

How Strategic Plans Play Out in the Real World

To complete this series on strategic planning, senior executives of design and construction firms were asked how their planning efforts and keeping up with changing market conditions relate to key principles of strategic planning.

By Steven J. Isaacs and Karen L. Newcombe

Since 2008, nearly every firm in our industry has faced unprecedented challenges to its strategic direction. Most design and construction firms went into 2008 with a vision, but many of them did not make any advancement towards that vision as they were too busy trying to survive. Healthy firms can weather a typical one- to two-year recession with some belt-tightening and streamlining; but this time many firms found the prolonged struggle to hang on for the upturn too difficult and were either acquired by others or closed their doors.

The recession has put strategic plans to the test: Those that no longer worked were swept away; the good ones helped firms survive and became the seeds for the next round of successful planning. Four basic principles emerged as we talked with the CEOs of design and engineering firms about how their strategic planning efforts have functioned in the real world:



- Develop clarity about marketplace strengths and weaknesses.
- Examine the firm's organizational models with a critical eye, drawing upon outside assistance when needed.
- Gain awareness of how the current and future outside world will affect the firm.
- Set an aspirational direction for the firm appropriate to the context of the first three principles.

DEVELOP CLARITY ABOUT MARKETPLACE STRENGTHS AND WEAKNESSES

One purpose of strategic planning is to anticipate and be responsive to ever-changing conditions in the firm's business ecosystem, taking into account the firm's strengths and weaknesses. This process can identify opportunities to take advantage of strengths, bolster weaknesses and discover where the firm can gain competitive advantage. David Hutchinson, president of Buehler and Buehler Structural Engineers in Sacramento, Calif., said that his firm's strategic planning session in 2005 put it in a good position for several future industry changes prior to those changes. "When Steve [Isaacs] met with us in 2005 for strategic planning, we developed some key strategies for moving forward. At that time, we identified design-build as an avenue for our firm to expand. We have become very active in this market over the past six years. We also got out ahead from a technology standpoint by getting into BIM (building information modeling) and Revit® before others adopted them and began leveraging this computer modeling capability. A particular example of an effort that produced great results for us has played out in how we handle structural steel design. We are now integrating our steel design with Tekla Structures to produce structural steel shop drawings. This helps the fabricators produce precisely what we need for the project and eliminates extra steps where human error can creep in. This cuts time and money out of our project schedule. We built strong relationships with general contractors, which helped distinguish us from other firms during the recession."

"We also had to focus on staying lean," Hutchinson said. "We trimmed staff, tried to be nimble and looked at ways to increase our productivity. We became active in the Lean Construction Institute, whose goals are to bring the benefits of the manufacturing industry's lean production revolution into the construction industry. A well-known example of this system in manufacturing is Toyota's

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Just-in-Time Production.¹ We are attempting to use these concepts to implement a lean perspective throughout the firm.”

“Another adjustment we made was to expand geographically to a moderate degree. We find that having an address in an active area opens doors, so we went into Phoenix two years ago and recently started taking root in San Francisco. We have recently found partners in Istanbul and will staff an office internally for this work. Turkey is a highly active seismic area and structural services are widely needed, so we expect overall success from these approaches. Many firms have reacted to the recession by making drastic cuts to marketing budgets, but for us this makes no sense — we see this [downturn] as an opportunity.”

In 2005 the economy was still on the rise, but Buehler and Buehler was fortunate to work on the firm’s strengths and weaknesses at the right moment. By taking action to increase productivity when others were not yet on that path, Buehler and Buehler was in the position of finding opportunities during the recession.

EXAMINE THE FIRM’S ORGANIZATIONAL MODELS

So often in design and construction firms across North America, one encounters the “heads-down” condition, where everyone is so busy with the challenges of the day that the big-picture view of the firm slips out of awareness. Strategic planning is a key opportunity to step back and make objective observations about the firm’s organizational structure, capabilities, markets and internal processes.

Donald Stone, CEO of Dewberry Engineering in Fairfax, Va., explained how the company made a well-timed shift in strategy based on getting a better view of the firm itself. “During our strategic planning process several years ago, we identified a weakness: We had an overreliance on one specific client — the federal government. Our reliance on that client had not been obvious to us before we went through the planning process, but we quickly implemented a tactic to shift

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our energy to balance out that dependency. This turned out to be a good move for us, as federal budgets are currently down.”

Stone also described how the firm’s self-assessment during strategic planning has led to positive action. “One of our great results was the identification of an area that we were not strong in — the water market. We were a C player three years ago, but our plan targeted becoming an A player. Between acquisitions and making some key hires, we doubled our revenue in that market each year for two consecutive years. The important factor here is making a critical self-assessment that corresponds to an assessment of the markets: Where do they line up? Where do you need to put in some effort? We are not an A player in water yet, but we expect that in five years we’ll be able to compete with them.”

