamic basis. Staying fluid is even more critical during times of volatility. Where the rising tide of a good market tends to “raise all ships,” when the tide goes out—as it has during this global pandemic—you find out quickly who’s been swimming naked.

- **Understand that you’re probably one generation away from losing a major customer.** When FMI talks to project owners, we usually ask them why they chose a certain contractor. Many of them don’t know the answer to the question, and others say, “because we’ve always worked with them.” Anytime we hear that response, we know that the contractor is likely just one generation away from losing that relationship. When the next generation comes in, that contractor may be out of the picture. The moral of the story here is that if you’re not working to strengthen and maintain those relationships, they can be displaced quickly by a competitor.

- **Don’t jump at an opportunity just because you can.** During the last recession, a lot of contractors tried to get into federal and health care markets—two sectors that held steady through that tumultuous period. While these pivots sound straightforward enough in theory, they actually could have been detrimental to the E&C firm that lacked a good strategy for serving these markets. In fact, many companies experienced disastrous results because of these knee-jerk moves. If health care is a new customer segment worth exploring, make sure this pivot aligns well with your company’s overall strategy and that it’s not just a knee-jerk reaction to a loss of business in another sector. Make sure you have the right success tools to be able to compete in that market, and use a deliberate, dynamic strategy—just like you would under any other market conditions.

- **Avoid decision paralysis.** Strategy in uncertain times requires constant monitoring and adaptability. Similar to a hurricane that’s churning out in the Atlantic and being monitored closely by

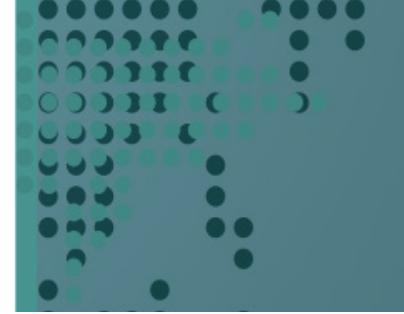


residents on the East Coast and at the National Hurricane Center, the final outcome of the current business environment has yet to make landfall. We don't really know what's going to happen, but that doesn't mean you can't effectively strategize and prepare for what may happen. By tracking [multiple potential outcomes](#), and by avoiding the "decision paralysis" that many companies have fallen into, you can create an adaptable organization that's well braced for success in any market conditions. This advice is often overlooked in the E&C world, where few companies know what they're actually selling. In fact, there's a reason why there are very few 100-year-old contracting firms in the U.S., and it's because they were the best at a given point in time, but they couldn't—or wouldn't—adapt. Maybe they had a long-term relationship with a specific customer, or maybe the company had a monopoly on a certain resource. Much like the Blockbusters of the world, these companies didn't adapt. They started to lose focus, and before they knew it, they were out of business.

- **Know what really matters to your customers.** There are always new companies coming into and existing companies leaving the E&C marketplace. Regardless of whether a contractor knows the benefit of what it's selling and what its value proposition is, it does have one. Most times, someone else assigns that value proposition. For example, if a firm is just winning its fair share,

it's just competing on price. Some days it will get lucky and get selected for that reason. But beyond that, the company really doesn't know what really matters to its customers or what they're looking for. For example, a project owner may be shopping on quality, while another one may want a contractor that gets the job done the fastest. Yet another may want to work with a contractor that offers innovative solutions.

- **Get your market share numbers right.** Market share includes both a fixed and a variable component. If your competitor has an exclusive relationship with an owner and dominates a given market, and if that company represents 50% of the market, you can't call it a \$100 million market. Instead, it's a \$50 million market (because someone else already has half of it). In any marketplace, competitors will "own" a specific sector and therefore be unaffected by overall market demand fluctuations (i.e., an exclusive relationship with a client that has an established and pre-funded construction program). The best approach is to assume that 40% of a market represents the "fixed" share of a market, and 60% is "variable."
- **Factor in the current procurement practices.** During recessionary periods, it's not unusual for owner selection criteria to shift into new areas. This tends to catch contractors off guard, particularly if they haven't properly strategized or adapted to the current market conditions. A company that's



been selling quality all along can suddenly find itself shut out of market conditions if everyone suddenly starts shopping on price. Companies can avoid this trap by paying attention to shifts in the procurement process and by adjusting what they sell (or how they sell it) in response to these changes. In the end, if the contractor isn't paying attention to these market dynamics and focusing on how selection decisions are being made, it would wind up promoting something that either doesn't carry the same amount of weight or forgetting to include something pertinent in its bid.

- **Expand your breadth of offerings to current customers.** As companies across all industries scramble to shore up their bottom lines during this disruptive period, E&C companies should also consider selling more to their current customer bases. Where the overflowing project pipelines of the last 10 years probably didn't necessitate these types of proactive moves, the current environment commands a different strategy. A

company that serves the industrial sector, for example, could offer its customers operation and maintenance services. Another E&C firm could expand into master planning or engineering for its health care or education customers. Think about the different areas where a client may need help right now, and then offer to assist in those areas.

Sell the Light

It's no secret that the future is going to be reinvented in some way; we're just not sure exactly how that will play out yet. As we wait for that picture to come into focus, use good strategy to navigate the uncertainty. Avoid rushing into decisions that may not turn out favorably for your company, its employees and its customers, and instead take a calculated approach to both the current and future E&C marketplace. The most successful companies focus on understanding the world around them, how that world is being reinvented, and how they fit into it.

Remember that you're selling light, not just lamps.



Jay Bowman is a principal with FMI. Jay Bowman assists a broad range of stakeholders in the construction industry, from program managers and general contractors to specialty trades and materials producers, with the identification and assessment of the risks influencing the strategic and tactical decisions they face. Jay can be reached at jbowman@fminet.com.

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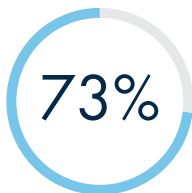
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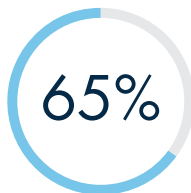
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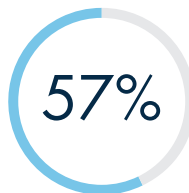
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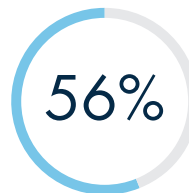
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Suite 800
Denver, CO 80206
303.377.4740

Houston

1301 McKinney Street
Suite 2000
Houston, TX 77010
713.936.5400

Phoenix

7639 East Pinnacle Peak Road
Suite 100
Scottsdale, AZ 85255
602.381.8108

Raleigh (headquarters)

223 S. West Street
Suite 1200
Raleigh, NC 27603
919.787.8400

Tampa

4300 W. Cypress Street
Suite 950
Tampa, FL 33607
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