It’s 2022: Where Does Your Company Stand?

Ron Magnus
It’s a VUCA World

Volatile
Uncertain
Complex
Ambiguous
Hope Is Not A Strategy!

Many firms have a strategic plan but no real strategy
V
Volatility

U
Uncertainty

C
Complexity

A
Ambiguity
V
Volatility
Uncertainty
Complexity
Ambiguity
The Antidote to VUCA

Vision

Understanding

Clarity

Agility

is VUCA!
Vision & Values

Clarity

Understanding

Agility
The Perfect Storm
The Numbers

8.2% US unemployment rate

42.5% unemployed jobless for 27 weeks or more

76% Of owners 50 or older plan to retire in the next 10 years

48% Of those owners are currently working on succession plans

50% Of the workforce are considering leaving their jobs & 1/3 are actively looking for work elsewhere

Jobs lost in the construction industry since December 2007-1.9 Million

17%

1.5 million Jobs needed to maintain expected work volumes by 2014
You can never plan the future by the past
- Edmund Burke

History doesn’t repeat itself, but it rhymes
- Mark Twain
Future Industry Trends
Today – Critical Certainties
## US Construction Projects

**2005–2011**

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>US construction Projects</td>
<td>Project Count</td>
<td>65,737</td>
<td>124,492</td>
<td>125,745</td>
<td>154,675</td>
<td>177,743</td>
<td>184,423</td>
</tr>
<tr>
<td>$ 1 Billion or more</td>
<td>Project Count</td>
<td>--</td>
<td>8</td>
<td>10</td>
<td>14</td>
<td>55</td>
<td>85</td>
</tr>
<tr>
<td></td>
<td>Percent of Total</td>
<td>NA</td>
<td>0.0064%</td>
<td>0.0080%</td>
<td>0.0091%</td>
<td>0.0309%</td>
<td>0.0461%</td>
</tr>
<tr>
<td>500 Million or more</td>
<td>Project Count</td>
<td>116</td>
<td>157</td>
<td>190</td>
<td>181</td>
<td>158</td>
<td>278</td>
</tr>
<tr>
<td></td>
<td>Percent of Total</td>
<td>0.1765%</td>
<td>0.1261%</td>
<td>0.1511%</td>
<td>0.1170%</td>
<td>0.0889%</td>
<td>0.1507%</td>
</tr>
</tbody>
</table>

* partial year

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# Current Statistics

<table>
<thead>
<tr>
<th>Country</th>
<th>Unemployment Rate (Jan 2012)</th>
<th>Debt/GDP</th>
<th>S&amp;P Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>8.2%</td>
<td>98%</td>
<td>AA+</td>
</tr>
<tr>
<td>Canada</td>
<td>7.6%</td>
<td>84%</td>
<td>AAA</td>
</tr>
<tr>
<td>China</td>
<td>4.1%</td>
<td>18%</td>
<td>AA-</td>
</tr>
</tbody>
</table>

Sources: tradingeconomics.com & nytimes.com
Today – Critical Uncertainties

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The 2011
U.S. Markets Construction Overview
Jobs and Unemployment

Construction Unemployment Rates | 1951 - 2011

Source: U.S. Department of Labor

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US Job Growth for Construction

Seasonally Adjusted - Current Employment Statistics - CES.†

**Gained or Lost**
- Period Total: -1,267,000
- Latest for Period: **27,000**

chart by amCharts.com

**Total**
- Period Avg: 6,738,559
- Period Change: **-19.12%**

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US Job Growth for Construction

Seasonally Adjusted - Current Employment Statistics - CES.†

Gained or Lost  Period Total: -2,193,000  Latest for Period: -20,000  Oct 2006 - Oct 2011

Total  Period Avg: 6,462,230  Period Change: -28.08%

Construction Spending Put in Place
Adjusted for Inflation

*Slide is for illustrative purposes only; this is not a forecast

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2010A-2015E Projected Non-Residential Compound Annual Growth Rate

<table>
<thead>
<tr>
<th>Category</th>
<th>2010A-2015E Projected Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power</td>
<td>8.37%</td>
</tr>
<tr>
<td>Health Care</td>
<td>7.51%</td>
</tr>
<tr>
<td>Commercial</td>
<td>6.99%</td>
</tr>
<tr>
<td>Communication</td>
<td>5.40%</td>
</tr>
<tr>
<td>Educational</td>
<td>4.93%</td>
</tr>
<tr>
<td>Water Supply</td>
<td>4.34%</td>
</tr>
<tr>
<td>Sewage and Waste Disposal</td>
<td>4.15%</td>
</tr>
<tr>
<td>Amusement and Recreation</td>
<td>3.95%</td>
</tr>
<tr>
<td>Transportation</td>
<td>3.54%</td>
</tr>
<tr>
<td>Office</td>
<td>3.31%</td>
</tr>
<tr>
<td>Conservation and Development</td>
<td>2.56%</td>
</tr>
<tr>
<td>Highway and Street</td>
<td>2.55%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>2.06%</td>
</tr>
<tr>
<td>Lodging</td>
<td>1.36%</td>
</tr>
<tr>
<td>Public Safety</td>
<td>1.32%</td>
</tr>
<tr>
<td>Religious</td>
<td>-0.71%</td>
</tr>
</tbody>
</table>

Source: FMI Construction Outlook, Third Quarter 2011 Report
Contractor Profit Before Tax

Recession Periods Are Shaded Red

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Today – Wild Cards
Questions

What was the biggest impact of the economy on your organization over the last 12 months?

What have you done to position your organization for success once the economy improves?

How will your organization look different in 2012 than it did in 2011?
Types of Change

- Radical Change
- Progressive Change
- Creative Change
- Intermediate Change
Four Roles of the 2022 Leader
Four Roles of the 2022 Leader

Alliance Builder
Master Strategist
Talent Developer
Change Leader

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Role 1: Change Leader

Future Focus
Third generation leadership
Identify and develop talent potential
Connoisseur of talent

Unpredictable change
Developing organizational adaptability
Role 2: Talent Developer

Predictable change
Knowing what to change
Knowing what NOT to change

The more time leaders spend developing and coaching their team, the more successful the organization

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Role 2: Talent Developer

“Winning companies deliberately and systematically develop people to be real leaders, to be people with their own points of view who motivate others to action ... in this process top leaders are personally committed to developing other leaders.”

“The Leadership Engine,” Noel Tichy
Role 3: Master Strategist

Where is the construction industry headed?

What does your company need to do to capitalize on these trends?

What assumptions are you making about your company or the construction industry?
Role 3: Master Strategist

Is there anything on the horizon that could be a game changer for the industry?

What is your approach to strategy?

What is your strategy?
Role 4: Alliance Builder

Business as an ecosystem

Relationships/alliances with whom?

This is all about building the business
It’s 2022: Where Does Your Company Stand?
Developing Exceptional Leaders One at a Time

About FMI

FMI is the largest provider of management consulting, investment banking and research to the engineering and construction industry. We work in all segments of the industry providing clients with value-added business solutions, including:

- Strategy Development
- Market Research and Business Development
- Leadership and Talent Development
- Project and Process Improvement
- Mergers, Acquisitions and Financial Consulting

Founded by Dr. Emol A. Fails in 1953, FMI has professionals in offices across the U.S. FMI delivers innovative, customized solutions to contractors; construction materials producers; manufacturers and suppliers of building materials and equipment; owners and developers; engineers and architects; utilities; and construction industry trade associations. FMI is an advisor you can count on to build and maintain a successful business, from your leadership to your site managers.

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Thank You