

FIELD GUIDE

Executive Edition

Design & Construction
Industry

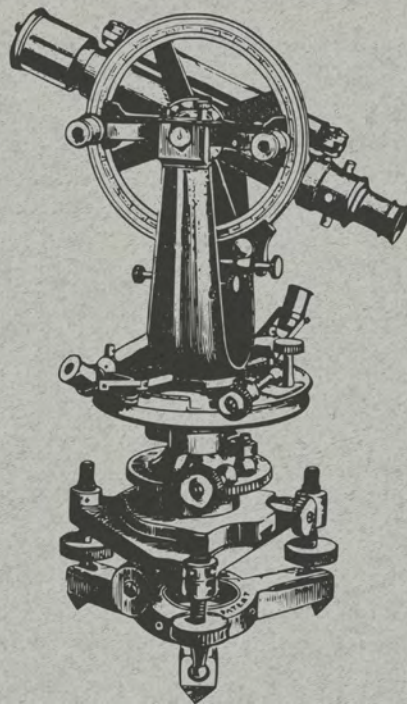
Experience-Driven

For Smart and Healthy Companies

Field Guide

Proudly Printed in the U.S.A.

C. Robert Schmidt



SCHMIDT & CO.



This Field Guide is intended to be a resource manual and catalyst for further conversation.

01

Sharpen

I encourage you to look through the Table of Contents and read a chapter about a topic that you feel like your company does really well. Reflect on the thoughts I've shared and send me your feedback.

02

Reflect

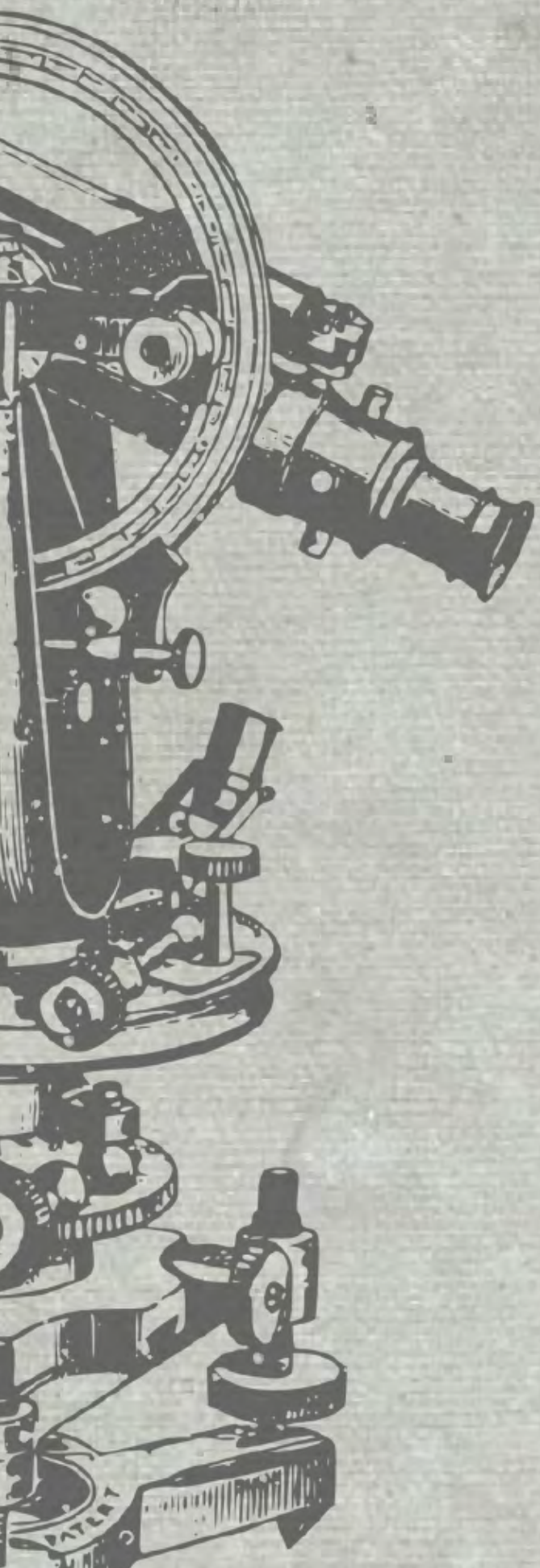
Next, read a chapter on an area where your organization could use some improvement. As you consider these thoughts, think about what your company would be like if you took steps towards improvement.

03

Engage

Contact me if you'd like a guide for the journey.

Email: robert@schmidt-co.com



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**THE SINGLE GREATEST
ADVANTAGE ANY COMPANY CAN
ACHIEVE IS ORGANIZATIONAL
HEALTH. YET, IT IS IGNORED BY
MOST LEADERS EVEN THOUGH IT
IS SIMPLE, FREE, AND AVAILABLE
TO ANYONE WHO WANTS IT.**

**PATRICK LENCIONI \ **

EXECUTIVE SUMMARY

Robert Schmidt

Over the past forty years, I have had the good fortune to work with and lead some amazing companies - companies where the employees were “best in class” and truly admired in their industries, primarily design and construction. Additionally, they were excited about coming to work each day and giving their absolute best for the success of the enterprise. The team members were smart, with degrees from some of the top universities in the U.S. and abroad. They produced excellent results in a positive, collaborative environment where the fruits of their labor were freely shared amongst the team members. These companies had flourishing environments.

I have also worked with a few other companies. Although many of their employees were smart, and the companies were successful enough to keep the doors open, there was a difference. They lacked a strategy or plan, and if there was one, it was often confusing, frequently changing and inadequately communicated. Morale was in the tank. The corporate politics were exhausting, the productivity low and the turnover high. Most of the profits, when there were any, went to a very small group of leaders at the top. These companies clearly had unhealthy environments.

ORGANIZATIONAL HEALTH

What is the fundamental difference? I believe it is something known as organizational health. At its core, organizational health is about having tangible integrity. It's about being consistent, where management, operations, strategy, and culture all fit together and make cohesive sense.

In spite of its undeniable power, leaders often struggle to embrace organizational health. They quietly believe they are too busy, too practical or too sophisticated to bother with it.

In other words, they think it's beneath them. Even many open-minded executives have become skeptical of any concept that sounds too subjective and experiential, especially in the construction business. Combine that with the notion that corporate culture is often more talked about than authentically lived out, resulting in an innocuous mission statement filed away in a drawer somewhere. This is a shame.



As Patrick Lencioni points out in his brilliant book, *The Advantage*, organizational health is different. It's not at all touchy-feely. It's far bigger and more important than mere culture. The health of an organization provides the very context for strategy, finance, marketing, technology, and everything else that happens within it, which makes it the single greatest factor determining an organization's success. More than talent. More than knowledge. More than innovation. Before any leader can tap into the real power of organizational health, they must be willing to step back and assess their company's current condition, its cohesive integrity. They must ask for help.

Some people, for example, are extremely self-aware and head to the doctor at the earliest ache or pain. In my experience, however, construction executives tend to play through the early symptoms and avoid seeking help until the pain is not just chronic but has become nearly unbearable. They can't go another day without alleviating it. Diagnosing and treating a physical ailment in your own body is difficult to do. Similarly, it's challenging to identify exactly what is keeping your own organization from flourishing and reaching its maximum potential.

THE ANALYSIS

The view from inside the fishbowl is by definition limited. This is why most executives tend to double down on what they know best: strategy, marketing, finance, technology, and human resources, what I identify as the **smart** characteristics of successful companies. The other half of the equation, which I find most often neglected, is about being **healthy**.

Smart - *having a quick-witted intelligence*
Healthy - *in top form; flourishing; thriving; robust; strong, vigorous*

When I discuss these healthy qualities with leaders, I often get one or both of the following reactions. They shift nervously or sigh in despair, like parents do upon hearing of other kids doing as told when asked. "Wouldn't that be nice!" they wonder. Yet, not even the most cynical leaders I speak with deny that their companies would be transformed if they could achieve the characteristics of a *healthy* organization. They recognize the practical connection between a lack of healthy morale, clarity and productivity and the company's overall performance. However, even well-intentioned leaders typically gravitate right back to the *smart* side of the equation, spending their time tweaking the dials in marketing, strategy, technology, and so forth. Why would they do something so illogical?

A FUNDAMENTAL SHIFT

The reality is that most company executives prefer to look for answers in areas where they are most confident,

focusing on the measurable, objective and data-driven world of organizational intelligence, rather than in the messier, more unpredictable world of organizational health. They prefer studying spreadsheets and Gantt charts or purchasing new machinery. That's how they've been trained. These leaders steer clear of the potentially emotional, subjective conversations that could easily become awkward.

