



# A Recession Will Test Your Company Vision. Are You Ready?

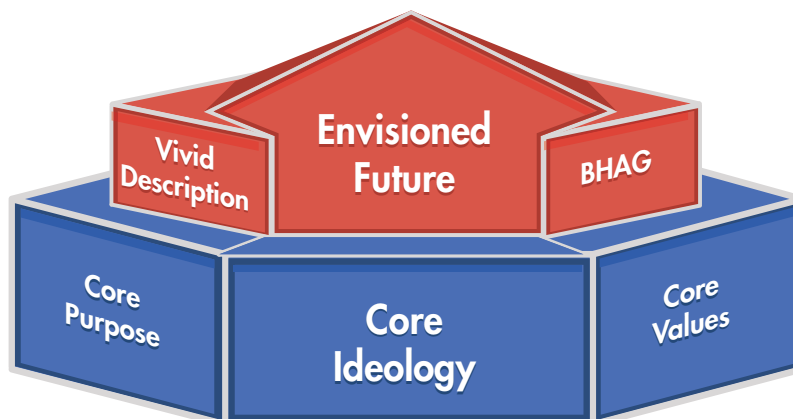
By Emily Livorsi, Ph.D. and Sara Tsahakis, Psy.D.

Recent FMI research suggests visionary companies come out on top through tough economic times. As we look to a potential market downturn, how will you leverage your company vision to stay ahead?

Twenty-five years ago, Jim Collins and Jerry Porras published “Built to Last,” their seminal work on enduring organizations. Curious as to what made some organizations last, Collins and Porras studied 1,000 CEOs and narrowed their findings down to a few key facets. Consistently, throughout their research, they found that organizations that were crystal clear on (1) why they exist, (2) how they operate, (3) where they are going, and (4) what it will look like when they get there were the ones that have stood the test of time. Together these four facets make what they define as vision, and Collins and Porras argued that visionary companies last.

Collins and Porras researched many large organizations that stood the test of time due to their clear vision. But most of the companies they studied were not in the Built Environment. Does being a “visionary company” really apply to our industry, where most businesses operate on razor-thin margins, battle cyclical markets and face an ongoing war for talent? Does vision matter all that much with such pressing issues knocking at the door? To answer these questions, FMI examined the Great Recession that lasted approximately six years, from 2008 to 2013. If the importance of vision is more than just hype, it stands to reason that those companies that stayed true to their vision through tough times would come out of the recession faring better.

Exhibit 1.  
ENDURING ORGANIZATION



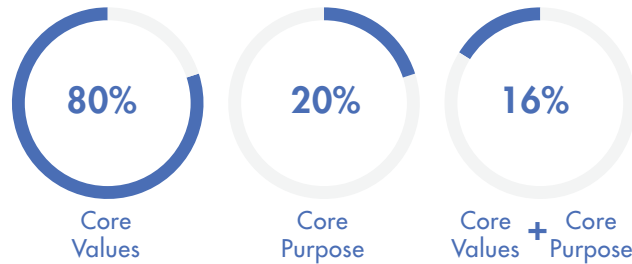
Source: From *Built to Last* by Jim Collins and Jerry Porras

As part of FMI's recent research into leadership during a recession, we studied nearly 150 organizations in the Built Environment, asking industry executives what they did during the downturn, how they focused their energy, and what key lessons they learned. Not surprisingly, one key lesson that emerged from the research was the value of staying true to your vision.

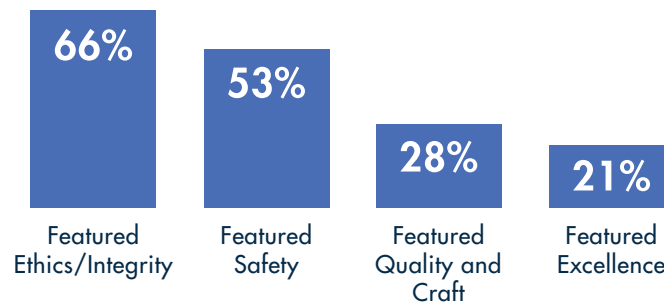
In this summary, we point to why that may be the case, highlighting stories from seasoned industry executives and sharing compelling data—all pointing in one direction: Vision matters.

## FMI recently researched the ENR top 100 contractors.<sup>1</sup>

Do the great players in our industry even have a strong core ideology?



