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Strategic Planning and Succession Planning

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Crafting a good strategy requires five things:

1. Focus

Make time to think long and hard.

2. Choice

Good strategy should bring us to key decisions about what to do, and *not* do.

3. Positive Impact

On our finances, culture and employees.

4. Systems

Does our governance, org structure, compensation program, tools and technology, etc., support or hinder our strategic goals?

5. Patience

“4C’s” Analysis Model

External

Climate

(Opportunity)

1. Market profile in terms of size, growth, segmentation, trends and drivers, regulation. How is the market changing? Where is it going?

Customers

(Market Channel)

2. Who are the primary customers? What type services are they buying? What do they value? What are the buying practices and selection criteria? How is the company perceived relative to the best competition? Likelihood to recommend?

Competitors

(Obstacle)

3. Who are the major competitors? How does the market perceive their strengths & weaknesses? Positioning within the market? Where is there “white space” for our company?

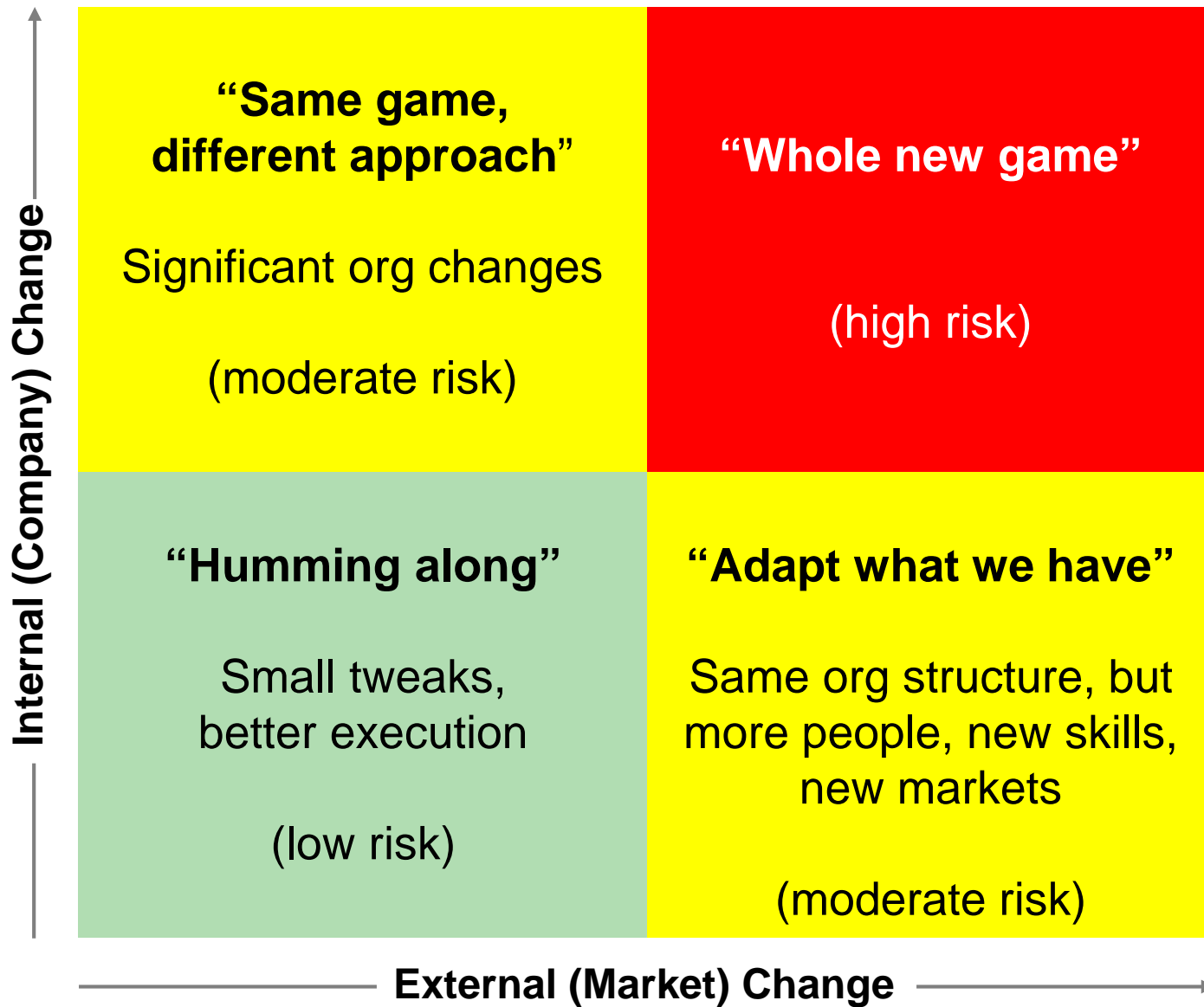
4. Is the company advantageously positioned to exploit these opportunities? What needs to change? Resources?

Internal

Company

(Ability/Strategy)

How much **pressure** does your “4 C’s” context create to “get it right”?



Generating strategic options

How might we **broaden** or **narrow** where we play?