Addressing organizational health takes real courage. For great companies to ever reach their maximum potential, for their employees to flourish, for them to rise in their industry and expand their bottom line, they'll need to make changes. They must be both smart and healthy.





**IN REALITY
STRATEGY IS VERY
STRAIGHTFORWARD.
YOU PICK A
GENERAL DIRECTION
AND IMPLEMENT
LIKE HELL.**

**JACK WELCH \ **

01

**SMART
STRATEGY**

STRATEGY

A high-level plan to achieve a set of goals under conditions of uncertainty.

The fundamental question any strategic plan must answer is, “How will we succeed?” In the design and construction industry, the product that is created and delivered is the actual project. The success, therefore, of every construction company depends fully upon acquiring projects and completing them for the owner, according to the requirements of the contract documents. It sounds simple doesn't it?



Most strategic plans fail, however, for one of several reasons. First, they fail because an understandable, written plan does not exist. As Benjamin Franklin stated, “By failing to prepare, you are preparing to fail.” Until a plan is written down, it is nearly impossible to communicate with others or expect anyone to follow. The other primary reason for strategic plan failure is over-complication. A two-inch-thick tabbed notebook entitled “ABC Construction - 2012 Strategic Plan” will never be opened. For a plan to succeed it must succinctly answer these questions:

- **How will we succeed?**
- **What is most important right now?**
- **Who must do what?**

If you can answer those questions in writing on a quarterly basis, while forecasting out 3 to 4 quarters and couple this with a longer range 3 to 5-year goal, you will be way ahead of most of your competitors. I provide a concise one-page strategic plan form to clients that achieves the desired results.

Strategic Planning Pyramid



First Principles Group®

GET THE WORK

Let's break down this basic strategy into its components. First, we must acquire projects. This can be done in a number of different ways:

- **Competitive bidding**
- **Direct negotiation with the owner**
- **Selection from a handpicked list through interviewing with a Project Manager**
- **Partnering with a design team for a design-build selection process**
- **Another alternative selection process**

The various forms of negotiating contracts with owners or project managers can be more profitable but require building relationships and a good reputation in specific markets. This is always a good long-term strategy for a company, as the competitive bidding process can be time-consuming and frustrating due to its uncertain nature. Oftentimes, there is someone desperate enough to low-bid a project merely to get the work, even at an unreasonably low price. Every company will find its most favorable balance of bid vs. negotiated work.



Each of these methods requires experience, teamwork, and strategy to execute effectively. The competitive bidding process requires cost estimating and organizational skills to submit the required bid documents by the owner's deadline. Every construction company has its own method of accomplishing this, depending on which bid items they self-perform with their own forces and which bid items must be subcontracted out. One great value of competitive bidding is its ability to keep your team in touch with the current market prices for bid items.

DO THE WORK

Once a project is acquired, it must be completed according to the requirements set forth in the contract documents with the owner. Understanding these requirements and communicating them to the entire project leadership team is the next step of the process. Standard AIA contracts are clear as to the responsibilities of the owner, architect, and contractor and can be modified to accommodate specific project conditions.

Many large institutional owners have their own form of contract, some of which are confusing, incomplete or contain onerous clauses for the contractor. It's always a good idea to have your lawyer review any contract form that you are unfamiliar with prior to execution.

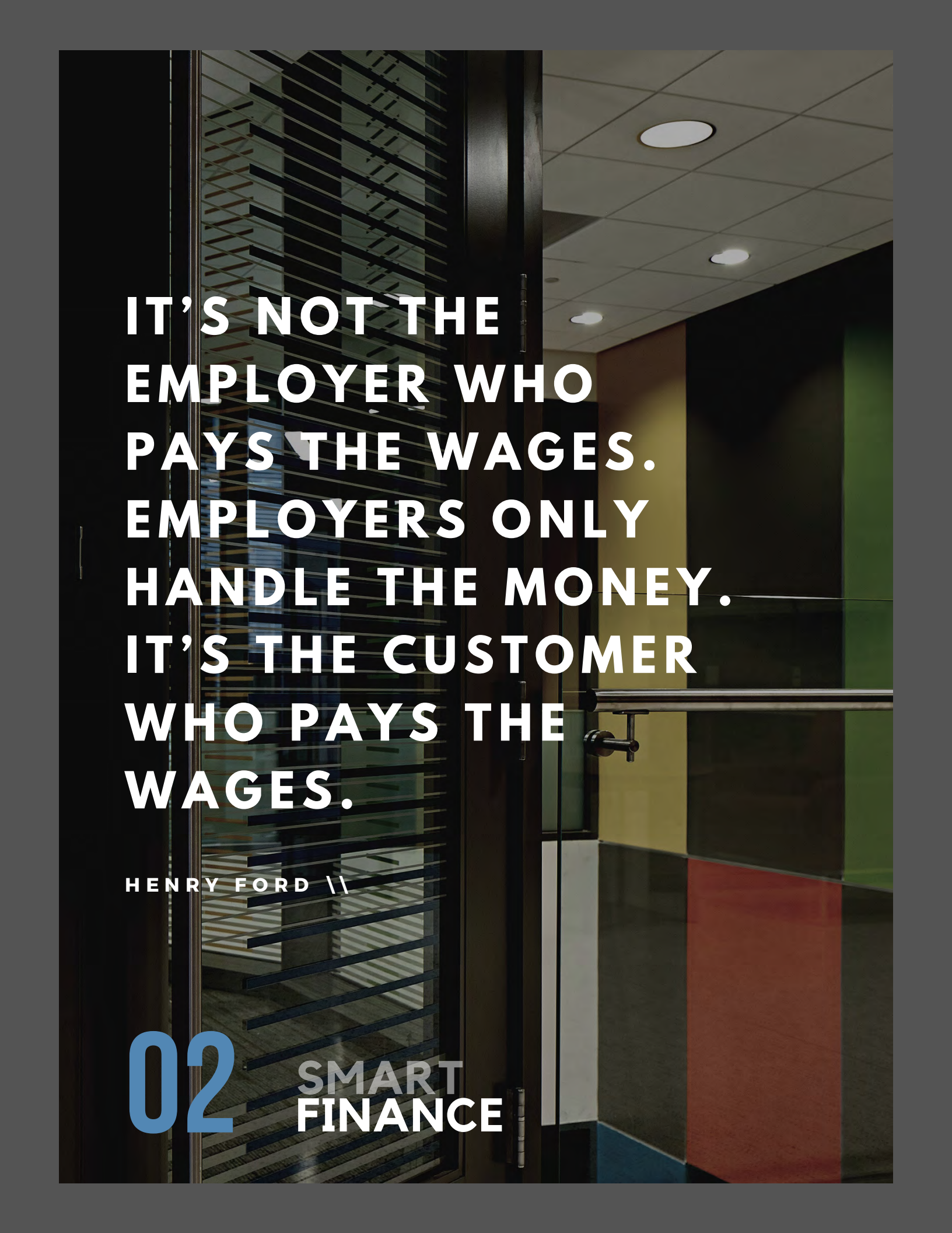
Experience pays off

The project leadership team is ultimately responsible for building the project and completing it to the owner's satisfaction. Well trained project managers and superintendents are the key to guiding the project along its critical path in order to complete it on-schedule and on-budget. There will always be surprises and changes along the way and seasoned leaders who can make wise decisions, as well ask for help at appropriate times, are worth their weight in gold.

Plan to win

In the end, every design or construction executive's strategy includes a satisfied owner and a fair financial profit for the company's efforts. There are numerous ways to achieve these goals within the mission, vision, and values of your organization and amidst the current demands of the markets within which you operate. A clear, written strategic plan, readily understood, will be your invaluable tool to achieve this goal over and over.



A modern office interior featuring a glass-walled elevator on the left and colorful wall panels (yellow, green, red) on the right. The ceiling has recessed circular lights. The overall atmosphere is professional and contemporary.

**IT'S NOT THE
EMPLOYER WHO
PAYS THE WAGES.
EMPLOYERS ONLY
HANDLE THE MONEY.
IT'S THE CUSTOMER
WHO PAYS THE
WAGES.**

**HENRY FORD \ **

02

**SMART
FINANCE**

FINANCE

The art of money management.

Learning how to live on a budget can be a challenging, yet liberating, experience for a family, especially if you have six young children and are starting a new business, like Jenni and I did. For many years, we utilized the envelope system where I took cash out from each paycheck and divided it amongst rent, food, clothing, utilities, medical, gas/oil, entertainment, etc. Near the end of the month, if the entertainment envelope was empty, we had a simple choice to make- take it out of another category or stay home.