Of the 80% who had Core Values listed, the most common values highlighted were:



### Clear Vision Is Like a Lighthouse in a Storm

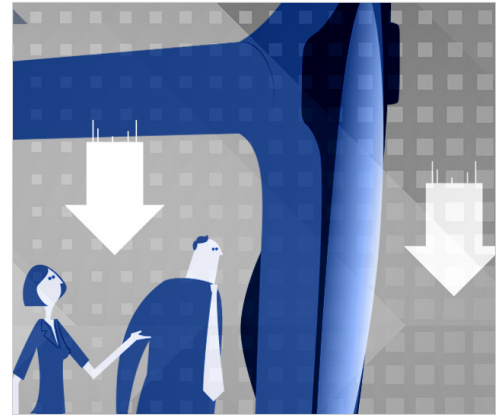
One of the themes we heard from senior leaders is that having a clear vision was “like a lighthouse in a storm.” For example, one president from a large specialty contractor firm we interviewed highlighted the challenges of dwindling backlogs and facing the realities of downsizing. Confronted with a challenging market, this leader recalled making a small but hasty acquisition as an attempt to diversify the company’s core markets. He explained that this resulted in an acquisition that created new cultural issues due to poor integration. Looking back, he was convinced that if the company had stayed true to who it was, the leaders would have realized this acquisition was a poor fit and not aligned with the company vision. Now, even years later, in the post-recession era, the company is still dealing with the consequences of that bad decision.

We talked to several leaders who faced the same challenges, making hasty decisions that were misaligned with the organization’s vision, resulting in adverse short- and long-term consequences. When we asked what they learned from these lessons, one leader recalled leaning more heavily on his board of directors to challenge his own thinking and constantly empowering it to do so.

<sup>1</sup> <https://www.fminet.com/insights/leadership/building-an-enduring-organization-in-the-engineering-and-construction-industry/>

## Vision Protects Your Culture

In the Built Environment, we work with plenty of contractors who say “this place is like family.” From our research, we learned that leaders who preserved their culture during the recession and stayed focused on nonnegotiable initiatives that demonstrated their values fared better compared to those who didn’t. One leader explained how, during the last downturn, he kept some traditions going even when the budget was tight because of the positive impact it had on employee morale and due to the company’s tight-knit, family-like culture.



This leader stated, “Leadership needs to look at what sacrifices it can make so that you’re not sacrificing the things that made the company what it is. If the picnic down by the lake that you’ve had for 20 years defined the company, you need to keep that going. If the Christmas party (that everybody loved to go to) defined the company, you need to keep that, and you need to find ways to pay for it. If it’s leadership and upper management making a sacrifice, in the long run, it will be worth it. We’ll all make back the money that we lost. We all have [made that money back] in the last five or six years where the market has been going full blast. [This way], you’ll keep the morale at a high level. That’s really important to do, because you’re going to be asking people to do more.” As a leader, it can be helpful to take some time to think through what the most important contributors to your company culture might be. These are the areas in which you’ll need to make strategic investments and set mechanisms in place that ensure these few items are preserved—no matter what.

## Vision Keeps You Focused on the Future

One part of leading with vision is to stay true to your Core Ideology in good times and bad. Another part of it means focusing on an Envisioned Future to continue moving forward as a business. As Jim Collins explained in “Built to Last,” “a company can have the world’s most deeply cherished and meaningful core ideology, but if it just sits still or refuses to change, the world will pass it by.”

For leaders in the Built Environment, this means setting long-term goals for the future and using those as a North Star, even in the midst of a recession, when it can be tempting to focus on battening down the hatches. For many leaders, important lessons learned through the last recession were not only to focus on mitigating risk and managing financials to save the business today, but also to think about how to prepare the business for a better future.

One leader who learned this the hard way said, “When you make those cost-saving decisions, it’s important to ask, ‘what will this mean in two or three years, when the recession is over?’ We tend to look at it in the short term. I just need to fix it now to stop the bleeding today, to save cost today, to survive, without thinking about what your health is going to be when you climb out of [the recession]. Having lived through the climb-out part, I hope I have learned my lesson. Don’t get caught up in the desperation.”

One leader has the finalization and rollout of his company BHAG as a top priority currently. Recognizing that we are moving toward another economic downturn, he wants his people to be equipped with a North Star to guide decision-making in the midst of a difficult economy—and not make decisions that only help

in the short term. His belief is, “If you’re just flat and not growing, people might get frustrated and leave.” He’s now doubling up on efforts to build an inspiring goal for everyone to work toward in the coming years.

## Tying It All Together

In studying organizations during the recession, we learned that vision is critical to surviving the storm. Here are some of the ways that visionary companies stay disciplined:

1. **Develop an advisory team to vet big opportunities and bullet-test ideas.** To what extent do they fit with the company’s vision? Make sure you have people on your team who are relentless about testing big opportunities against the vision.
2. **Consistently evaluate your values and purpose.** To what extent are we displaying them daily? Do biannual pulse surveys to gather feedback on individual behaviors and alignment.
3. **Align business plans and strategy with vision.** Are your shorter-term goals mapped up against your longer-term ones? Establish milestones to break apart your lofty BHAG into shorter-term goals. It can be easy to set shorter-term goals that have nothing to do with your long-term vision.
4. **Resist the temptation to cut the culture builders.** Key cultural events, tools, systems and meetings could mean more to your people than you think. Make sure you aren’t cutting the things that are building your culture and are key to reinforcing your core ideology.
5. **Build a contingency plan.** What does staying true to your vision mean when resources are scarce? And what are the nonnegotiables of our core ideology? For example, it could mean being even more selective with clients or dialing in on a core value like innovation to gain efficiency.

