



NIA's 63rd Annual Convention
April 18-20, 2018

PAST, PRESENT, FUTURE:

How Contractors Succeed and Which Trends are Emerging for the Future



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Who We Are

Position for Growth

- Strategy
- Market Research
- Business Development
- M&A - Buyer Representation

Optimize Performance

- Productivity and Operational Efficiency
- Risk Management
- Compensation
- Peer Groups



- M&A - Seller Representation
- Valuation
- Ownership Transfer
- Management Succession

Transition Successfully

- Leader Development
- Training & Talent Development
- Organizational & Team Development
- Performance Management

Build Capacity

Industry Focus. Powerful Results.

Agenda

What's going on?

What does it all mean?

What can you do?





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Group Discussion

What trends and changes are you hearing and seeing in the market?





Trends impacting construction

- Continued Growth of market (work put in place)
- Pressure from owners to remove waste – search for new methods
- The War for Talent
- Co-opetition
- Mega-projects
- Reshoring of manufacturing
- Bundling
- Technology
- Consolidation of A/E and construction
- Improving margins



What we know is...

We are **awful** at predicting what future technology will be capable of.

EXAMPLES

Linear vs exponential

Autonomous cars in Vegas

Watson winning at Chess and Jeopardy

Alpha Go beats Lee Sodol in Go

“It's tough to make predictions, especially about the future.”





Major Trends

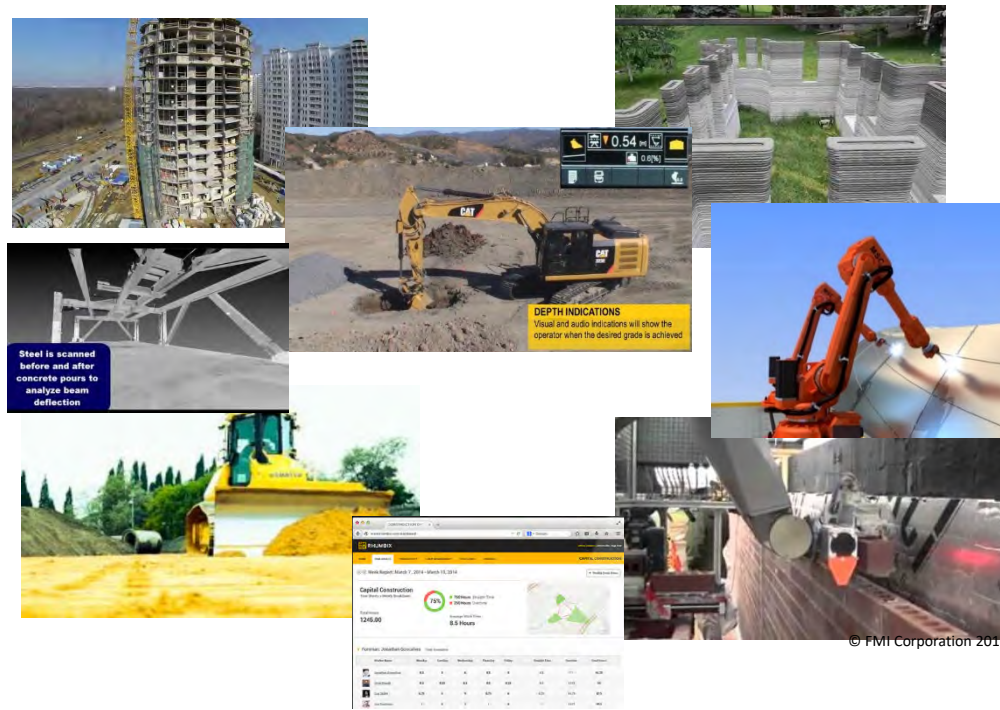
Technology
Off-Site Construction
Talent





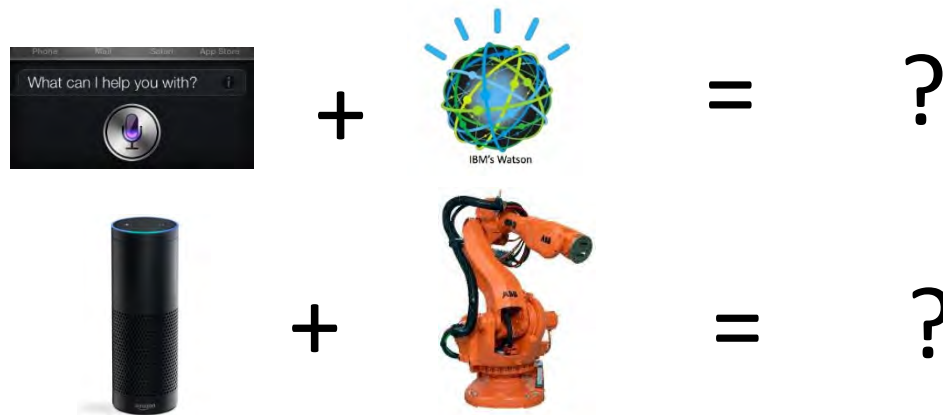
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Technology is Here