Sometimes this type of deep self-assessment is necessary for the very survival of the firm. Pamela Anderson-Brulé, principal of Anderson Brulé Architects in San



Leadership Without Easy Answers

Dr. Ronald A. Heifetz, author of “Leadership Without Easy Answers,” the defining book on adaptive leadership, distinguishes between technical and adaptive challenges. Type I challenges are those challenges where the problem is easily defined and the solutions are purely technical in nature and the answers are already known. Type II challenges are those where the problem can be defined, but the solution is not known. Type II challenges require new learning in order to be solved, and Heifetz says they are partly technical (i.e., amenable to technical solutions) and partly adaptive, therefore requiring new learning to find that solution. Type III challenges are classified as entirely adaptive: Just defining the problem requires new learning, as does finding the solution and implementing it. Adaptive change requires a collective effort to solve as the group learns its way towards the solution.²

Jose, Calif., said, “Before the recession we were well-known as a firm doing what Ronald Heifetz, author of “Leadership Without Easy Answers,” defines as Type III adaptive work — we were brought in to address those situations where ‘neither the problem nor the solution is defined.’ Our clients often were affected by disruptive technology and complex challenges that other, larger design firms did not want to tackle, so we came in almost as a stealth team to solve the problems that others could not even define. We worked best strategically in that space.”

“With the recession, clients were forced to shift their criteria from quality-based to fee-based, and we had to look deeply within the firm and find ways to become more efficient and productive to serve them. We have looked at whole market types and rethought how we can produce work for less, how to provide the greatest value, and how to discover the key elements of the client’s business that allow us to be dedicated to their

work and produce results that mean the most to them. We had to adapt to technological change as well, bringing in Revit® and other tools. We are also looking at our project processes: Can we draw less? Can we take fewer people to meetings? Our staff is highly trained in strategic planning and advanced facilitation skills. On projects where we would typically take three people to facilitate a session, we now take two, so where possible we are reducing the number of people for a given effort.”

“We had a highly effective, strong firm, but as the economy changed, we had to get even more efficient; we had too many layers, too many decision points, too many people on each project.”

This deep internal examination at Anderson Brulé brought the realization that the firm needed to simplify and streamline in order to survive. Even firms that are by nature innovative still need to be effective and productive, and by initiating decisive actions to enhance productivity and effectiveness, the firm has survived.

GAIN AWARENESS OF THE OUTSIDE WORLD AND HOW IT WILL AFFECT THE FIRM

Strategic planning frequently is focused on interpreting conditions in the outside world, relating them to the firm’s future goals and identifying strategies to reach those goals. The world, being a moving target, does not cooperate in these efforts, so firms must find ways to constantly adapt and respond to ever-changing conditions.

Mike Re, CEO of the San Francisco-based construction firm Swinerton Incorporated, recently used scenario planning to help the firm gain momentum and react more quickly to change. “Our work has gone relatively well, but we knew that the firm tended to lose momentum when a significant shift occurred either within the company or in the economy. Historically, we would tweak the existing plan, but we have found over time that we moved too slowly — our reaction time wasn’t fast enough. In our latest strategic planning effort, we went through a new process using scenario planning. This has allowed us to test various options in advance, so we have some idea of how they will play out under differing conditions. We think this new plan will help us be more flexible and prepared to adjust to changes as they occur. It took us a while to grasp the concept of using scenario planning, but now that we’ve been through it, we definitely see the value it brings — we can test to some degree how an initiative will work out.”

Swinerton also expanded the range of people involved in strategic planning to gain a wider perspective. “One thing we did in this plan was to go deeper in the

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organization to get a spread of younger people and cross-disciplinary participants in order to get input from a well-balanced group and research from people who had different points of view about what is going on in the world. In this new plan,

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we feel we have a strong approach with the right mix of input from across the organization,” Re said.

“Communication across the board and creating excitement about our direction is essential. We don't think it's possible to overcommunicate what it is you want to do and how you plan for the firm to get there.”

In spite of the economic slowdown, the outside world is also moving faster — the competition is working harder, technology continues to advance on an exponential curve, and clients are faced with challenges they have never had in the past. Dewberry Engineering identified a change in its clients' needs and used scenario planning to react to these external forces.

“We build into our plan the capability for investments and adjustments,” said Don Stone. “In reality the plan is just that, a plan; it has to be flexible when the parameters change, as they always do. We have set up our plan so we can adjust to deal

with these changes as they occur. In our firm, we're very entrepreneurial; we don't like a prescriptive approach. Because of this, scenario planning works well for us.

“To give an example, we have all seen the shift from traditional design services to design-build. In that case, the market didn't change, the clients changed and their needs changed. Over the course of the past six years, we have had to make the shift from having a primary role to being a subconsultant to a contractor. Scenario planning lets us get into the subtleties of shifting roles like this, that make the difference between being successful and just doing OK.”

Dewberry also was hit hard by the failure of the land development market, but was able to take advantage of having talented individuals become available that would help it adjust to changes in another market. Stone said, “We experienced a change in hydrology and water work that was unpredictable. The market is shifting and diversifying from being predominantly federal government to being state and municipal. We initially tried to shift with the market, but didn't have the skill set or the time, so we chose to make target hires and acquisitions. We have not backed off our employee retention, but have taken a stronger look at enhancing our stable of talent because people are now available at a reasonable price.”

