

# Grow by using lessons learned from the Covid-19 crisis

ACEC Webinar

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1

## Agenda

- Introduction
- Lessons learned from the Covid-19 crisis
- Ideas on how to grow using lessons learned
- Practical tips as you look to the future
- Q&A



2

## Introduction

- Kevin J. McMahon, MBA
  - Former CEO of Edwards and Kelcey
  - Former Senior Executive with Jacobs
- Founder McMahon|Siegel Group
- Former DPC Chair



3

## Introduction

- William C. (Bill) Siegel, PE
  - Civil/Geotechnical/Materials Engineer
  - Former CEO of Kleinfelder
- Founder McMahon|Siegel Group
- Former DPC Chair



4

# Lessons learned from the Covid-19 crisis



**LESSONS LEARNED**



5

Things can move fast and catch anyone off-guard: More than we normally anticipate!

- Do you do scenario planning? Did you see this coming?
- Just months ago we were wondering if a recession was going to hit in 2021, 2022 or longer out!!
- We went from an inconvenience to a speed bump to threat of a depression in just months.
- Be prepared for a “Second Wave” or a prolonged slump!



6

## In a crisis, false truths become self evident!

- When things turned bad, if you couldn't call up your client and discuss how to get through it together, then you were not a trusted advisor.
- Trusted advisors remain trusted advisors even if they are working remotely
- If you thought you were a premier or preferred vendor, and you have struggled to be in contact with your client, you were wrong!

*Did your client call you for help with their response?*



7

## Backlog can shift quickly

- Not all backlog is the same!
- Shifting backlog shows:
  - Lack of planning and workforce flexibility
  - Too much labor capacity
- When you see possible scenario's coming they are easier to plan for!
- Dramatic shifts come from "Black Swans", but they can be opportunities



8

## Tough times expose an individual's true value

- Did claimed client relationships turn out to be flimsy?
- Did clients want to talk to their "client manager" or someone who can truly help?
- Did people respond with hard work and creativity or crawl into a shell?
- Were they able to effectively adapt to the new paradigm? Can they use technology themselves or do they need help?

*Ask yourself: knowing what you know now, were you rewarding the wrong people?*



9

## This will accelerate the transformation of the work place

- WAFO (work away from office) is real- employees will demand it
- Clients have learned to trust WAFO
- What are the implications for your future level of office space and locations of employees?
- Imagine the future-NOW!



10

## Industry Reality: we are in a recession. Will it get worse?

Even with a quick economic bounce-back, in the engineering markets there will still be:

- Government agency budget shortfalls
- Delays in projects starting or getting shelved
- Significant private sector capital plan changes
- Ripples through the supply and labor chain

*It would be naive to assume that things will bounce back to “normal” anytime soon and that there aren’t going to be long term changes.*



11

## Final thought

- Financial strength and low debt is never out of style!



12

## Given the reality of the current times...

- Ideas to grow through it



13

## Plan for different scenario's NOW!

Don't wait and hope that things will bounce back quickly. You must act now to:

- Scenario Plan for a 5%, 10%, 20% or more drop in revenues
- Recognize and repair organizational disconnect with clients
- Cut labor and culture of low performance
- Improve labor versatility and value-understaff
- Work hard to reduce extra space, perks, reevaluate all spending
- Cut underperforming initiatives

*You'll need a profitable base to grow from*



14

## Drill into YOUR client base

- You know now who your top clients are- FOCUS on THEM!
- Where do you rank among your competitors with your clients? Are you happy with your position?
- Do you understand your clients current business (goals and pressures)? What are their new (changed) plans?
- Who has connections at the right levels in the client's organization?
- Is this environment an opportunity to grab more of your client's dollars?
- Is your client now doing something different you can help with?



15

## Really analyze your backlog

- Categorize by Essential (has to happen) and Non Essential (discretionary)
- Match up backlog with your client's financial position and funding source.
- Discount projections of "On-Call" assignments
- Do a "real" manpower planning exercise
  - Shore up your essential backlog
  - Deal with unapplied labor



16



## Look at employee value with clarity

- Realize who is your true client contact
- Project Managers with relationships are undervalued
- Figure out who has risen to the occasion
- In this remote world, who has become unnecessary
- What technology training needs are necessary in the WAFO world?