WHERE TO PLAY

- Geographies
- Market segments
- Customer segments
- Delivery methods
- Value-chain participation
- Scopes and services

HOW TO WIN

- Fundamental choice between low cost and differentiation
- What skills and capabilities are necessary for our success with whatever approach we choose?

- How might we win differently than we do today?
- How might we win in light of the where-to-play possibilities we just identified?
- What would it take to be the Google, Apple or Walmart of this market?

Six Key Steps in Developing and Executing Strategy

1. Conduct a thorough “4 C’s” analysis
2. Establish major goals (objectives) and (where possible) metrics to measure progress
3. Craft “strategies” for achieving each goal
4. Assign a “champion” and a team to each goal
5. Build out specific, quarterly action plans for each goal and assign responsibility
6. Regularly assess progress and revise as necessary

Something Simple to Remember

“The core of strategy work is always the same: **discovering the critical factors** in a situation and **designing a way of coordinating and focusing actions to deal with those factors.**”

- *Good Strategy, Bad Strategy: The Difference and Why it Matters*, by Richard Rumelt

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“VUCA” and Planning for Multiple Scenarios



VUCA world favors companies that ...

- Pay attention
- Think ahead
- Are flexible
- Can leave old ruts and learn new skills

VUCA does NOT mean newer is always better!



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The “Four C’s”
1-2: Customers and
Competitors

“Know thy Customer” (and Competitor)

1. How do we *really* differ from our competitors?
2. What are the *perceived* differences?
3. What’s really important to our customers?
4. Why do they buy from us?
5. What *risks* are they exposed to?
6. What’s important to *their* customers?
7. Why do *their* customers buy from *them*?

Walk in your customers’ shoes for a while. What does their world look like?

Market Intelligence

“A great deal of strategy work is trying to figure out what is going on. Not just deciding what to do, but **the more fundamental problem of comprehending the situation.**”

– *Good Strategy, Bad Strategy: The Difference and Why it Matters*, by Richard Rumelt

Demand Factors

- What has historically driven this market?
- What are the key demand drivers now?
Where will they go, and why?
- Key industries
- Expected population and business growth
- Infrastructure funding (federal, state and local)
- Location of major projects (key for materials)

Supply-Side (Competitive) Factors

- Estimate market shares
- Map out the market
- Profiles of significant competitors
- Identify recent or potential new entrants to market
- Pricing trends
- Zoom out and specify the key issues in each market



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The “Four C’s”
3: Company

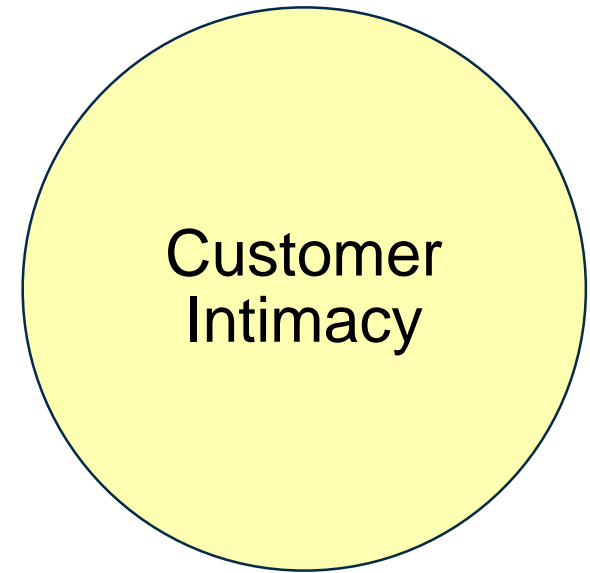
Three Primary Ways to “Win” in the Market



- Build a better product
- Thought leadership



- Low-cost producer
- Minimize hassle



- Best total solution
- Innovative service

Company: What are we good, bad, mediocre at?

Culture

- Being a great place to work
- Relations between field and office
- Teamwork
- Leadership

Business Development

- Developing new accounts
- Growing existing customers
- Cross-fertilizing between divisions
- Where are we losing?

Customer Service

- Consistency across divisions
- Segmenting and ranking customers

Technology and Data

- System downtime
- “Garbage in, garbage out”?
- Training in technology we’ve invested in

Financial Strength and Assets

- Profitability of our jobs
- Cash flow
- Age and condition of plants & equipment
- Plant locations in key growth areas
- Capacity for growth given capex demands and shareholder objectives

