



for the Built Environment

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# Construction Countermeasures

Strategic Response to the COVID-19 Crisis  
(Short and Long-Term Perspectives)

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# Gregg Schoppman, Principal



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As a principal with FMI, Gregg specializes in the areas of productivity and project management. He also leads FMI's project management consulting practice. He also leads the consulting management group of FMI's Florida office.

Prior to joining FMI, Gregg served as a senior project manager for a general contracting firm in central Florida. He has completed complex and sophisticated construction projects in the several different niches and geographic markets. He has also worked as a construction manager and managed direct labor. Furthermore, Gregg has expertise in numerous contract delivery methods.

Gregg was named one of the Top 25 Consultants of 2014 by Consulting Magazine, receiving the highest number of nominations for that year's recipient group. Additionally, he was a two-time finalist for the Association of Management Consulting Firms award for "Change Management" in 2012 and 2013. Gregg has been a guest speaker for the ABC, AGC, IFMA, DBIA, NECA and CFMA. He has been the Gulf Coast Director of the Design Build Institute of America function and regularly speaks to students in the civil engineering graduate school program at the University of Florida. Gregg has also spoken to similar groups around the state of Florida.

He has successfully completed project management and productivity implementation engagements for general and trade contractors across the country. In addition to his implementation engagements, Gregg facilitates strategic planning and evaluation services focused on organizational transformation. He has also been an instructor with FMI's Project Manager Academy and regularly trains individuals from foreman to CEO.

Gregg holds a bachelor's degree and master's degree in civil engineering from the University of Florida, and a master of business administration with a concentration in international business from the University of Tampa. He was recognized as a Beta Gamma Sigma honor graduate at the University of Tampa and Tau Beta Pi honor graduate at the University of Florida. He possesses a Lean Six Sigma Black Belt from Villanova University and an Executive Certificate in International Management from Thunderbird University. Gregg possesses an Engineer Intern certificate from the State of Florida as well as a Florida General Contractors license. He is a member of the American Society of Civil Engineers, International Facility Management Association,