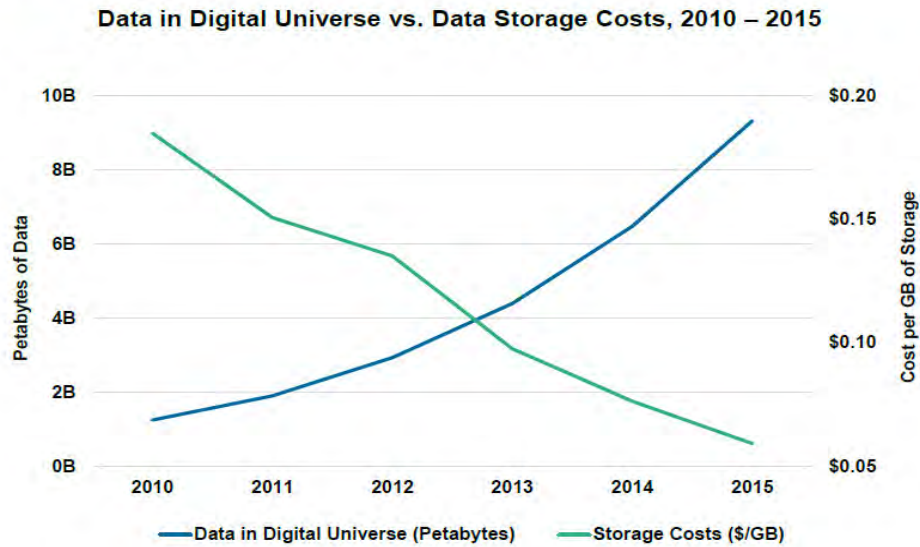
We Can't See The Applications ... yet

Machine learning and Mobile Robots combined have mind-boggling synergy.



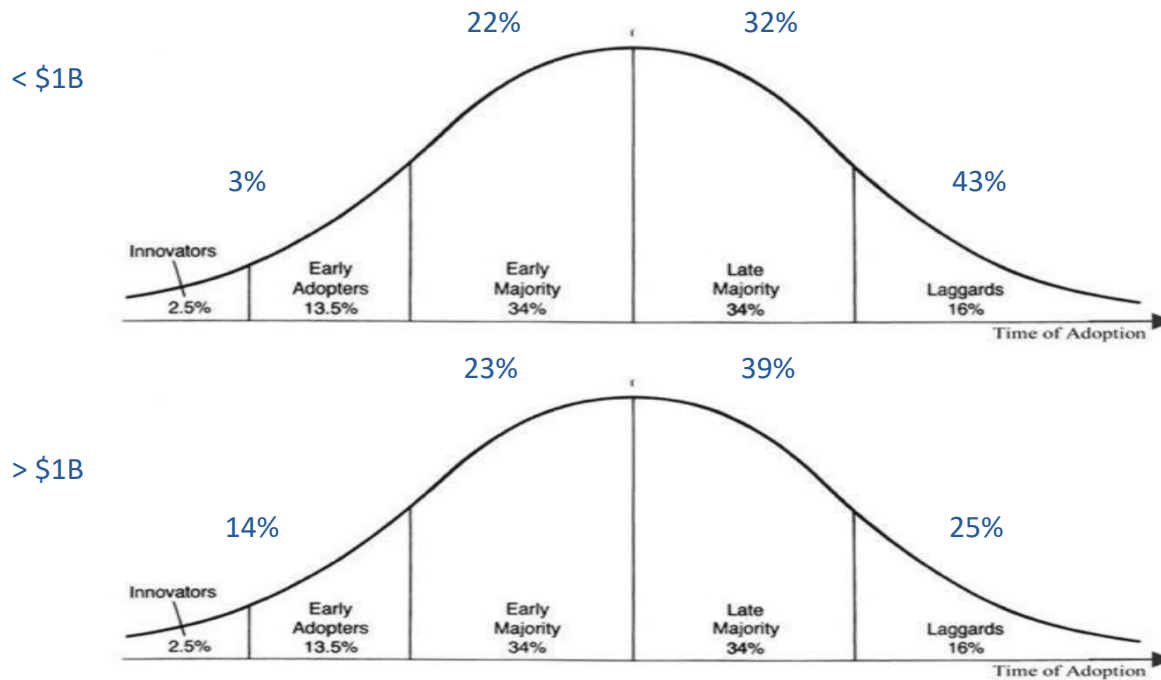
Data is the new oil!

