

Understanding the Shifting Needs of Owners

AGC of Wisconsin | January 27, 2017


Transforming the worldwide building and construction industry
 through **revolutionary innovation**.
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About Continuum Advisory Group

- ▶ We are a management consulting firm working exclusively with the stakeholders of the construction industry to ensure that organizational and relational strategies are in place to achieve success.
- ▶ We help owners plan, manage, buy and deliver capital construction programs to optimize program delivery and the value received for capital spending.
- ▶ We help architects, engineers and contractors understand how to position their services as high-value to owners.

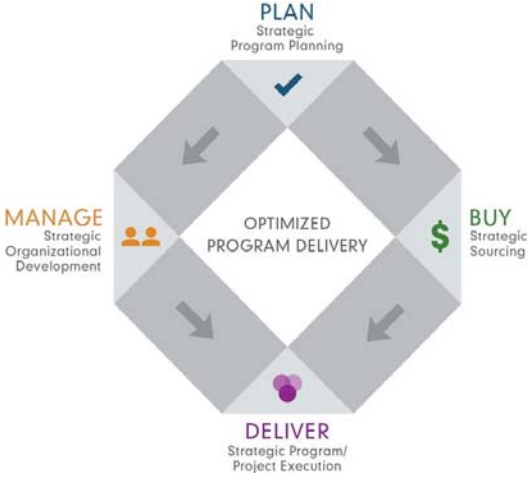
Vision

- ▶ Transform the worldwide building and construction industry through revolutionary innovation.



Optimizing Capital Program Delivery

We believe that in the delivery of capital programs, four areas of program execution are critical to success:



- ▶ The development of a Plan that is linked to the overall corporate strategy and creates an organization optimized to execute the plan is critical.
- ▶ The Buying of outside services must be strategic and focus on generating the most value from contractors.
- ▶ Management of internal resources must be done to support the overall strategic objective and provide the tools, training and systems needed for internal staff to be successful.
- ▶ Delivering the program requires the integration of external and internal resources to deliver on the program objectives while having the measurements in place to monitor and drive performance.

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ENR Magazine

Viewpoint: Engineers and Contractors Need a New Mindset Toward Owners

October 5, 2016

- ▶ What happens when a business consistently tells Wall Street it is going to construct a specific amount of capital improvements each year, but consistently misses?


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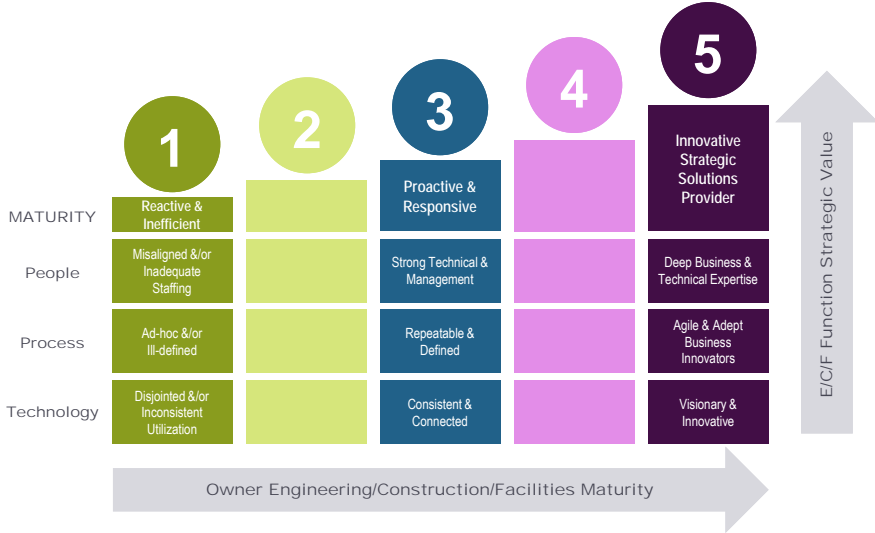
Owner Studies

- ▶ 2016 CII Owner Study – Order Takers or Value Creators?
 - Released April 2016
- ▶ 2016 CURT Owner Trends Study – Insights to Leading an Agile Capital Program
 - Released June 2016

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2016 CII Owner Study Order Takers or Value Creators?