Using strategic planning efforts to take a hard look at the outside world is

often the only time the firm can set aside to make these observations, but this cannot be set aside for “more pressing concerns.” As Peter Drucker said, “There is only one valid definition of a business purpose: to create a customer.” Customers only exist in the outside world, so a firm’s observations and research into market conditions and worldwide trends are key principles of strategic planning.

SET AN ASPIRATIONAL DIRECTION FOR THE FIRM

A strategic planning effort can be designed to set an aspirational future destination for the firm. Such plans work backwards from that “flag on the mountaintop” to develop the necessary steps to get there. Often called backcasting, this practice is differentiated from the more typical method of forecasting, which measures where the firm has been historically and projects incremental improvements of the current state.³ SERA Architects used backcasting seven years ago to set a new goal for the firm — to become the most sustainable firm in the Pacific Northwest. Firm principal Tim Smith said, “We started thinking of our business relationships as an ecosystem and individuals as a ‘zone of influence’ rather than a dot on the organizational chart. To have a successful plan, we knew we needed the right people involved at the right point in time.” Principal Clark Brockman added, “We got to the point where we asked ourselves, ‘What do you really want to be now? What does the firm need to be now?’ Instead of just offering services, our direction took us more toward becoming thought leaders.”

Tim: “Planning for us is an opportunity to constantly change and adjust. Forecasting looks at past and current conditions and extends them outwards. By using backcasting we can get more clarity on our goal of being a thought leadership firm.”

Clark: “We use backcasting to identify how we’ll connect our present to the future. You start with a clear, unwavering vision of a desirable, aspirational outcome. To get there you have to map a course toward the vision — you steer toward the goal, adjust course and steer forward again. When we got clear about what our aspirations were, we had some people self-select out and others self-select in, so that was also good for us. Right now, we are working to get a better concept of ‘fail often and fail forward,’ which we interpret as ‘learn forward.’ The goal has to be better than the default condition.”

Tim Smith, who has been a TEDx speaker, added that, “One of my fellow TEDx speakers said that in his firm every day they come in trying to figure out how to get fired, what risky thing they can do. Everyone gets two ‘Get Out of

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Jail Free' cards per year, and if you haven't failed at something twice by the end of the year, they want to know why not. People need flexible, clear goals. They need to know what the belief is and a mantra that expresses it. They need checkpoints, a simple message they can use. They need ownership of their actions and they



need to be inspired. When the goal is inspiring, people want to go there; it fires the imagination.”

The result of setting high aspirations for the firm has worked well: In 2010 Architecture Magazine placed SERA as No. 3 on its list of the 50 most sustainable architecture firms in the U.S.

FOUR KEY RESULTS ACHIEVED FROM STRATEGIC PLANNING

All of these principles need supporting structures in the firm to work well. In some cases, strategic

planning yields no results due to a lack of information about the plan and its goals or an absence of accountability for executing the plan. Companies must be rigorous in communicating the goals and responsibilities outlined in the plan across the entire firm and setting up the accountability systems that measure actions, accomplishments and results. The best outcome for a great strategic plan is when it produces results that go beyond its original goals.

Strategic planning efforts can help a firm develop clarity about marketplace strengths and weaknesses. Analyzing what the marketplace is looking for, both now and in the future, and assessing what the firm has in place as well as what it can strengthen to respond to those needs are a key achievement of strategic planning.

A second outcome of strategic planning is making positive use of the learning that comes from a critical examination of the firm's organizational model. Do the firm's organizational, cultural and financial models match up with its current needs? Is the firm productive enough?

Is it the right size? Are the metrics in alignment with its purpose?

This analysis can sometimes result in eye-opening realizations, bringing necessary changes to the forefront of actions.

Although we cannot predict the future, strategic planning efforts allow the firm to gain awareness of conditions in the outside world. The hints of changes to come are always before us, hidden within current trends and events. While firm leaders do not need to become professional

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futurists, looking at the world outside the design and construction industry on a regular basis can help the business prepare for future conditions or even avert disaster. Scenario planning is a good tool for testing various models and services the firm might use against a variety of potential conditions, helping it better prepare for the future.

Perhaps the greatest purpose of strategic planning is to set an aspirational direction for the company, to identify the preferred future for the organization and define the steps for achieving that goal. Such visions can inspire and unite the firm and lead to superior results. ■

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¹ Just-in-Time Production strives to smooth out the overall system by eliminating waste, overproduction and inconsistency, as well as applying principles of kaizen (continuous improvement), fact-based decision-making, teamwork and respect.

² Ronald A. Heifetz, *Leadership Without Easy Answers*, Harvard University Press, 1998.

³ For a case study of Steve Isaacs' backcasting process applied to a firm's leadership transition, see *FMI Quarterly* #4, 2009, pp. 85–96.