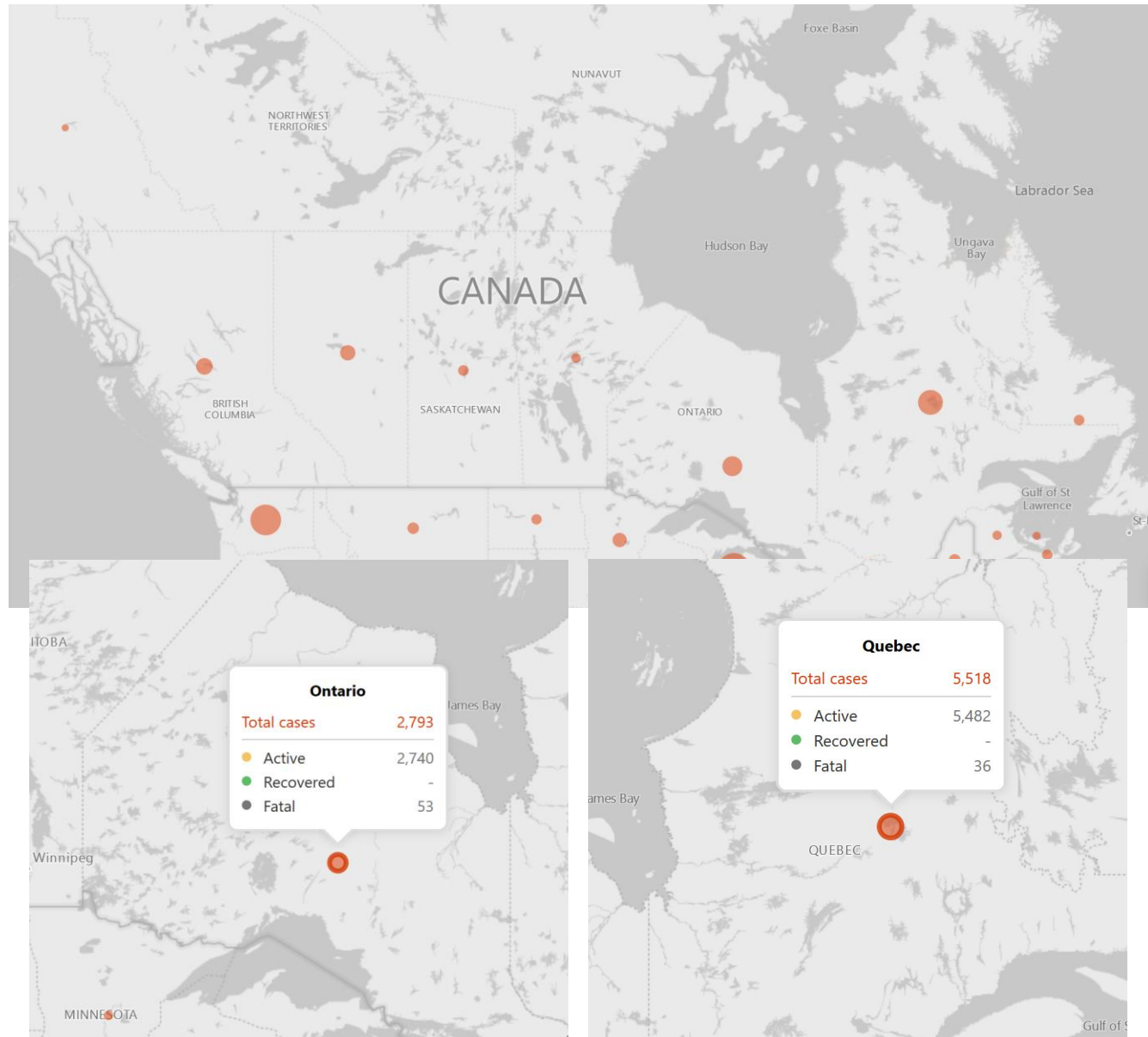
# Summary of Today's Webinar

What We Know

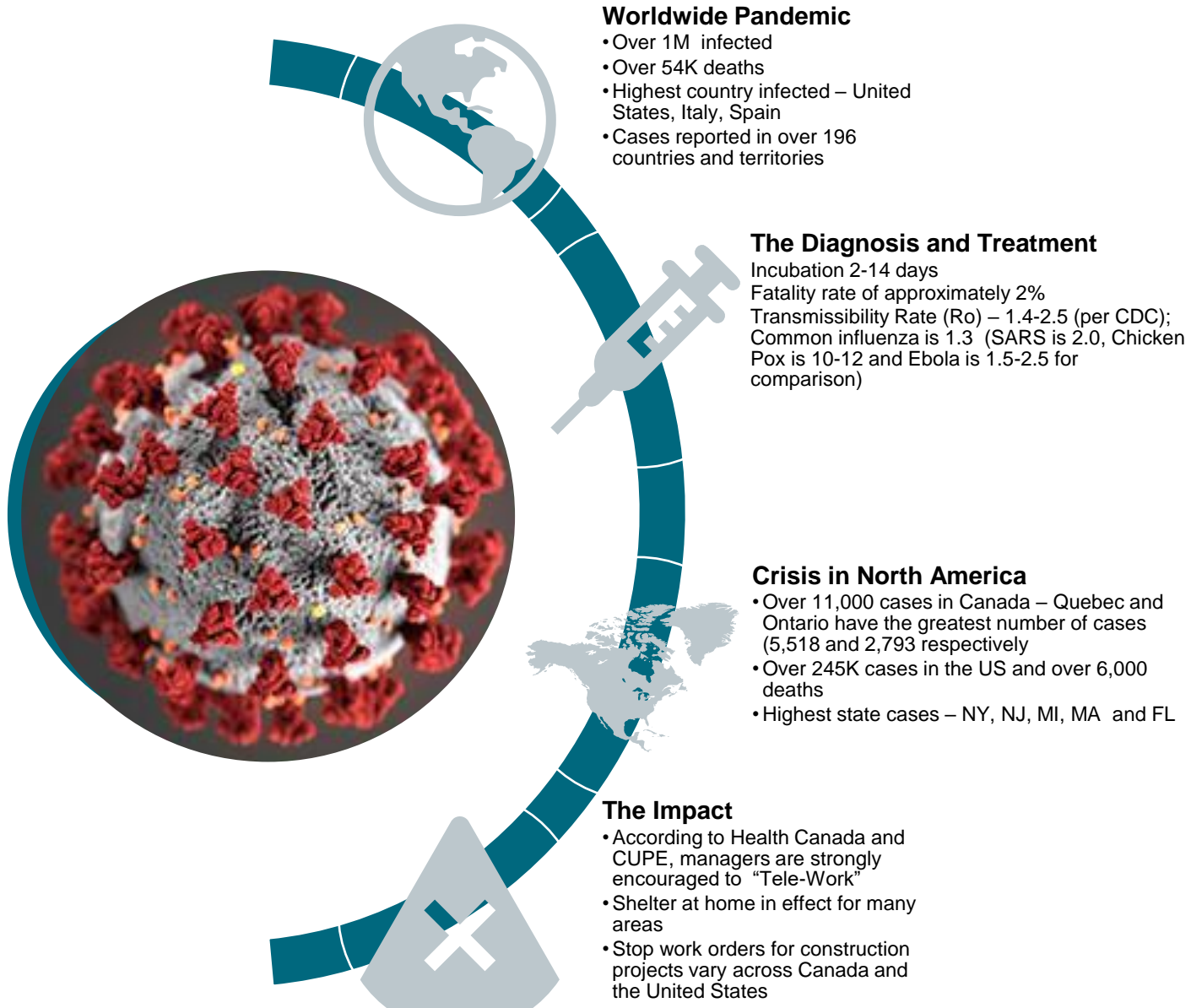
The Framework

Strategic and Tactical Response

Conclusions

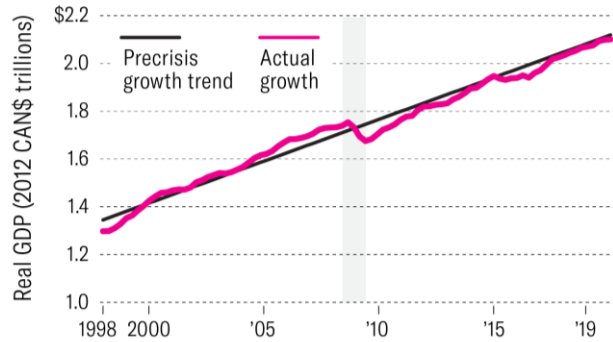