Global Data Growth Rising Fast = +50% CAGR since 2010...
 Data Infrastructure Costs Falling Fast = -20% CAGR



Source: Kleiner Perkins

We Struggle to Adopt



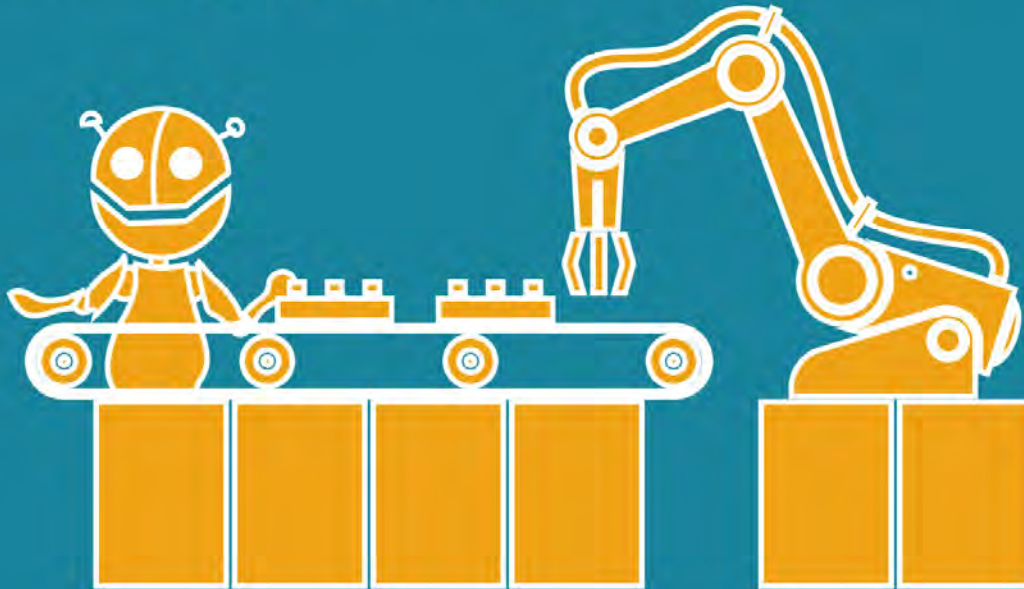
Adapted from KPMG Study :
 Who is on the cutting edge of technology and why it matters



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Pre-Fabrication and Off-Site Construction

Project **inefficiencies** and **improved technologies** are driving prefabrication.

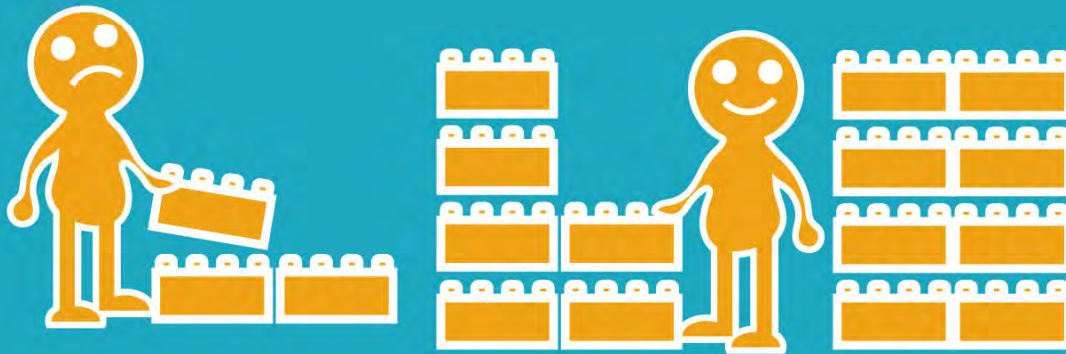




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Practice Makes Perfect

Contractors using prefab on more than **50%** of their projects **are more effective** compared to those who do less prefab.