	1	2	3	4	5
MATURITY	Reactive & Inefficient		Proactive & Responsive		Innovative Strategic Solutions Provider
People	Misaligned &/or Inadequate Staffing		Strong Technical & Management		Deep Business & Technical Expertise
Process	Ad-hoc &/or Ill-defined		Repeatable & Defined		Agile & Adept Business Innovators
Technology	Disjointed &/or Inconsistent Utilization		Consistent & Connected		Visionary & Innovative

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Study Hypotheses

- ▶ The relationship between E/C/F departments and the organizations they serve is changing dramatically
- ▶ A technically competent E/C/F function which delivers requested projects safely, on time and on budget is not enough for organizations to remain competitive
- ▶ E/C/F must be engaged in developing strategic business solutions if an organization is to compete in today's fast-changing and highly competitive markets
- ▶ There are specific strategies and tactics that contribute to gaining a strategic seat at the table with the senior management of an organization

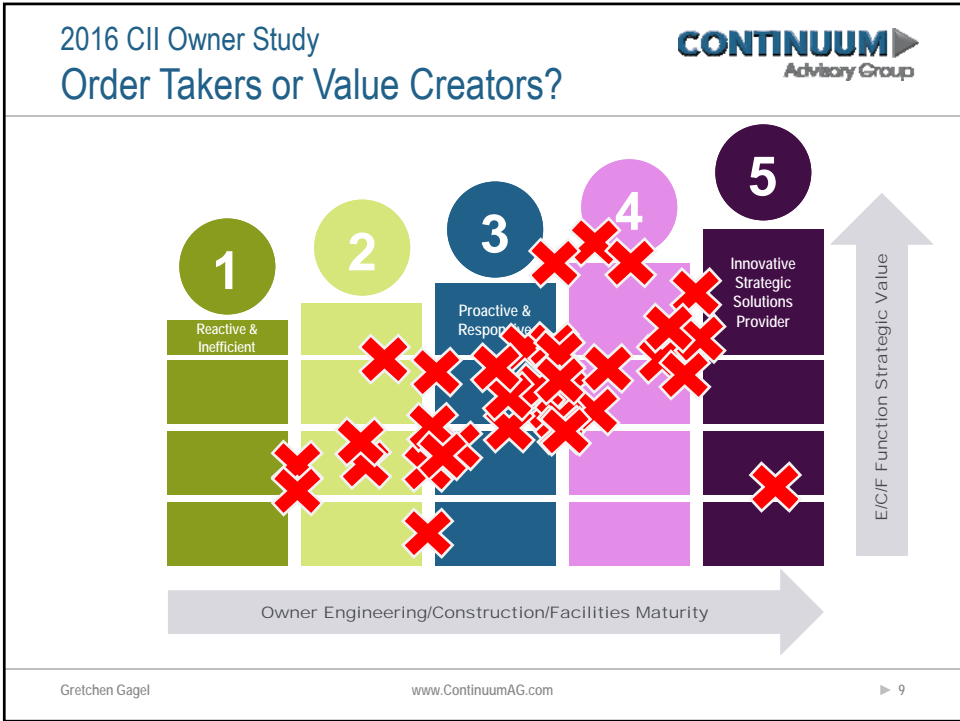
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Companies Involved



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2016 CURT Owner Study Insights to Leading an Agile Capital Program

2014 Owner Trends Study:
INSIGHTS TO LEADING AN AGILE CAPITAL PROGRAM

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"From 2011 to 2015 we more than quadrupled our capital spend without any increase in staff. We're relying a lot more on outside firms for work we once did ourselves."

*Michael Mayra,
Construction Group Manager, General Motors*

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2016 CURT Owner Study Insights to Leading an Agile Capital Program



"DO YOU THINK VOLATILITY WILL INCREASE OR DECREASE OVER THE NEXT FEW YEARS?"



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How did we get here?



▶ 2014 Qualitative Study Results:

- Increasing pace of change
- Regulatory unpredictability
- “Right-sizing” challenges
- Tight budgets and tighter schedules
- Growing need for asset flexibility
- Continuous reevaluation


"I am a devotee of Peter Drucker and his insight that 'culture eats strategy for breakfast.' You can make progress on a strategy for change in an organization without addressing culture, but you simply cannot sustain change without addressing the organization's DNA – that is its culture."