Most companies that have survived past start-up have developed a system for financial controls and reporting. There are more books and expert opinions available on this subject than probably any other in the business section of the book store. The construction industry has a few peculiarities that make its cash flow management unique. You are often dealing with very large sums of money that are paid to the company based on monthly applications for payment as projects progress their way towards completion. Each of these large payments has corresponding expenses that must be paid regularly as well. If you have multiple projects progressing simultaneously, you must have accurate methods of keeping track of the income and expenses of each project so that you know where each project stands with regards to budget and percentage completion.

CASHFLOW MANAGEMENT

An additional complicating aspect is the fact that the company incurs the expenses for labor, materials, sub-contracts, and overhead prior to receiving payment from the owner. Couple that with the fact that some owners can be slow to make your large payment, sometimes 60 – 90 days after you apply for it, therefore a strategy for cash flow management is extremely critical to a construction company's very survival, much less success. Thankfully there are numerous sophisticated project cost accounting programs to assist with keeping track of project-related income and expenses to help construction executives have a handle on where they stand at any given moment.

A GOOD BANKER

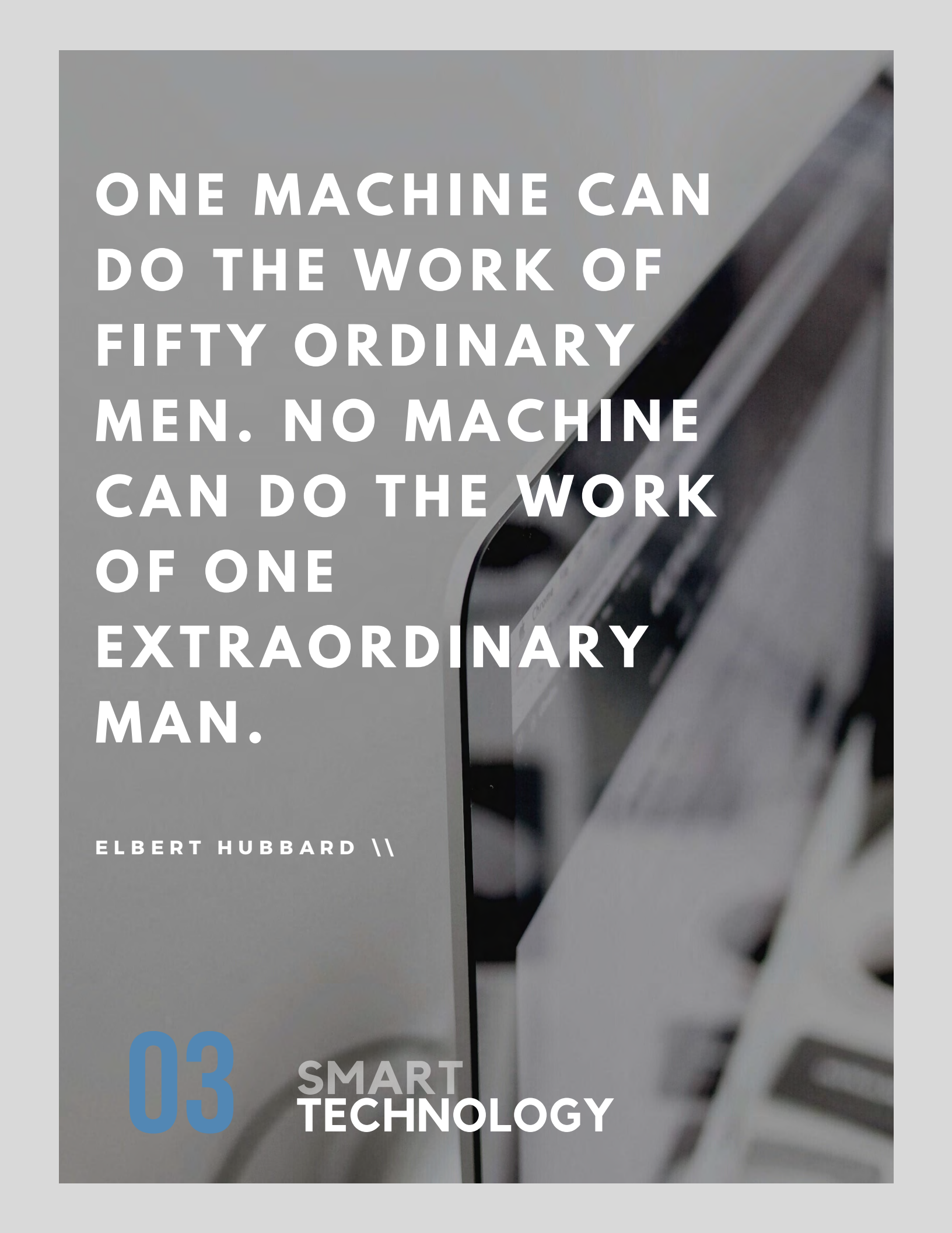
Strong banking relationships are critical to any business' success, and having a banker familiar and comfortable with the construction industry is a necessity. While some mature companies may have enough cash on hand to cover large accounts receivables, many firms must have a banker who really believes in them enough to provide a significant line of credit. However you choose to deal with this issue, it is paramount to not become overextended. A leading construction attorney told me that slow collections, insufficient capital and misuse of bank lines of credit are some of the leading causes for defaults on contracts and bankruptcy.



Another common cash management mistake in our industry is the practice of “robbing Peter to pay Paul”. Not all projects have the same profit margin. In fact, some projects are very profitable while others lose money. Be careful not to spend profit that is not yet yours or finance a bleeding project to the detriment of the overall financial health of the company. One executive I worked for was asked how many times he'd gone broke. He answered with a question, “How many times that everyone knew I was broke, or how many times that only I knew I was broke?” Get help before you're lured into this trap.

Play The Long Game

The construction business can be very profitable over time, but it's not a great way to get rich quick. Be patient, develop accurate internal reporting systems, hire a qualified CPA and develop a strong relationship with a secure banking institution so you can serve your customers well for many years.



**ONE MACHINE CAN
DO THE WORK OF
FIFTY ORDINARY
MEN. NO MACHINE
CAN DO THE WORK
OF ONE
EXTRAORDINARY
MAN.**

ELBERT HUBBARD \ \

03

**SMART
TECHNOLOGY**

TECHNOLOGY

Techniques, skills, methods, equipment and processes used in the production of goods or services.

I have interviewed and hired hundreds of bright young architects over the years as the design industry visualization and documentation tools advanced from AutoCAD 2.6 (Release 8) in 1987 to Revit Release 2013. I would often begin the conversation by holding up a pencil and stating, "This is an extremely powerful tool in the hands of someone who is an expert at using it." That would usually get a chuckle out of many of these kids who were much more comfortable with a mouse and screen than a pencil and paper. While a pencil is a proven, affordable, low tech instrument that has been used effectively for millennia to create masterpieces and convey complex ideas, executives today face decisions about spending thousands, and in some cases millions, of dollars on equipment in order to accomplish the objectives of their enterprise.



As technology advances in every industry, a plan must be developed to advance the best strategy for your particular organization. Do you want to be on the cutting edge? An early adopter? Wait for the market to settle and prices to hopefully drop a little? How will your organization embrace and implement the new tools available? These are just some of the questions that must be answered when developing an effective technology plan.

