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## A Detailed Look at E&C Leadership Styles During a Bull Market

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**While the economy is strong, how can you sharpen your pencil as a leader to take advantage of the market?**

There can be little doubt that economic uncertainty is on the horizon. After more than 10 years of sustained economic growth, numerous economists are predicting a recession to some degree for the U.S. by the year 2021. As we've watched the current market cycle run hard and potentially begin to run its course by 2021, we began to wonder how differing leadership styles perform in varying market conditions. Given that the engineering and construction (E&C) environment has historically been heavily affected by economic swings, we believe it is imperative to look at the industry through the lens of market health—whether it's expanding or in a decline. We recently collected industry data to answer a few key questions, including:

- What do executives focus on to set their businesses apart during a robust market environment?
- Where do these executives place emphasis in their business?
- What are the implications of their leadership style on the bottom line in their business?

To answer these questions, we studied over 150 executive-level leaders in the industry from various types of firms, ranging from general contractors, specialty contractors, heavy civil contractors to engineering and architecture firms, spanning fewer than 49 employees to more than 1,000. After studying these industry executives, who were distributed evenly throughout the U.S., a compelling trend emerged. In today's environment of growth, we found that there are predominantly three different types of leaders in the industry: **The Coach**, **the Stabilizer** and **the Firefighter**. As we analyzed the findings, it became clear these three types of leaders were significantly different in the way they behaved and managed their organizations.

While most of today's executives had a few key similarities (i.e., they leveraged executive teams around them, kept a close watch on financial performance, and looked for opportunities to reduce operational inefficiencies), there were some unique facets that underscore how today's three types of executives are leading, resulting in meaningful yet different bottom-line implications.

## Type 1—The Coach: People-Focused Strategist

We refer to the first type of leader as “the Coach” due to his or her relentless focus on positioning businesses for success in future market environments. The Coach leader does not allow the business to rest on its laurels and stays diligently focused on working hard on the business and focusing on its future—and all while others may have been savoring the success spurred on by a flourishing market.

### *The Coach’s Focus*

Coaches tend to have a robust strategic planning process and a rigorous approach for acting on these plans. Not only does the Coach focus on strategic planning from an external lens (i.e., markets to pursue, etc.), but also he or she is laser-focused on identifying the talent necessary to execute on strategy. The Coach constantly asks himself/herself: “Do we have the talent and leader bench to execute on what we are planning in the future, and how do we invest in the talent we have to get it there?” Coaches manage operations and financials just like any other executive would, but what truly sets them apart is their people focus. As one Coach leader shared: “We’re not focused or driving on financials. Growth is about people. If you do other things than the financials well, the money will follow. It’s all about giving our people opportunity to grow.”

### *The Coach’s Leadership Style*

The Coach’s leadership style is coach-like and focused on actively developing those around him or her, emphasizing the value of developmental feedback. Not only do the Coaches actively develop other senior leaders around themselves, but they also invest in infrastructure, systems and processes to build talent in their business. As one Coach executive puts it, “We’ve invested in a director of people and talent strategies. She leads that effort for us, and that’s our intern leadership academy. We made the decision that that’s not in our best interest, recession or no recession, not to have a full-time focus on talent attraction, development and engagement.” The Coach is also a gifted communicator who consistently communicates the business’s direction to the rest of the team.

### *The Coach’s Impact*

So how does the Coach’s business fare in comparison to other leaders? In studying our industry leaders, we found that the Coaches experienced higher profit margins in the last few years compared to what they made during the Great Recession. Specifically, based on self-reported financial data, more than 65% of companies with Coach leaders experienced an average of 6% or more profit margins in a bull market, while their margins were mostly between 2% and 5% during the last recession.

## Type 2—The Stabilizer: Efficiency Driver

Like the Coach, the Stabilizer is keenly aware of the value of strategy. Interestingly, we found that this second type of leader is concerned with how strategy translates to operational implications (versus the Coach’s focus on talent implications).

### *The Stabilizer’s Focus*

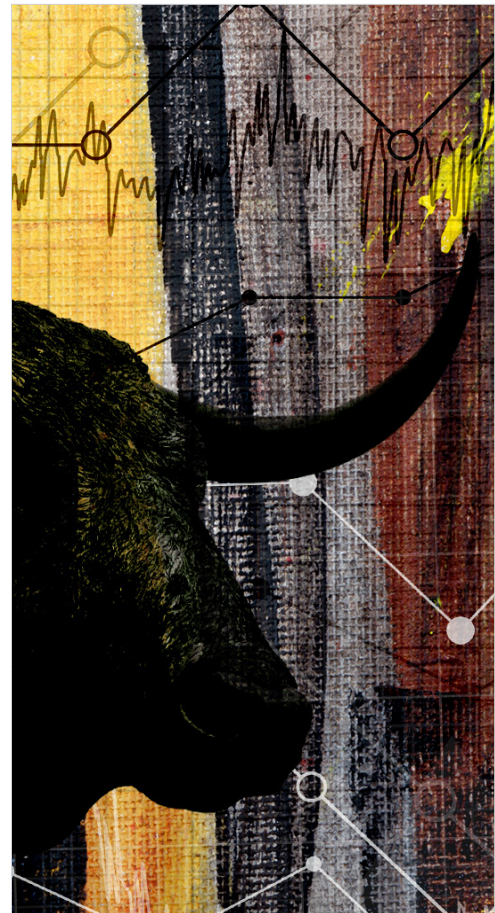
The Stabilizer’s operational emphasis makes him or her a leader focused on continuous improvement. Stabilizers are constantly asking themselves: “How can we make our operations more efficient?” They leverage their ability to communicate and make decisions and adjustments in a timely manner; are constantly re-evaluating their processes; and use resources to ensure they are aligned with the direction they’ve set for their business. One Stabilizer leader describes this as, “We ended up substantially standardizing our processes. We made our operations and resource management better suited for growth. We invested in things that made our proposal process more efficient and expedited.”