– Anne Pramaggiore, President and CEO, ComEd

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The Future: The Only Constant is Change

► Key findings from the 2014 Study

- Integrate the capital engineering, construction and facilities maintenance groups and align with corporate strategy to achieve success.
- Internal talent must drive organizational transformation.
- Make sourcing best-in-class external talent a core strategic capability.
- Collaborative learning is critical to drive performance improvement and innovation.
- Choose the right people, processes and technology for each program and project.
- Successful organizations proactively scan the environment searching for drivers of change and effectively create strategies and tactics to address those changes.


The Successful Organization is Nimble,
Adaptable and Constantly Evaluating

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2016 CURT Owner Study The Volatile Industry Environment

STABLE




1 2 3 4 5

VOLATILE


94% rated the current environment as at least somewhat volatile

78% think the environment has become more volatile over the past few years



1 2 3 4 5

STABLE

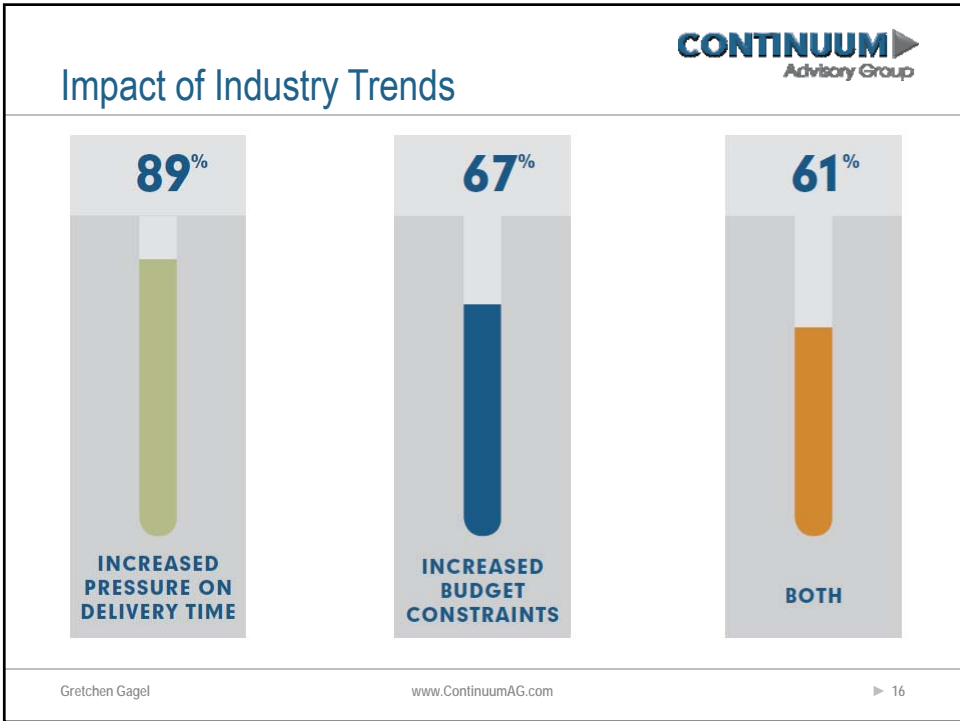
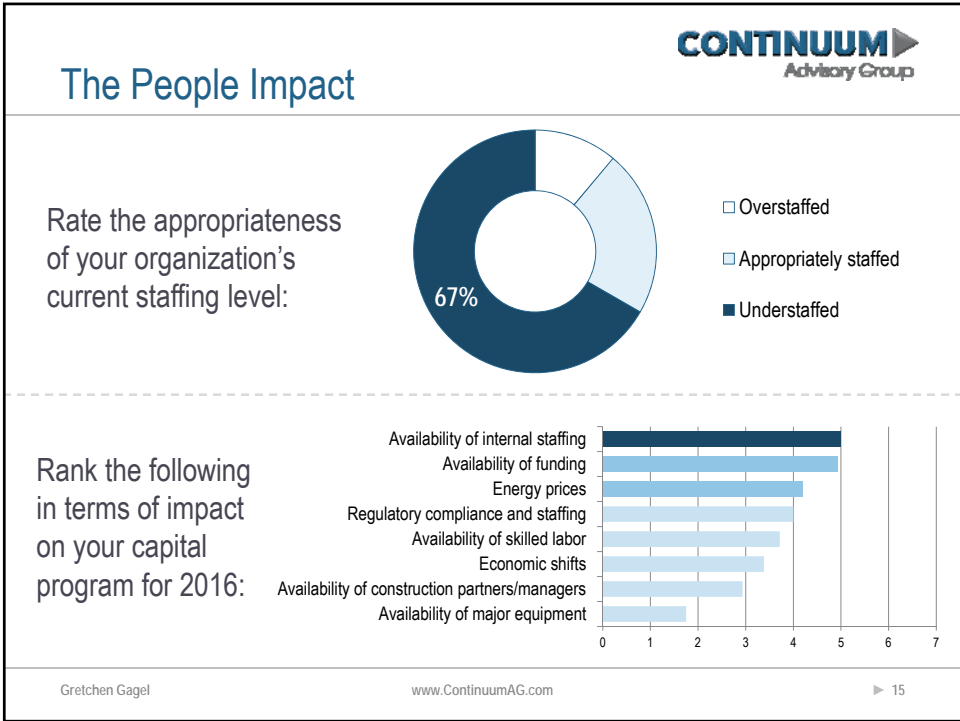