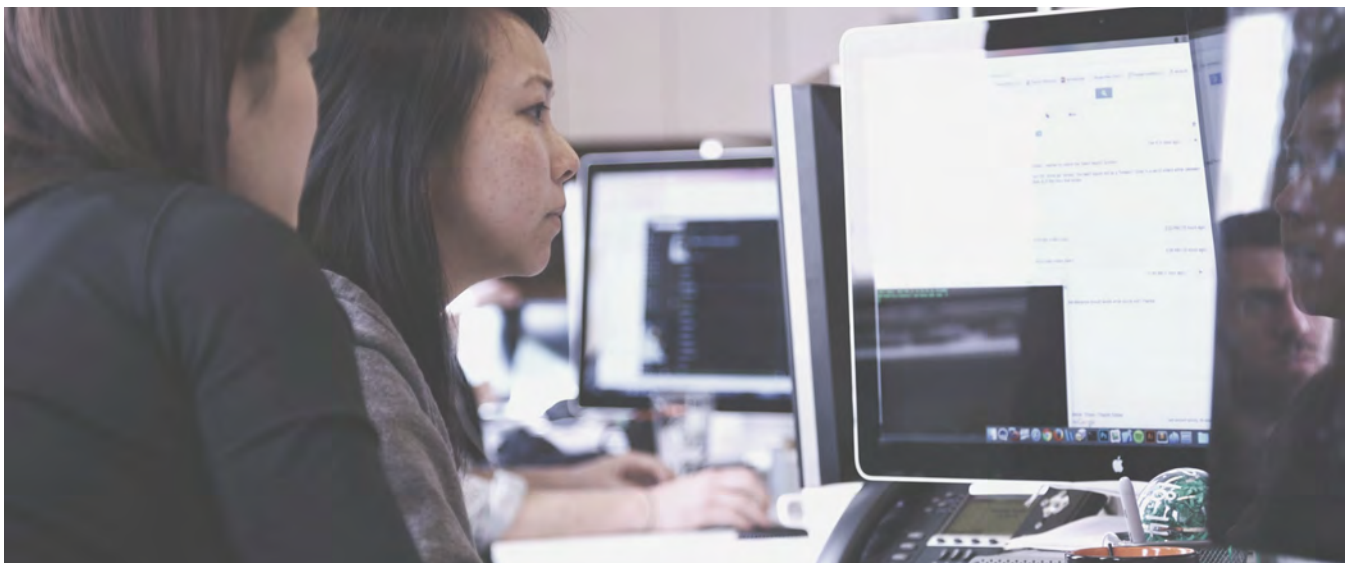
WHEN TO UPGRADE

One of the inherent challenges that executives face when deciding on technology upgrades, whether it's an advanced high-tech augmented reality system or a new bulldozer, is that all organizations need inside experts who understand and champion particular types of equipment. From the IT manager to the maintenance shop foreman, they often ask for innovations and system upgrades, merely because they represent the latest and greatest or meet the needs of a pet project. It takes mature executive oversight coupled with curiosity and willingness to try new things to achieve the proper balance within your budget limitations, or you may end up either behind the curve or overextended.

KEY CONSIDERATIONS OF A TECHNOLOGY PLAN

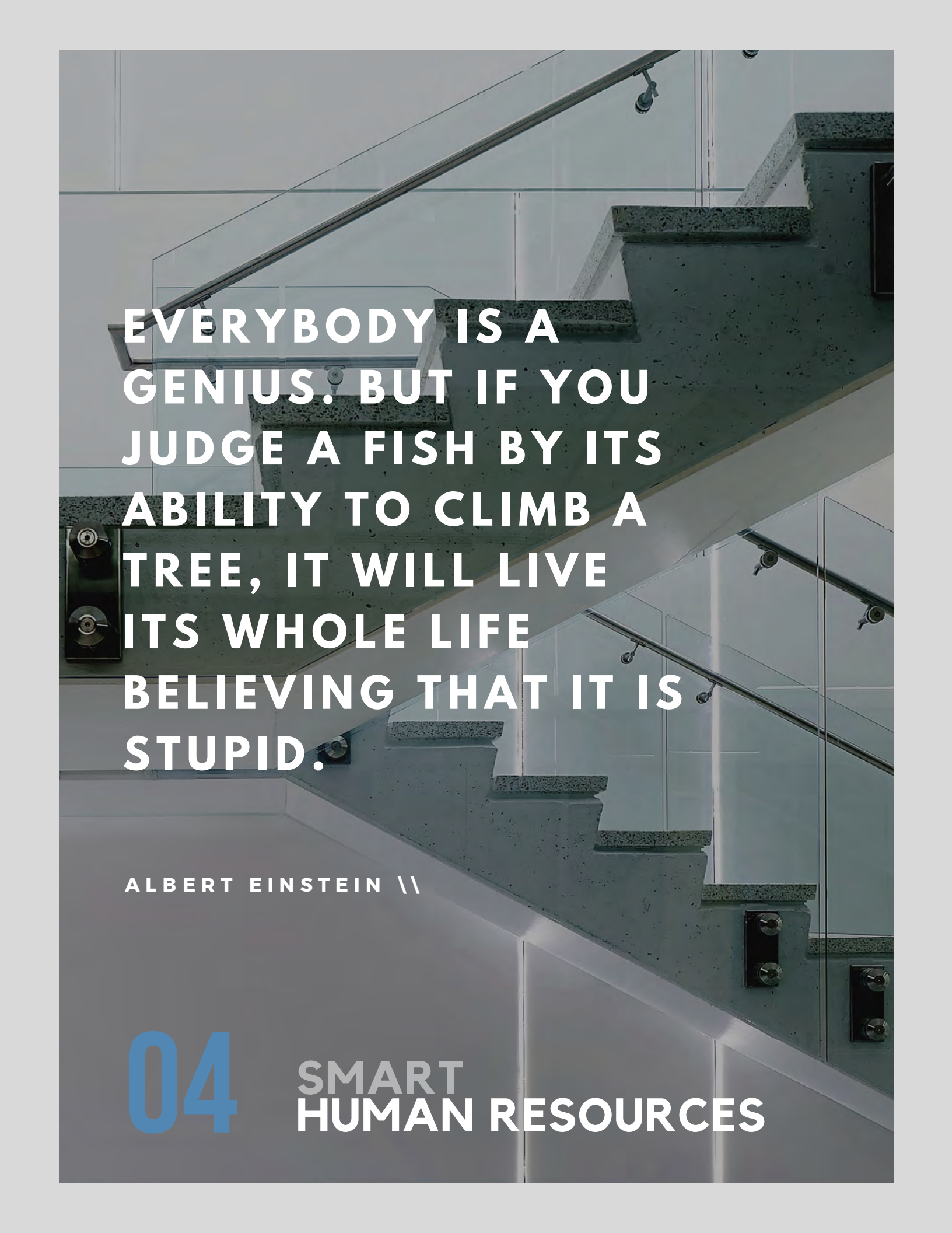
- **Direct negotiation with the Clear business objectives as it relates to technology**
- **Business changes that may occur through implementation of new technology**
- **Status of organization's current technology in use**
- **Understanding of industry technology trends**
- **Technology life cycle budget projections**

Give clear, written objectives and require a written response with some level of cost/benefit analysis and an outline implementation schedule. This can achieve several desired outcomes simultaneously: gain valuable information from subject matter experts, build esprit de corps and challenge team members to think objectively and defend their proposals. You must be willing to honestly consider the team's recommendations for this to be effective over time.



It can be helpful to create a task force within your organization that focuses on a particular technological need. One strategy I've used is to assemble a group of 3 to 5 employees who are advocates for a certain technology and require them to meet outside of regular business hours but provide a little beer and pizza money for their meeting.

In the end, all leaders must be willing to make tough decisions based on incomplete information. Technology expenditure is a major area where this is certainly the case. As Bill Gates points out, your first job as an executive is to build an efficient and effective organization. Embracing the right technology tools will then magnify its effectiveness.



**EVERYBODY IS A
GENIUS. BUT IF YOU
JUDGE A FISH BY ITS
ABILITY TO CLIMB A
TREE, IT WILL LIVE
ITS WHOLE LIFE
BELIEVING THAT IT IS
STUPID.**

ALBERT EINSTEIN \ \

04

**SMART
HUMAN RESOURCES**

HUMAN RESOURCES

Managing employees in a company involving hiring, firing, training and motivating employees.

I'll never forget standing with my boss overlooking the central court of the Dallas Galleria in 1981, with its complex multi-story skylight, tempered glass handrail system, granite panels, and the ice-skating rink being installed three floors below. As a seasoned construction executive, he told me that what makes the construction business so difficult is not so much the specific technical elements involved but the fact that they must all be installed by human hands. As a young project expeditor, I didn't fully comprehend the meaning behind his comment, but now I do.



At their core, both design and construction are people businesses. Recognizing your people as extremely valuable “human capital” is vitally important. There are many technical aspects involved, of course, but at the end of the day, your success is dependent on a series of complex human relationships. From the lowest-paid part-time intern to the CEO, success starts with hiring the right people, those who are technically qualified, have the right level of experience and most importantly, fit the organization’s culture. This is what Jim Collins calls getting the right people on the bus. Over the history of every business, executives will experience market periods of both gluts and shortages of qualified people available for hire. My experience has also been that many of the very best people already have a good job, so you must find them and convince them to join your organization.