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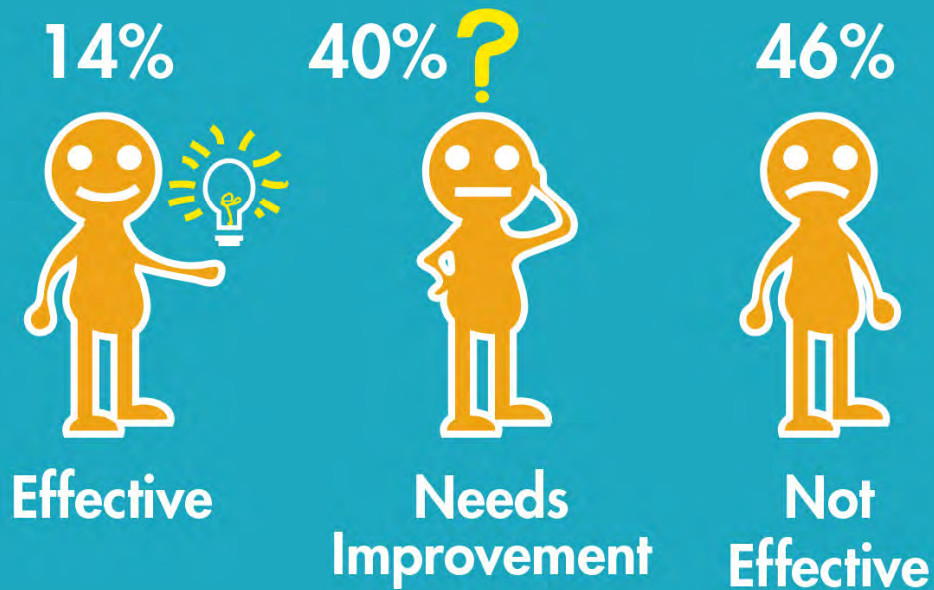
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It's Much Harder Than It Looks

Contractors struggle to make prefabrication effective.





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The Biggest Challenges Are People-Related

Three key challenges for making prefabrication effective:



Culture



**Lack of
Commitment**



**Outdated
Control
Mindset**

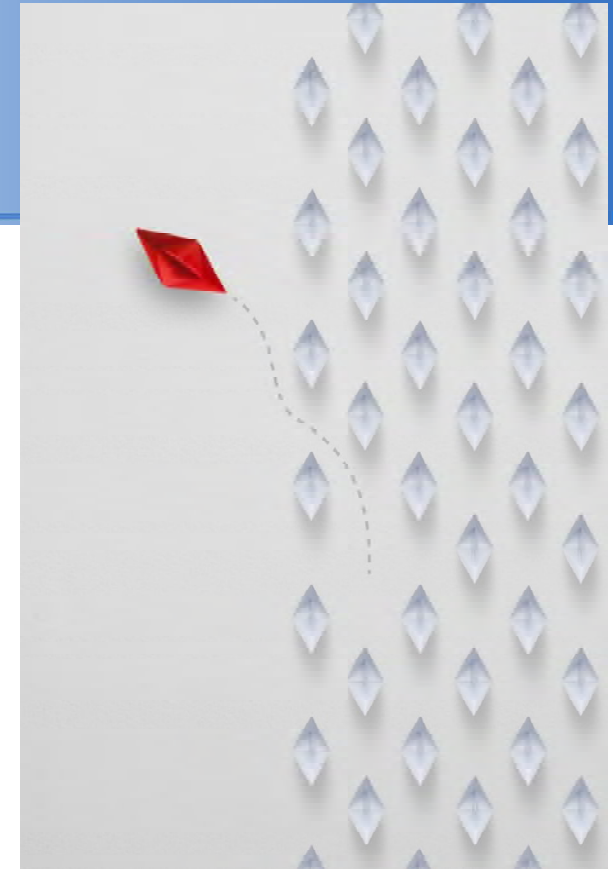
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Changing The Conversation

- This is a broader conversation than “just” prefabrication. **This is about leading organizations through innovation and change.**
- Get the right people on board **then leverage new processes and technologies** (and not the other way around).