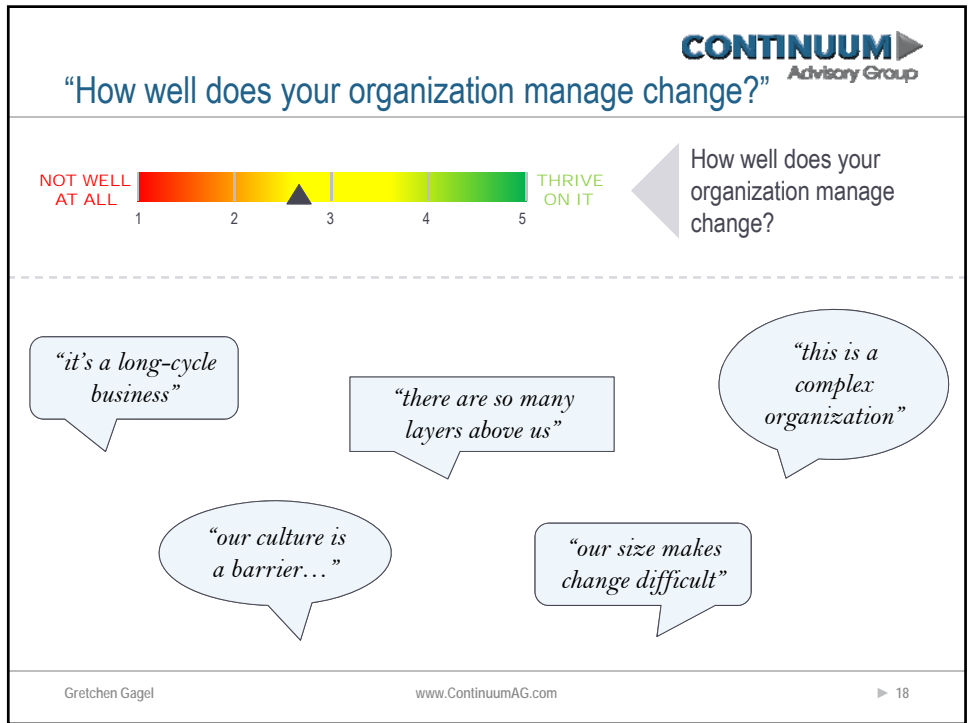
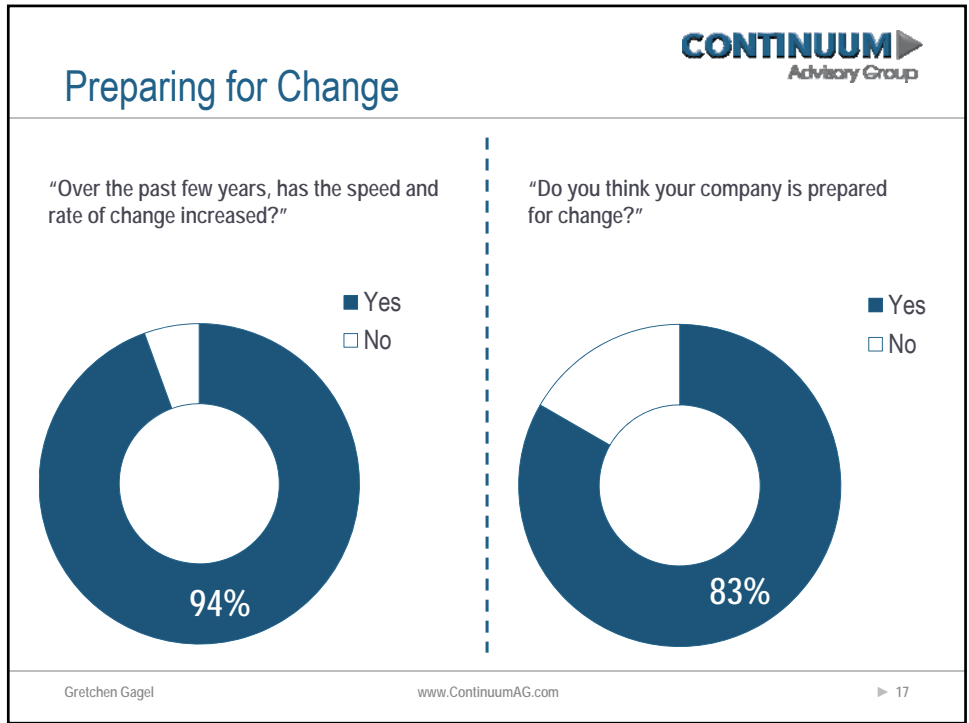
1 2 3 4 5