TRANSITIONS

Another significant aspect of Human Resource management is recognizing when someone isn't the right fit for your organization and following through with the often unpleasant task of transitioning them out -firing them. While many executives may agree with the principle of “hire slow – fire fast”, it isn't always easy to do. If the person is a good cultural fit for your team but doesn't have the skill set required for their current role, I always recommend exploring if there may be a better “seat on the bus” for them, to follow Collins’ analogy.

However, if they are skilled but aren't a good cultural fit, I highly recommend transitioning them out as quickly as possible. The most difficult situations, and I've been there a number of times, is when the individual is extremely skilled at the technical job requirements but mildly toxic from a cultural standpoint. This person can be extremely damaging to the morale and culture of your entire company, often with the executive unaware. The temptation is to keep this person on board because of their skills, hoping they will come around, all the while demoralizing many hard-working team members around them. I believe that everyone was created to flourish somewhere, and if they aren't flourishing at your company, yet you keep them employed for whatever reason, you are actually doing a disservice to them and to your organization. Don't let this happen. Usually, when I have terminated an employee, regardless of the reason, they end up finding a better personal fit somewhere else and end up thanking me later for letting them go.



The training and motivating aspects of developing the human capital within your team should be shared broadly throughout a healthy organization. A combination of in-house mentoring, peer reviews, off-site workshops, and regular, fun staff activities should not be merely the purview of the Human Resource department but be shared companywide. Remember, every organization is a community – think family. We all must be involved in helping each other grow while having a good time together. When I pose the thought, “Think about a genius. Now picture him or her in your mind.” Many people think of a German-born patent clerk with crazy hair. Albert Einstein was not only a brilliant theoretical physicist but also insightful into the human condition. His recognition of the genius within everybody has transformed the perspective by which I lead, train and encourage people. It is essential to build this into your corporate culture.



**DON'T BLAME THE
MARKETING
DEPARTMENT. THE
BUCK STOPS WITH
THE CHIEF
EXECUTIVE.**

JOHN D. ROCKEFELLER \\\

05

SMART
MARKETING

MARKETING

Creating relationships with customers by promoting and selling products or services.

The marketing department of our company wasn't always a happy place to work. Architects are different from most engineers and contractors because many of them are frustrated artists who inherently resist any constraints on their creative autonomy. While attempting to be productive and systematized in the process of promoting the firm's services to prospective clients, the team regularly bumped up against very strong opinions about how best to describe previous work through words and photographs, all while racing against a deadline for a proposal submittal. More than once, I had to talk a team member off the ledge and make the final choice while one of my partners was off at another meeting, knowing that they may be dissatisfied with the final product. A consistent marketing plan will help solve this problem.



Creating new relationships is both a personal and corporate activity. Most construction companies and engineering firms can follow a more methodical approach to telling their story, identifying their unique differentiators and actually closing a deal. If anything, they might be better served by worrying a bit more about the image they present, while architects could worry a bit less. Marketing, advertising, and business development are all closely related, yet slightly different facets of connecting with new clients. While some traditional techniques still work well in this digital age, we must all be open to new strategies designed with modern clients in mind.

VISIBILITY AND REPUTATION

By my definitions, advertising focuses on increasing your firm's visibility and reputation. Effective advertising must be targeted on a business' primary audience; you need to fish in a pond that's stocked with the type of fish you want to eat. Identifying the publications those prospective clients read, radio stations they listen to or websites they browse is your first challenge. I highly recommend engaging a marketing or ad agency that specializes in your particular industry. You don't have to follow all of their advice, but believe me, it will save you thousands of dollars of misplaced time and energy to seek outside counsel.

MARKETING COLLATERAL

I see marketing support materials as being more personalized to specific projects, owners or clients. These materials must translate the often technical terms, or what you actually do, into language the potential customer can understand. If you are interviewing for a research laboratory at a major university, you should consider using different terminology than you would for the home of a fine art collector and her husband. A qualified in-house marketing department can be invaluable in preparing the appropriate collateral material for this process



Closing the deal, finally developing the new business, usually requires the direct involvement of senior leadership, especially if you are dealing directly with an owner. Most owners want direct contact with an executive of the company they are hiring. While a qualified project manager may assist in this process and may eventually build a close, trusting relationship with the owner, they can rarely close the deal alone.

Client Acquisition

Marketing is vital to your company's success. The design and construction industry's lifeblood involves identifying and landing the next project.

Be willing to engage outside experts to help define and communicate your message, but in the end don't blame the marketing department. The buck stops with the executives.

**THE PRODUCTIVITY
OF WORK IS NOT THE
RESPONSIBILITY OF
THE WORKER BUT
OF THE MANAGER.**

**PETER DRUCKER \ **

06

**HEALTHY
HIGH PRODUCTIVITY**

HIGH PRODUCTIVITY

The average measure of the efficiency of production.

At our design firm, we had a bi-weekly project manager meeting where each PM gave a brief overview of how their project was going. This was a great opportunity to connect with each other, celebrate victories and help each other get unstuck if needed. While it was an investment of time, it was a great way to stay connected to each other and to the projects that we weren't directly responsible for. One of my most effective project managers asked me one day if he could always go first and leave after his report. He said that it was a waste of his time to sit through everyone else's report and that he was only looking for ways to be more efficient. Do you see what's wrong with this notion? Efficiency, effectiveness and helping the entire team be more successful can sometimes conflict.



How do you measure the productivity of your organization? There are many ways to quantify output as a percentage of input, and if you have an effective cost accounting system, you can often print more reports on a weekly or monthly basis than you can really make sense of. My encouragement is to identify a few key numbers that can help you keep the pulse on your company's productivity. In both design and construction, we perform work on a project basis, so it's important to be able to slice and dice your data by individual project, by project manager and project type, at a minimum.

KEY PERFORMANCE INDICATORS

Measuring productivity is both an art and a science. While the numbers "don't lie", they also don't tell the entire story. Many organizations in the design and construction industry today measure multiple "bottom lines". One popular approach is considering the triple bottom line, which takes into account your company's impact on society and the environment as well as your financial profit. Certain project types may produce great results in one or two of these areas while only moderate results in the third. Keeping this in mind and in balance can be tricky, but once again, key performance indicators will help manage the projects and the workflow of the company.