17

## Transformation of the Workplace

- WAFO (work away from office) is real
  - Have a plan-post “opening” for employees re-engagement
  - Communicate and engage with clients
  - Leverage new opportunities for hiring/work share
- Imagine the future-Now!
- Embrace the implications for office space, leadership, and communication
- Find out what your competitors are doing with your clients?
- Financial strength and low debt are key
  - Don't waste the PPP (if you got it)
  - Stay profitable
  - Manage for employees financial well being

*Be your clients preferred provider- efficient, timely, cost effective*



18

## Practical tips looking forward



19

## Monitor and update your plans

- Learn to track closely things you took for granted- cash, backlog by client type and funding source, etc.
- Update your short and long term strategic plans
- Implement scenario planning exercises
- Continuously review and update your plans on a fixed schedule



20

## Strategic Planning vs. Scenario Planning

Strategic Planning	Scenario Planning
Longer term (2-5 years or more) horizon	Event focused
Build on strengths	Defend your strengths
Understand and fix weaknesses	Eliminate weaknesses
Understand and execute on opportunities	Hold opportunities for better days unless scenario creates an opportunity
Develop long terms plans and implement	Identify actions to take in event of scenario or to do now to prepare for the scenario

*Would it make sense to plan now for another winter of shutdown?*



21

## Be proactive

- As leaders you have the obligation to act:
  - People are looking to you
  - You have an obligation to protect long-term shareholder value
  - You need to be able to explain your actions (or inactions)
- If you don't act:
  - The problems won't go away
  - You lose credibility with staff
  - Staff you want to keep may incorrectly assume they are on the block and leave before they are cut
  - You lose credibility and put at risk other partnerships (for example, your bank/lender)
  - You put the firm at risk
- Incremental or deep actions?
- Is this a gift?



22

## Communicate in new ways

- Give people what they need when they need it
- Communicate clearly, simply, frequently
- Choose transparency over glitz
- Create themes of resiliency and strength
- Communicate and build on lessons learned



23

## Look at work differently

- Remote work
  - If this has taught us anything, it is the a lot of the engineering world can work from home
  - The technology works, it's been proven, talent will want it, and they'll embrace it
  - The ability to provide remote work will attract talent
  - Engage your younger staff to figure it all out!
- Office space:
  - Your people will look at it differently going forward
  - Your employees will want more flexibility
  - With more remote work you may want to cut future space and adapt



24

## Look at leadership differently

- Remote distancing has created the need to empower teams with direction and priority, and accountability
- Leaders need training on how to “manage at distance”
- Times of crisis reinforce the need for firm wide cooperation and honest relationships
- Difficult times expose areas where there exists a thin veneer of cooperation and collaboration
  - Refuse to accept this
  - Change your culture as needed
  - Change people as needed



25

## Cash reminds us who is king!

- Why do you think that PPP loans focus on getting cash into businesses?
- What's your cash position/credit line?
- You can't assume your bank won't be impacted- what will that mean to you?
- What can you do to improve cash flow?
  - Improve billing systems
  - Improve client interfaces
  - Bill more frequently
  - Use technology
  - Look for clients who pay!!
  - Use incentives to drive faster payment



26

## Leadership at the top is critical

- Keep morale up
  - Again, use brutal honesty. Increase your communication
  - Be visible, answer questions
  - As much as possible make your efforts a team activity
- Don't be pennywise and pound foolish
  - Prioritize and really evaluate the return on spending
  - Communicate how the business works financially
- As leaders, find a sounding board
  - Independent Board directors
  - Advisors
  - Other CEOs
- Use the whole team in your search for growth




27

## Summary- Words to Live By!

- “Never Let a Good Crisis go to waste!” - Rahm Emanuel
- “It is no use saying ‘we are doing our best’. You have got to succeed in doing what is necessary”. – Winston Churchill



28



For Further questions or help, please contact us:

[Kevin.McMahon@mcmahonsiegelgroup.com](mailto:Kevin.McMahon@mcmahonsiegelgroup.com)

201-602-0063

[William.Siegel@mcmahonsiegelgroup.com](mailto:William.Siegel@mcmahonsiegelgroup.com)

719-491-2288

[www.mcmahonsiegelgroup.com](http://www.mcmahonsiegelgroup.com)



29



# Thank you!



30