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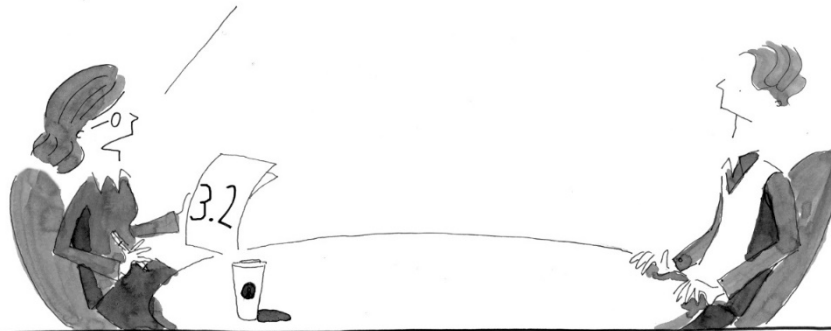
ATTRACTING AND DEVELOPING TALENT

BRAND CAMP

by Tom Fishburne

ZERO DEGREE FEEDBACK

IN THIS REVIEW, I'LL PRETEND I CAN
ACCURATELY CHARACTERIZE YOU WITH
A TWO-DIGIT RATING AND YOU
PRETEND THIS IS A MEANINGFUL
PROCESS OF SELF-REFLECTION



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Talent : A Strategic Imperative

Thinking strategically about the future:

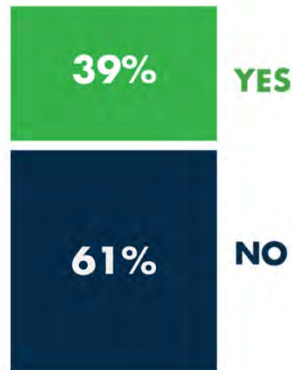
- What do I want my company to look like five or 10 years from now?
- What must our culture, talent processes and systems look like to achieve that vision?
- What skills and competencies will my people (and future hires) need to demonstrate to achieve my talent aspirations?



Aligning Corporate Culture and Talent Efforts

Many firms acknowledge the power of an attractive corporate culture, but **few intentionally measure and build it.**

Do you measure employee engagement?



Source: 2017 FMI TD Survey





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Engagement Survey—Client Example

My Role (1 of 2)

		Clarity of Role		Co-Workers		Appropriate Resources	
		Q11	Q12	Q13	Q14	Q15	Q16
Correlation to Morale		0.47	0.36	0.43	0.13	0.30	0.48
Correlation to Loyalty		0.39	0.40	0.45	0.22	0.44	0.39
Benchmark		4.27	4.23	4.14	3.60	4.14	3.51
Industry Percentile		33	70	81	86	34	33
Overall Company (93)		4.22	4.37	4.33	3.95	4.03	3.39
Tenure	Under six months (15)	4.33	4.47	4.67	4.20	4.20	4.00
	Six months to two years (31)	4.00	4.19	4.13	3.71	3.77	3.16
	Three to five years (27)	4.37	4.41	4.30	4.00	4.30	3.52
	Six to ten years (13)	4.15	4.54	4.38	4.00	3.92	2.69
	11 to 15 years (7)	4.43	4.43	4.57	4.14	4.00	3.86
Field/ Office	Field (74)	4.26	4.47	4.39	3.92	4.12	3.45
	Office (19)	4.05	3.95	4.11	4.05	3.68	3.16
Generation	Baby Boomer (21)	4.76	4.62	4.52	4.10	4.24	3.76
	Gen X (36)	4.03	4.22	4.17	3.94	3.72	3.19
	Millennial (36)	4.08	4.36	4.39	3.86	4.22	3.36
Position/ Role	ADMINISTRATIVE ASSISTANT (6)	4.00	4.33	4.67	4.17	4.33	3.67
	ASSISTANT ENGINEER (8)	3.88	3.88	4.50	4.13	4.25	3.88
	ASSISTANT PROJECT MANAGER (4)	3.50	4.25	3.75	4.00	4.50	2.50
	ASSISTANT SUPERINTENDENT (4)	4.75	4.75	4.75	3.75	4.50	3.50
	PROJECT ENGINEER (12)	3.83	4.33	4.42	3.83	4.08	2.67
	PROJECT EXECUTIVE (3)	4.33	4.33	4.67	4.33	4.67	3.67
	PROJECT MANAGER (13)	4.31	4.69	4.31	4.00	3.85	3.54
	PURCHASING (4)	4.75	4.50	4.25	4.25	4.00	3.75
	SUPERINTENDENT (18)	4.44	4.56	4.50	3.83	4.00	3.83

Questions:

- Q11** I know what is expected of me in my role
- Q12** I know my boundaries, and also feel empowered, to go "above and beyond" when a situation warrants a creative approach
- Q13** My associates or fellow employees are committed to doing quality work
- Q14** I consider my co-workers as great friends as well
- Q15** I have the materials, equipment and other resources I need to do my work
- Q16** I feel that workload is distributed equally and fairly



Aligning Corporate Culture and Talent Efforts

Building a culture of engagement¹:

- Do employees know how to do their jobs effectively?
- Do they have the right resources to be effective?
- Are they surrounded by people that they like and respect?
- Do their managers care about them?
- Do they feel that they are advancing in their careers?