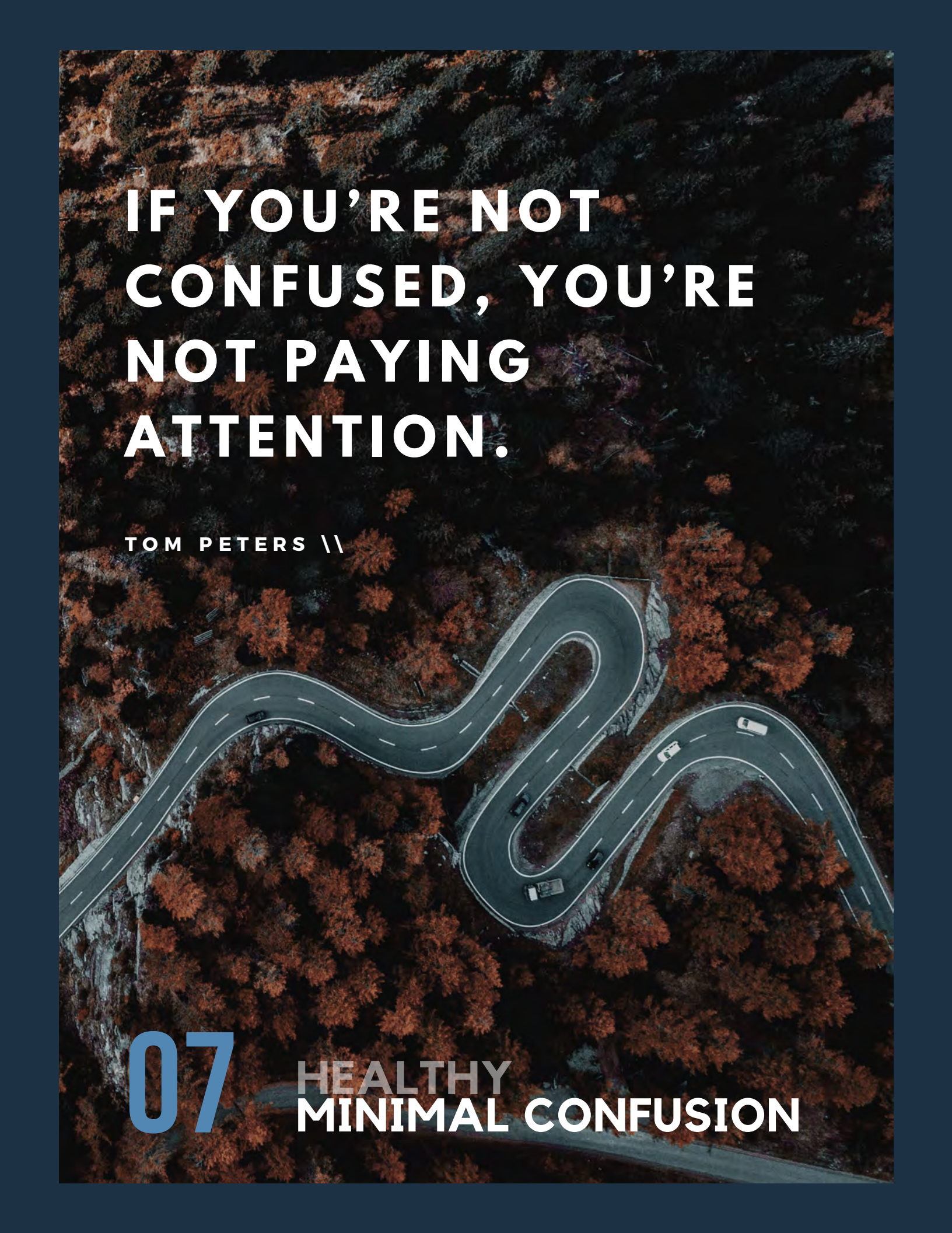
THERE ARE MANY WAYS TO INCREASE PRODUCTIVITY

There are numerous ways to increase productivity in the workplace, and while many principles are common to all organizations, some may be unique to your company. Productivity can also be thought of as the result of the other smart and healthy measures you apply. Having the right tools and equipment is vital, as we address in the Technology chapter. Minimizing unhealthy office politics and confusion improves all aspects of productivity and implementing an effective strategic plan can keep the entire team moving in the same direction. Human resources can coordinate training for professional development like improved time management, how to hold more effective meetings or organizational skills and the technical staff can teach different aspects of project management.

You have options

There are many ways to be more productive, to get more done. Smart and healthy companies are productive companies.



An aerial photograph of a winding asphalt road through a dense forest. The trees have vibrant autumn foliage in shades of orange, red, and brown. The road curves through the landscape, with several cars visible on it. The overall scene is captured from a high angle, looking down at the road and the surrounding woods.

**IF YOU'RE NOT
CONFUSED, YOU'RE
NOT PAYING
ATTENTION.**

**TOM PETERS \ **

07

**HEALTHY
MINIMAL CONFUSION**

MINIMAL CONFUSION

Avoiding the state of being bewildered or unclear

Sometimes I wake up from a dream, and it takes a few moments to realize that I'm not at a wedding in India wearing a tie with Albert Einstein's face superimposed over a mushroom cloud. That really happened to me this morning. And here I am, tasked with writing a few thoughts on confusion

A certain degree of confusion is inevitable. So, how do we minimize it in our organization?.

We can, however, minimize the confusion in our organization, and this always begins at the top. Building and maintaining a cohesive leadership team holds the only real hope for clarity in an organization. In addition to being behaviorally cohesive, the leadership team of a healthy organization must be intellectually aligned and committed to the same answers to six simple but critical questions.



THE LEADERSHIP TEAM OF A HEALTHY ORGANIZATION MUST BE INTELLECTUALLY ALIGNED AND COMMITTED

Wouldn't it be nice if we could develop a simple strategic plan, communicate it once, then stand back and enjoy watching the well-oiled machine in motion? Unfortunately, this only happens in fairy tales. If confusion is the state of being bewildered or unclear, this seems to be the status quo of any company made up of people, which includes all design and construction companies.

For a company to be truly healthy, its leaders must be completely aligned around these six fundamental issues suggested by Patrick Lencioni:

1. **Why do we exist?**
2. **How do we behave?**
3. **What do we do?**
4. **What is most important, right now?**
5. **Who must do what?**
6. **How will we succeed?**

While these questions may appear simple, they require time and commitment to answer honestly and effectively

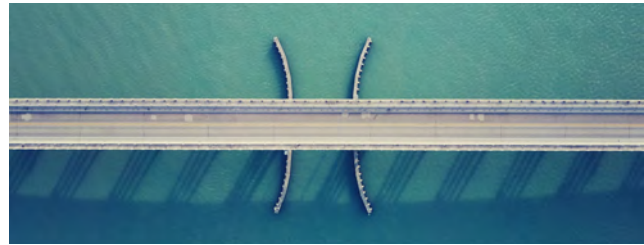
CORPORATE CULTURE

Many companies never communicate clearly why they exist. They know what they do but are inconsistent about what they value. Although they talk about being strategic, most companies can't really articulate a clear, concise plan for success, and they don't have a consistent method for evaluating decisions. The leadership team is constantly managing against a lengthy list of diverse goals, some of which may not be compatible and many of which pertain to only a few members of the company. Moreover, most employees have limited knowledge about, or interest in, the specific responsibilities of their peers or the overall goals of the business.

LET'S IMAGINE A DIFFERENT WAY.

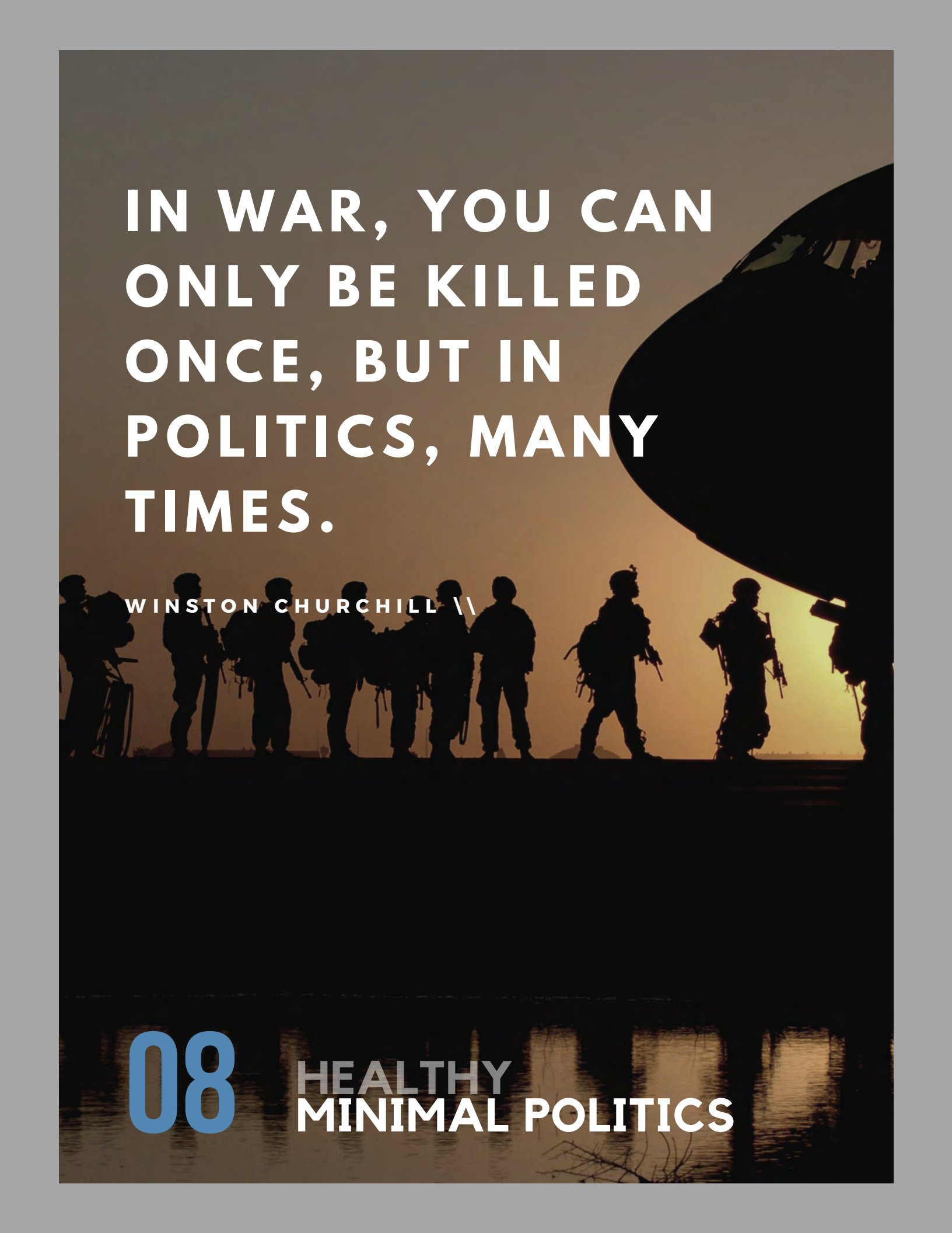
- What advantage would it be to your organization if your entire team shared a common passion for what they do and were committed to abiding by the same set of values?
- What if they had a clear plan for success and could articulate their top, collective priorities?
- What if they understood how each team member contributes towards achieving those priorities?
- Would it be worth taking the time and committing the resources to gain that level of clarity in your organization?