As we look ahead to the next few years, we see that a recession is likely. While we can’t predict how long and how deep it will be, it will surely impact the Built Environment. Visionary companies are already taking steps to ensure their vision will be preserved through tough times. What are you doing to ensure you have an enduring organization that roars out of the next recession?

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## Additional Resources:

<https://hbr.org/2010/03/roaring-out-of-recession>

<https://hbr.org/2019/05/how-to-survive-a-recession-and-thrive-afterward>

[https://www.fminet.com/wp-content/uploads/2019/03/Q1\\_2019\\_How\\_to\\_Recession-Proof\\_Your\\_Business.pdf](https://www.fminet.com/wp-content/uploads/2019/03/Q1_2019_How_to_Recession-Proof_Your_Business.pdf)

<https://www.fminet.com/fmi-quarterly/article/2016/06/why-large-contractors-fail-a-fresh-perspective/>

<https://www.fminet.com/insights/leadership/building-an-enduring-organization-in-the-engineering-and-construction-industry/>

<https://www.amazon.com/Built-Last-Successful-Visionary-Essentials-ebook/dp/B0058DRSHW>



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# Who We Are

FMI is a leading consulting and investment banking firm dedicated exclusively to the Built Environment.

We serve the industry as a trusted advisor. More than six decades of context, connections and insights lead to transformational outcomes for our clients and the industry.

## **FMI** CONSULTING

FMI has more relationships in the industry than any other consulting firm. We leverage decades of focused experience and expertise to advise on strategy, leadership and organizational development, performance, technology and innovation.

### PRACTICE AREAS

#### Strategy

- Market Research
- Market Strategy
- Business Development
- Strategic Planning

#### Leadership & Organizational Development

- Leadership & Talent Development
- Succession Management
- High-performing Teams
- Corporate Governance
- Executive Coaching

#### Performance

- Operations
- Risk Management
- Compensation
- Peer Groups

#### Technology & Innovation

- Tech Market Accelerator
- Tech Partner Program
- Tech Readiness Assessment
- Tech Sourcing & Adoption
- Integrated Business Intelligence

## **FMI** CAPITAL ADVISORS

FMI Capital Advisors, a subsidiary of FMI Corporation, is a leading investment banking firm exclusively serving the Built Environment. With more than 700 completed M&A transactions, our industry focus enables us to maximize value for our clients through our deep market knowledge, strong technical expertise and unparalleled network of industry relationships.

### SECTOR EXPERTISE

- Architecture, Engineering & Environmental
- Building Products
- Chemicals
- Construction Materials
- Contractors
- Energy Service & Equipment
- Energy Solutions & Cleantech
- Utility Transmission & Distribution

### SERVICES

- M&A Advisory
- ESOP Advisory
- Valuations
- Ownership Transfer

### EXECUTIVE EDUCATION

- Acquisitions in the Construction Industry
- Ownership Transfer & Management Succession

## TRAINING PROGRAMS

Over 10,000 industry leaders have completed FMI training programs, which span the entire management spectrum, from new managers to senior executives.

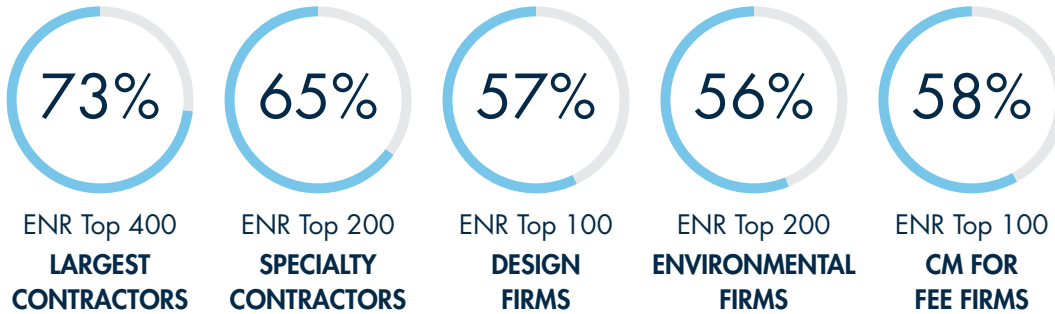
- Emerging Managers Institute
- Field Leader Institute
- Project Manager Academy
- Construction Executive Program
- Leadership Institute
- Leading Operational Excellence
- Construction Selling Skills
- Market & Selling Strategies
- Ownership Transfer & Management Succession
- Acquisitions in the Construction Industry

## FMI PEER GROUPS

FMI manages nearly 50 individual peer groups across the industry. Connecting businesses through networking, expanding visions and providing feedback.

- Organizational Structure and Development
- Human Resources
- Business Development
- Information Technology
- Operations Management
- Financial Management

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