VOLATILE

86% think the environment will become more volatile over the next few years

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Organizational Agility

► Organizational agility is commonly defined as the capability of a company to rapidly change or adapt in anticipation of or in response to changes in the market.

“How would you rate your company’s organizational agility?”

NOT AGILE 1 2 3 4 5 VERY AGILE

61% rated as somewhat agile

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What does it mean to us?

Owners on developing agility:

“

- Employee empowerment
- Scenario planning
- Streamlining processes
- Mental shifts: accepting change, being ready to move
- “It’s all about simplification”
- Cultural shifts: agile work environments breed collaboration
- Partnering with contractors that are advancing innovation and productivity

”

Contractors on agile owners:

“


- Push responsibility down to the local business unit
- People onsite are empowered to solve problems
- People at all levels feel connected to the success of the project – they work harder
- Agility drives issue prevention... and quicker reaction time when issues arise
- Focus on creating a culture of innovation

”

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Agile Owners Need Agile A/E/C Partners

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Characteristics of Agile Organizations

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▶ Plan for change by:

- Focusing upon short- and long-term success
- Seeking nontraditional sources of information and viewpoints
- Developing alternative future scenarios
- Monitoring the changing forces of the environment



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Characteristics of Agile Organizations

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- ▶ Create a culture that embraces change by:
 - Accepting change as a constant
 - Building individual and organizational internal capabilities and knowledge
 - Hiring quick learners and promoting learning, innovation and diverse thinking
 - Rewarding people not for tenure, but for current performance, overall contributions and alignment



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Characteristics of Agile Organizations

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- ▶ Structure themselves for change by:
 - Abandoning traditional hierarchies in favor of virtual organizations able to quickly reconfigure
 - Driving shared leadership and decision making at the lowest level
 - Promoting teamwork and collaboration at every level
 - Employing knowledgeable workers that can quickly learn and change job responsibilities

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Characteristics of Agile Organizations

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- ▶ Are able to implement change to:
 - Achieve speed, flexibility and adaptability
 - Rapidly develop approaches and/or products to meet new needs
 - Implement multi-dimensional strategies simultaneously
 - Survive, thrive and remain competitive



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Characteristics of Leaders of Agile Organizations

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- ▶ Communicate vision, mission and strategies
- ▶ Explore and understand the need for change
- ▶ Create a culture that supports agility
- ▶ Build a structure and a team that supports the culture



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Characteristics of Leaders of Agile Organizations



- ▶ Empower, motivate and reward employees
- ▶ Demonstrate democratic and ethical leadership
- ▶ Understand their impact as either an impediment or catalyst of organizational agility



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Agility Based Strategies for Doing More with Less



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Partnering For Innovation

- ▶ Spending more time with contractors up front to assess capabilities and match a qualified contractor to the level of risk inherent in a project
- ▶ Partnering with expert suppliers who are already developing competencies around innovation
- ▶ Reducing the overall number of suppliers and keeping them involved more strategically on a program, rather than project basis
- ▶ Partnering to build the trust needed to create a more streamlined process and increase contractor responsibilities
- ▶ Revisiting contracting strategies to establish win-win relationships and improve collaboration

2017 Study

- ▶ Will be adding some additional information from the CURT study we are wrapping up this week

Questions



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