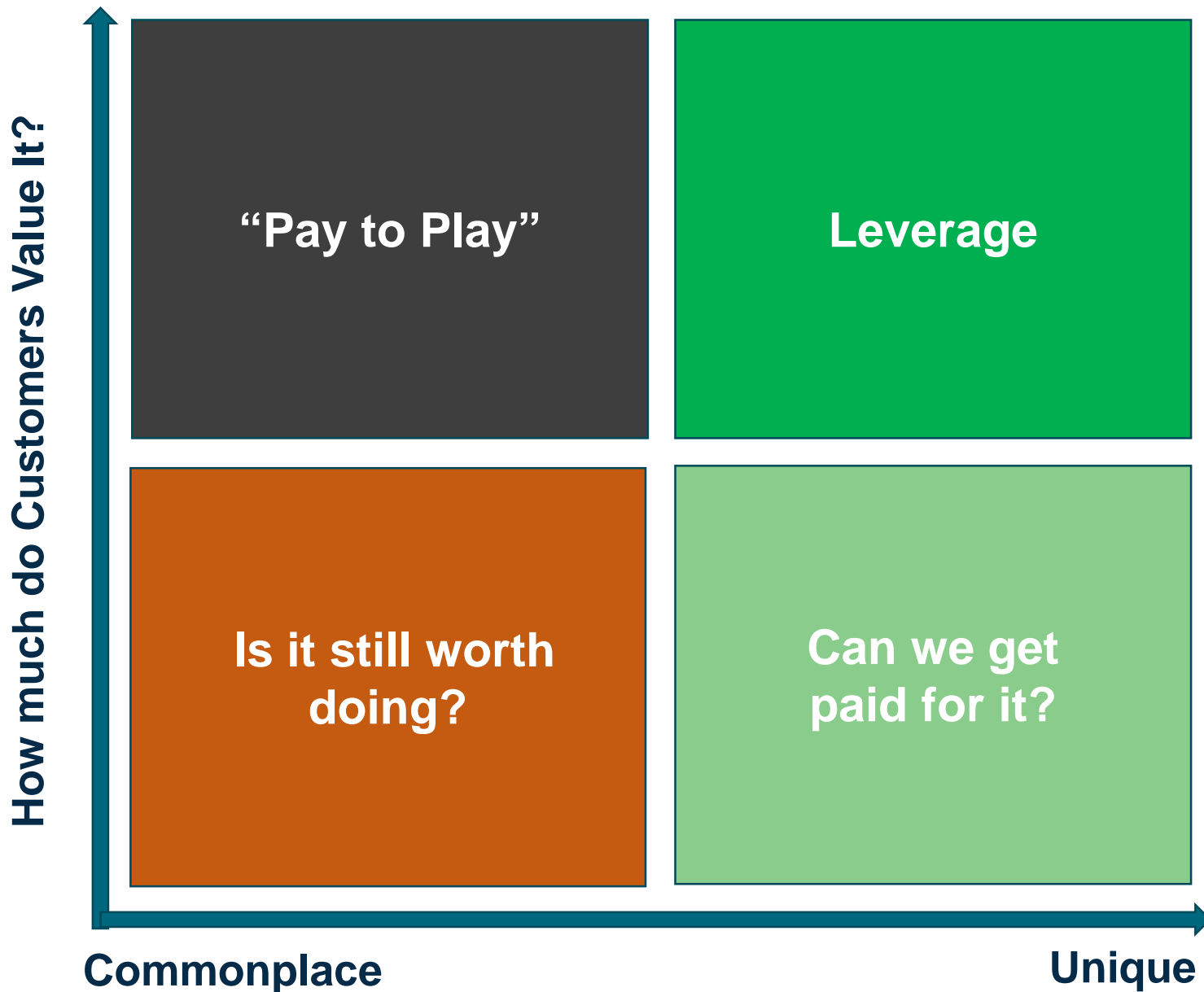
Labor and Supervision

- Recruiting & retaining good employees
- Training & developing employees
- Succession planning

Operational Excellence

- Estimating & Change Order Mgmt.
- Subcontractor relations
- Accurate & timely job-cost reports
- Trucking, Dispatch & Delivery
- Safety and Quality Control

Company and Customer Uniqueness & Value Scale





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The “Four C’s”
4: Climate

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Three Questions to ask after your “4 C’s” Analysis

1. What are the **main challenges** our plan needs to address?
2. What **key choices** do we face?
3. What **goals** should we consider?



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Ownership Transfer and Management Succession (OTMS)

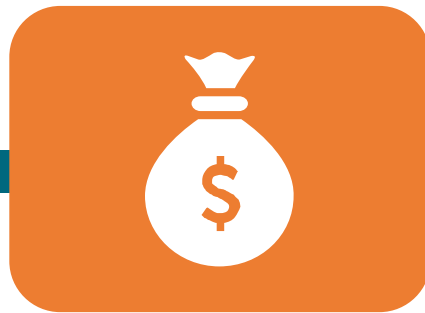
Three Components of Continuity Planning



Effects of Inadequate Planning



Key employees may leave



Business may legally come to an end and be sold at a forced sale price



There may not be sufficient capital to purchase the available shares of the business



Unqualified heirs or employees may ruin the business and its value in the process

Key Facts and Assumptions



- **Alternatives for getting out**
 - Liquidate
 - Sell to a third party
 - Sell internally
- **Few Outside Buyers**
- **Internal Sale can Maximize Value**
- **BYOWYO\$**

Key Facts and Assumptions



- Time frame of eight to twelve years
- Funding requirements will preclude other strategic alternatives
- People side is the hardest
- Most plans do not work because of
 - Poor communication
 - Inadequate profits
 - Wrong people

Peak Succession



About FMI



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Number of Offices.....6
Years in Business.....66
Annual # of Client Engagements.....1,000
Annual # of M&A Transactions.....15-25



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 clients and the industry.

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