

# Taking a lead

22 February 2018

## **Between legacy projects and future uncertainties, construction business leaders are presented with a number of challenges, writes Jason Farnell**

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Over the past 3 years, the leadership at many major contracting groups has had to deal with portfolios of legacy projects ? that is, jobs secured during the economic downturn that had to be completed as the industry was contending with building cost inflation.

### **Loss leaders**

There are major players still coming late into this situation, with consequent depletion of shareholder value and the need to recapitalise balance sheets to sustain their viability. The role of the leadership in these loss-stricken organisations has been to assess each project objectively to determine and implement a strategy for their completion.

In parallel with this, businesses have had to evaluate what constitutes the core of their operation, and have sought to divest themselves of assets that are not considered essential to future trading ? in the process realising the cash to reinvest and to make good their trading losses.

Leaders put in post to effect business turnaround will invariably have been appointed to replace the board that presided when the loss-making projects were secured. The market demands that such leadership be detached, focused on results and capable of returning a business to an underlying profitability in a relatively short time. But those capable of doing so are unlikely to be suited to managing, organising and growing a business once it has returned to stable profitability ? managers who can turn projects around are often not interested or are unsuited to running restructured businesses, so at this point we usually require a different kind of leader.

Not surprisingly, major contractors are determined not to repeat past mistakes by taking on work that suits neither their capability and capacity nor their risk appetite. In such circumstances, business leaders need to ensure they have developed and articulated a clear strategy for the type of projects the organisation will undertake, in terms of scope, procurement route and contracting risk, and have processes in place to support this strategy?s implementation consistently and objectively. Different organisations will identify sectors, value ranges and contracting arrangements where they think they can achieve consistent returns with properly managed strategies.

### **Selective and specialist**

It is likely that this selective and specialist approach will create its own organisational issues: businesses cannot afford to be restricted by their own size and structure when implementing their leaders? strategic vision. The question will no longer be ?What work do we need to

maintain the organisation?? ? rather, ?What organisation do we need to service the work available to us in our selected markets and work streams??

Construction and property clients and their advisors, including end users and developers, have also identified that their relationship with contractors and specialists must be different in the future if they are to be certain about the timing, quality and cost of project outcomes. This has meant that there has been a perceptible move away from the comprehensive risk transfer to contracting styles in which greater control ? and subsequently, risk ? has been retained by the client body.

Business leaders may shape and structure their respective businesses to suit their intended markets and procurement routes, but there are wider issues that will affect the effectiveness of their leadership in the next decade. Putting aside the uncertainty of the political landscape, the construction and property industry faces huge challenges from an acute skills shortage, the changing characteristics of employment and career styles, and the allocation and management of design responsibility.

## Compelling career

Currently, 22% of people working in the construction and property industry are more than 50 years of age, and 15% of them more than 60; even with rising statutory retirement ages and pension pressures, there will be an exodus of skilled and experienced professionals from the industry in the next 10 years. The task for industry leaders is to attract graduates and school-leavers and make a compelling case for construction being a career path of choice, to identify innovations that will improve both the professional environment and its outputs, and to create training opportunities.

With businesses rigorously pursuing work through selectivity and specialism, a contractor?s ability to maintain, and indeed the desirability of maintaining, substantial staff resources continuously is likely to be diminished. This, combined with the growing trend for migrant workers proactively developing the CVs they wish to create, means talent management will become increasingly difficult. The role of leadership will be to engage, retain and motivate individuals who are not directly employed by them.

Over the past decade, the design and construct contracting model has become prevalent. However, with recent events such as the Grenfell Tower fire and the Robin Rigg offshore wind farm as well as case law developments, the implications for contractors and specialists assuming design responsibilities have become oppressively onerous. The challenge for the industry leaders, from all interest groups, will be to determine a risk-sharing model that supports the industry?s objectives appropriately.

An individual leader may adapt their style to suit particular circumstances ? dealing with a school-leaver differently to a seasoned construction professional, for instance. But the construction and property industry demands the opposite of this: different leaders to deal with changing circumstances appropriate to the times. In an industry that is inherently cyclical, there will always be a need for leaders who can develop strategies for growth, volume reduction, difficult contracting conditions and steady-state running. It is a rare individual indeed who can operate effectively across these.

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