### *The Stabilizer's Leadership Style*

This leader is slightly more practical with his or her leadership style and strategizes in a way that focuses *on operational excellence versus strategizing toward a desired future state*. As one leader puts it, “It is very easy when times are economically robust to assume that your operation is great and that is the reason why you are successful. It takes a good deal of honest self-evaluation to realize that anyone who is even marginally competent does well during boom times. Ultimately, one has to constantly evaluate oneself and one’s organization by some sort of a customer performance/service standard.” Additionally, this leader is also unique in that he or she prioritizes *setting direction* as much as taking care of people. He or she knows that for people to be engaged, they must have purpose and understand where the organization is going.

### *The Stabilizer's Impact*

The Stabilizer’s way of working on *business performance and operational effectiveness* appears to have a positive impact: 63% of companies with that type of leader have a profit margin of 6% or more in a growth period, compared to margins mostly between 2% and 5% during a recession. This puts this leader in a similar financial performance bracket as the Coach.



## **Type 3—The Firefighter: Short-Term Reactor**

The third type of leader we studied is “the Firefighter” leader. This leader lacked focus in his or her approach to the business as well as in leadership style. Like a “jack-of-all-trades and a master of none,” these leaders lacked a standout approach or style when engaging with their people.

### *The Firefighter's Focus*

The leaders we studied in this category focused on risk management and were more likely to pore over the financial performance of the business and operations. While the two other leader types were *concerned with financial performance and operations, the Firefighter focused on these components of the business to the exclusion of other facets of a thriving business such as strategy and talent*. Their reactive approach is illustrated by this leader’s comment: “Because we tend to look at it in the short term. I just need to fix it now without thinking about what your health is going to be when you climb out of it and the consequences of that.”

### *The Firefighter's Leadership Style*

While other leader types are thinking about the future and being proactive, this leader tends to remain in an immediate, damage control mindset. As illustrated by one of the Firefighter leaders interviewed when asked how well prepared they currently feel for an upcoming downturn: “I would say that we’re in about the same position [as before the last recession]. Although in some ways we might be slightly better prepared for a downturn; we have more generalists in the company and some of the positions that were there all the time were never recreated.” This shows how these types of leaders tend to “live in the moment” somewhat more than others and how they focus on the day to day rather than making plans for the future.

## The Firefighter's Impact

Sadly, for most leaders in this category, profit margins have not improved in a growth economy compared to the recession years. Indeed, most Firefighter leaders fell in the 2%-5% profit margin category in a strong economic climate—the same range in which they performed during the recession. Put simply, they couldn't leverage the strong market to their benefit.

Coach	Stabilizer	Firefighter
Focus on strategy and succession/people development	Focus on strategy and operations	Focus on financial performance, operations and risk management
<b>Takes advantage of a bull market:</b> experiences higher profit margins during growth compared to recession.	<b>Takes advantage of a bull market:</b> experiences higher profit margins during growth compared to recession.	<b>Does not take advantage of a bull market:</b> no improvement in profit margins during growth compared to recession.

## Implications for Today's Industry Leaders

What are the implications of these findings for leadership in the industry? First, this study shows that leaders who spend time working on their businesses rather than in the business solving immediate problems and doing damage control are better positioned to maximize profit margins in a growth economy. Their ability to think ahead helps them increase their readiness to perform at a high level after a recession. They are ahead of the curve compared to leaders who spend most of their time putting out fires.

While all leader types leverage soft skills that ultimately helped them become executives in the first place, those who focused on establishing a future vision, setting a strategic direction and developing the processes or growing the talent to support that vision end up thriving in a good economy. Those focused on solving immediate problems without looking ahead, on the other hand, tend to perform at consistently lower financial levels. Through this study we've confirmed what many have instinctively known over the years: Intentionality on how we lead and where we place our focus as leaders has direct, bottom-line implications. In short, determining the right leadership style for your organization and then developing those competencies essential to leading today with the future in mind just make good economic sense.



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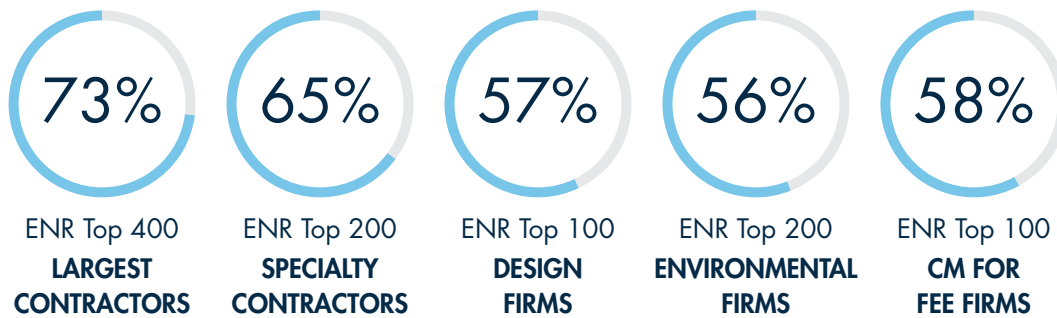
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