My expert opinion is yes, **it would be well worth it and would end up paying huge dividends**: in relationships, in attitude towards work and on the bottom line. We spend a large portion of our waking hours at work, and as the leaders of our companies, we have the opportunity and responsibility to create the best possible environment in which our enterprise can flourish.



It is the executive's choice whether to continue sailing in the same direction simply because "this is how we've always done it" or to chart a new course. In some ways, this is merely enlightened self-interest. You work here too, but clarity may also be a requirement for survival.

As Gallup Chairman, Jim Clifton, states in his 2011 book, *The Coming Jobs War*, "What everyone in the world wants is a good job." As design and construction executives, you face increased competition at every level for top project managers, engineers, designers, superintendents, foremen, and skilled labor. Your subcontractors are all facing the same dilemma. Your best hedge against this, the one that is within your control, is to develop a cohesive leadership team and take the time to get your company aligned on a smart and healthy footing, giving clarity to your entire team. This will create a company where the very best people want to work.



**IN WAR, YOU CAN
ONLY BE KILLED
ONCE, BUT IN
POLITICS, MANY
TIMES.**

**WINSTON CHURCHILL **

08

**HEALTHY
MINIMAL POLITICS**

MINIMAL POLITICS

Organizational politics refers to the activities of governing a company.

One of my first jobs in the construction field was as a parts runner for the maintenance shop of a highway contractor. I would drive my 1971 Ford F-100 to various locations around town to pick up parts and supplies for the shop mechanics and occasionally deliver them to project sites. Through performing these simple tasks in an entry-level position, I became introduced to the internal politics of the company, as communicated in descriptive and colorful language by the foremen, mechanics and truck dispatcher. As I often say, where two or three are gathered together, there will be politics.

Organizational politics are unavoidable, however, we can endeavor to keep them to an absolute minimum. An organization simply cannot be healthy if the people who are chartered with running it are not behaviorally cohesive in a few fundamental ways. In any design or construction company, from a small, entrepreneurial start-up to a large established corporation, lack of cohesion at the top inevitably leads to dysfunction, politics and a lack of health throughout.



COHESIVE LEADERSHIP

So, what does a cohesive leadership team look like? It's a team whose members are open with one another, can passionately debate important issues, and commit to clear decisions even if they initially disagree. They call each other out when their behaviors or performance needs correction, and they focus their attention on the collective good of the company.

The essential step in developing a team like this is building trust amongst its members. Trust is the fundamental quality of any human relationship and very little can be accomplished without it. I realize that sounds like the most obvious statement ever made, something that every organization understands and values. As it turns out, many leaders have the wrong idea about the type of trust that excellent teamwork requires.

TRUST ISSUES


People often think of trust in a predictive sense; if you can know how a person will behave in a given situation, you can trust them. I've known Bill for years, and I can trust that when he says he's going to do something, he'll follow through. As helpful as that might be, it's not the kind of trust that lies at the foundation of building a great team. The trust that is necessary to build a cohesive leadership team is vulnerability-based trust. This is what happens when members get to a point where they are completely comfortable being transparent and honest with one another, where they can say and genuinely mean things like "I screwed up, I need help" or "Your idea is better than mine," or simply "I'm sorry." At the heart of vulnerability lies the willingness of people to abandon their pride and their fear, to sacrifice their egos for the collective good of the team. This can take some work if a team has become used to playing politics with each other, but it is well worth the hard work.



ACHIEVING RESULTS

The ultimate point of building greater trust, commitment and accountability is one thing: the achievement of desired results. This seems obvious, but one of the greatest challenges to team success is the inattention to results. What would members of an executive team be focused on if not the results of their organization? Well, for one, the results of their particular department or project. Too many executives don't see a connection between the decisions they make and the impact they have on other parts of the business. They don't seem to understand that the way they spend their time, energy, and resources can influence the overall performance of the organization.

Cohesive, trustworthy leadership is the best antidote to divisive corporate politics. It takes commitment and hard work, yet results in an enjoyable and thriving workplace. And it pays huge dividends.



**MANAGERS TEND TO
BLAME THEIR
TURNOVER PROBLEMS
ON EVERYTHING UNDER
THE SUN, WHILE
IGNORING THE CRUX
OF THE MATTER:
PEOPLE DON'T LEAVE
JOBS; THEY LEAVE
MANAGERS.**

**TRAVIS BRADBERRY **

09

**HEALTHY
LOW TURNOVER**

LOW TURNOVER

Mitigating replacing an employee with another employee.

High turnover can be thought of as corporate hypertension, the silent killer. Every company deals with people leaving for various reasons and needing to find competent replacements. This is part of standard human resource management and should not be considered a symptom of a real turnover problem. High turnover is when the rate of this normal attrition begins to really impact your productivity or when it exceeds your industry norm as measured on a percentage basis. Work Institute, a leader in human resource consulting, states that in 2018 a staggering 41.4 million U.S. workers left their jobs. Nationally, employee voluntary turnover exceeded 27%, and their data indicates that approximately 75% of those who quit could have been retained by employers.



Partings between organizations and employees may result from termination, retirement, death, interagency transfers and resignations due to work-life balance, manager behavior or career development. Clearly, some of these causes are unavoidable, but many of them can be symptoms of an unhealthy aspect of your organization. For instance, a high termination rate where employees must be fired due to lack of technical skills or cultural fit may indicate a need to improve your hiring process. An improved interviewing and vetting process will result in selecting candidates that are a better long-term fit for your organization.

MANAGER BEHAVIOUR

If you are experiencing high turnover in a particular department, it could be a symptom of either a manager who is difficult to work for or a structural process that needs improvement. One company I worked with had high turnover in the bookkeeping department and even though they wouldn't mention it in exit interviews, the manager of that department needed some real sensitivity training in how she communicated with her team. Accuracy and thoroughness were vital to that particular operation, but as the old saying goes, you can catch more flies with honey than with vinegar.


MANAGER BEHAVIOUR

As mentioned in the Human Resources section and in the quote above, people often leave their job because of a toxic relationship with their manager. In a larger organization, this might be harder to detect, particularly if the manager is extremely proficient technically. They may also have the Jekyll and Hyde complex, where they flatter their superiors and belittle and overload their subordinates. I had this exact situation occurring under my nose and sadly let it go on for several years before dealing with the issue. I learned a critical lesson. Don't repeat this mistake.



THE HIGH COST

The fundamental reason that high turnover must be addressed is that it directly affects the bottom line. While it's difficult to put an exact number to it, most human resource experts agree that every time a business replaces a salaried employee, it costs a company between six and nine months' salary. For a manager making \$75,000 a year, it will cost between \$37,000 and \$56,000 just in recruiting and training expenses. Some estimates are much higher, depending on the level of the employee being replaced. So, if you lost three of these managers in one year, it would probably impact the company's bottom line by over \$150,000. You will never eliminate employee turnover, however, it must be on every executive's radar screen. Be aware of who is coming and going and take the time to ask the question why. Don't succumb to the high cost of this silent killer.



**THE BEST MORALE EXISTS
WHEN YOU NEVER HEAR
THE WORD MENTIONED.
WHEN YOU HEAR A LOT
OF TALK ABOUT IT, IT'S
USUALLY LOUSY.**

**DWIGHT D. EISENHOWER \ **

10

**HEALTHY
HIGH MORALE**

HIGH MORALE

Confidence, enthusiasm and discipline of a person or group at a particular time.

I'll never forget being served a bag of peanuts by Herb Kelleher on a red-eye flight from San Antonio to Dallas. The CEO of Southwest Airlines was flying to his office and was by far the most buoyant person on the airplane, even as he pitched in to assist the flight attendants in this menial task. Southwest's high customer ratings, consistent profits and satisfaction amongst its 58,000 employees can all be traced back to its founder's belief that he was in the people business, not merely an airline. We may not all be born with Herb's happy gene, so what's the secret in building high morale in your company?



The primary attributes of an employer of choice relate to corporate culture and the morale of the work environment, according to Gallup. As with most attributes of healthy companies, morale is closely tied to the cohesiveness of the leadership and clarity of purpose in the organization.