1: Questions are based on an interview with FMI's partner Leigh Branham, a nationally renowned expert and author of three best-selling books on the subject of employee engagement.



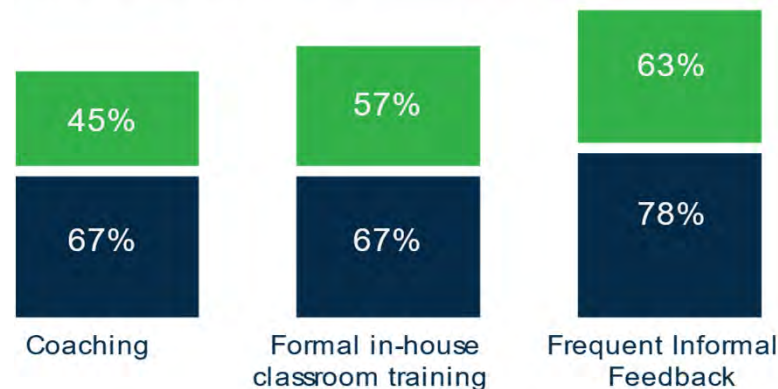


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Aligning Corporate Culture and Talent Efforts

Organizations with the highest employee retention have committed to **rich professional development cultures** and have effective performance management processes.

Practices to be used next year.



OTHER FIRMS HIGH-RETENTION FIRMS

Source: 2017 FMI TD Survey



Building Your Next Generation of Leaders

A **systematic approach** to identifying and developing high-potential employees is key to **linking leadership development to a broader corporate succession management program** that closely aligns with the company's vision and strategy.





Major Trends

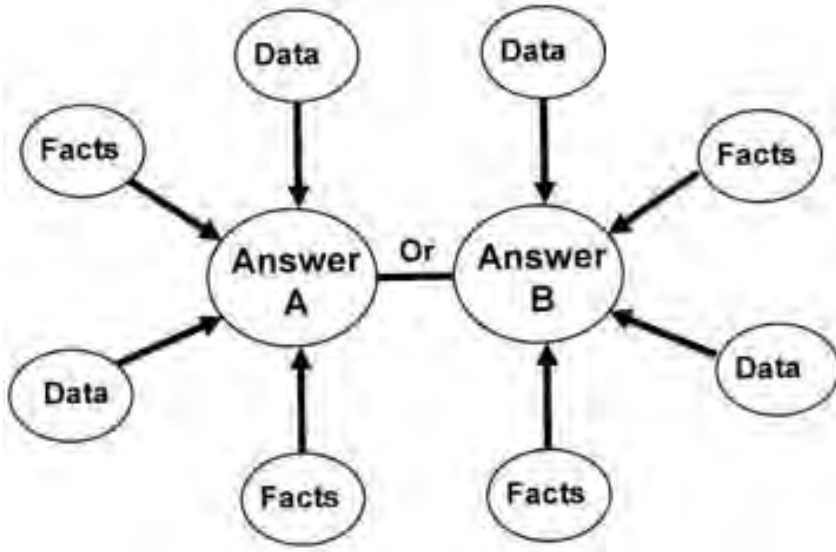
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What can we do about it?





The Big Culture Obstacle

Getting people to embrace new ways of thinking and doing work differently is one of the most challenging aspects of organizational change.





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“Strategy is stuck,
sustainable competitive advantage
is fleeting,

And

Companies must learn to change and adapt more rapidly.”

Adapted from The End of Competitive Advantage: How to Keep Your Strategy Moving as Fast as Your Business
-- Prof. Rita Gunther McGrath





Thank you!

Jim Schug

FMI Corporation

jschug@fminet.com

254-681-7867



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About FMI

For over 60 years, FMI has been the leading **management consulting and investment banking** firm dedicated exclusively to **engineering and construction, infrastructure and the built environment**.

FMI serves all sectors of 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.

Sector Expertise

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- General Contractors/CM
- Heavy Civil
- Industrial
- Specialty Trades
- Utility T&D
- Cleantech and Energy Services
- Construction Materials
- Building Products
- Oil and Gas
- Private Equity
- Owners