A key to keeping morale high is learning how to deal with conflict. Contrary to popular wisdom and behavior, conflict is not a bad thing for a team. In fact, the fear of conflict is almost always a sign of problems. I learned this lesson while managing a partnership of powerful and persuasive personalities. We could make real progress when we moved past fear and had productive ideological conflict, the willingness to disagree, even passionately when necessary, around important issues and decisions that must be made. But this can only happen when there is an atmosphere of trust.

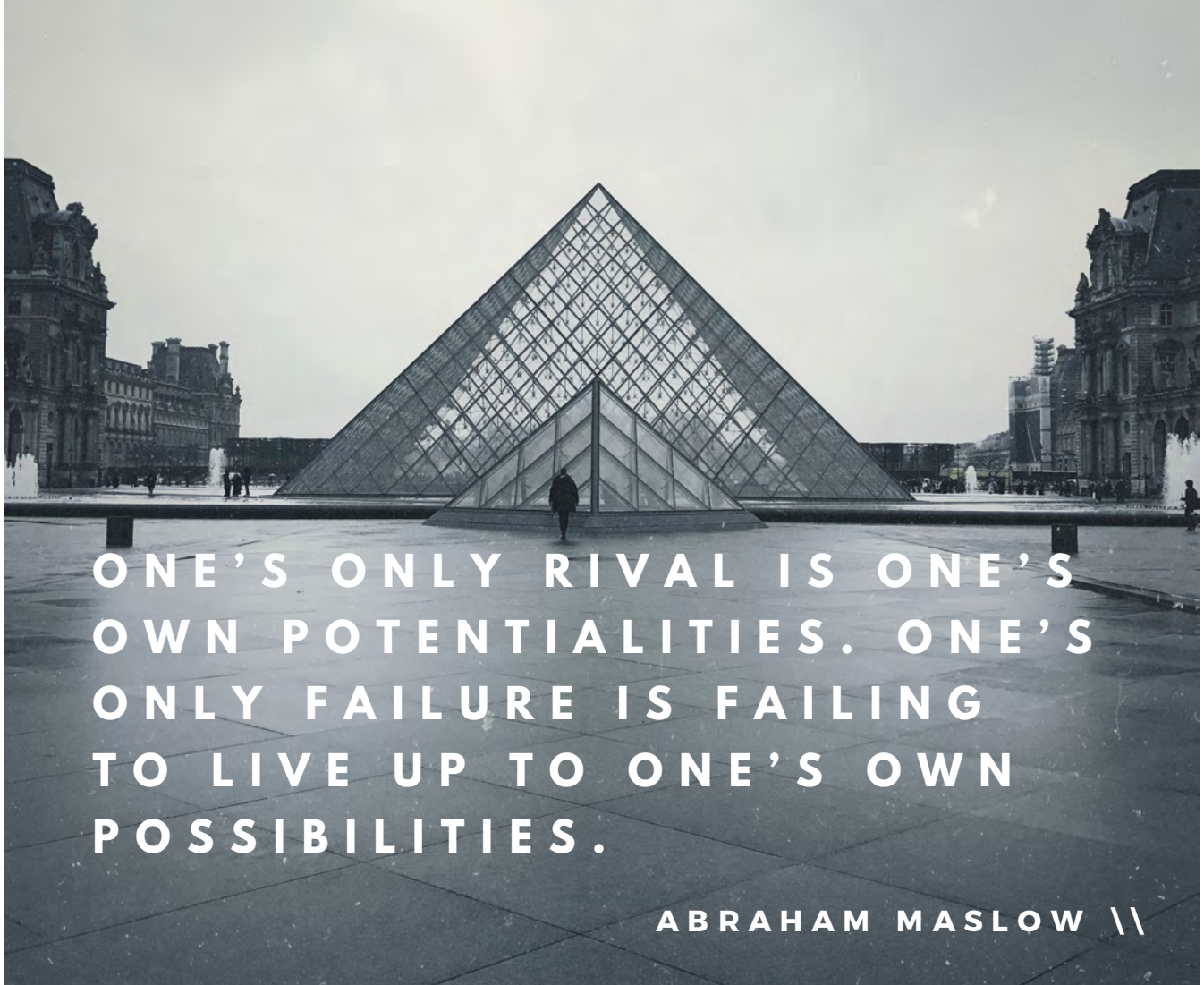
When team members trust one another and know that everyone on the team can admit when they don't have the right answer and are willing to acknowledge when someone else's idea is better than theirs, the fear of conflict and the discomfort it entails is greatly diminished. When there is trust, conflict becomes nothing but the pursuit of truth and an attempt to find the best possible answer. Conflict without trust is politics, an attempt to manipulate others in order to win an argument. This can torpedo morale. The reason that conflict is so important is that a team cannot achieve commitment without it. People will not actively commit to a decision if they have not had the opportunity to provide input, ask questions, and understand the rationale behind it. This is a critical point and needs to be clarified because it should not be misinterpreted as an argument for consensus.

When leadership teams wait for consensus before taking action, they can end up with decisions that are made too late and are mildly disagreeable to everyone. This is a recipe for mediocrity and frustration. Leaders must require active and clear commitment at the end of an open discussion and let everyone know that they are going to be held accountable for doing whatever the team ultimately decides.



Even well-intentioned members of a team need to be held accountable if the organization is going to stick to its decisions and accomplish its goals. Sometimes people will deviate from a plan or a decision knowingly, tempted to do something that is in their individual best interest but not that of the team. In other cases, people will stray without realizing it, getting distracted or caught up in the pushes and pulls of daily work. In either case, it's the job of leadership to call those people out and keep them on task.

High morale is like an abundant garden. It is a resultant of daily attention to planting good seed, watering, fertilizing and picking out the weeds. As Eisenhower stated, it's usually best experienced when you never hear the word mentioned.



ONE'S ONLY RIVAL IS ONE'S
OWN POTENTIALITIES. ONE'S
ONLY FAILURE IS FAILING
TO LIVE UP TO ONE'S OWN
POSSIBILITIES.

ABRAHAM MASLOW \ \

CONCLUSION

You now understand what it takes to lead a smart and healthy company. There is no secret formula but rather a series of common-sense principles that require patience and courage to implement. As executives, you have the opportunity to impact an individual's entire hierarchy of needs. The smart aspects establish the foundation while the healthy aspects benefit the higher needs. My hope is that your company reaches its maximum potential while your people flourish. I want you to rise in your industry while expanding your bottom line. What's holding you back?

Contact me at robert@schmidt-co.com

Schmidt & Co. can get you there!

ABOUT THE AUTHOR

Robert Schmidt



Robert Schmidt founded Schmidt & Co. in the fall of 2012 following over thirty years of success in the design and construction business. Decades of experience working with leaders have reinforced the belief that all leadership skills are fruit of a person's inner world - their character and values. In 2013, Robert became a certified leadership coach with the goal of empowering individuals to discover and develop their gifts and talents in order to live and lead more effectively. Rooted in this vision, Robert comes alongside individuals, teams, and organizations to cultivate their unique genius within.

In August 2016, he began a new adventure as an Adjunct Assistant Professor in the Construction Science and Management Department of the University of Texas at San Antonio. In addition to teaching and consulting,

Robert works with a San Antonio based non-profit that focuses on developing leaders who desire to integrate their faith, character, and influence more effectively into their work, families and community.

Robert founded Overland Partners Architects in 1987 alongside three friends and fellow Longhorns, and spent 25 years building, growing and developing Overland into a world-class architecture firm. He directed the overall operations of the firm and served as President and managing partner until 2012. Robert's background in construction project management complemented the firm's architectural process, and he honed key leadership skills during these years. As a LEED Accredited Professional, Robert played a principal role in many Overland projects worldwide including the Chickasaw Nation Cultural Center in Oklahoma, the Mayland Resort near Guangzhou, China and an extensive condition assessment and reproduction cost estimating project for buildings at Grand Canyon National Park.

A third-generation engineer and fourth-generation entrepreneur, Robert received his Bachelor of Science degree in Civil Engineering from the University of Texas at Austin in 1979. Prior to founding Overland, Robert worked as a Project Expediter for Harvey Construction Company on the Dallas Galleria complex and as a construction engineer and cost estimator for Amarillo Road Company in Amarillo, Texas.

As a husband of over thirty-six years, the father of six children and grandfather of three, Robert is all about his family. Along with his wife, Jenni, he has led numerous mission trips in the US, Africa, Mexico, and Russia and enjoys biking and hiking the great outdoors.