# What We Know

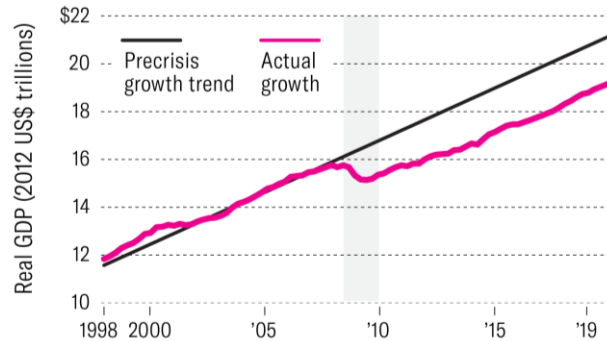


# A Perspective on Potential Economic Impacts

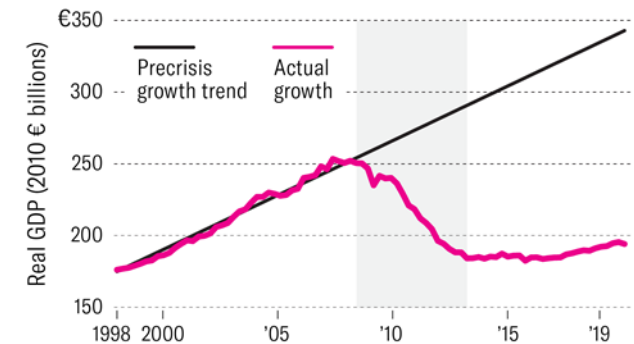
V-shaped (Canada)



U-shaped (United States)



L-shaped (Greece)



## Consider the 2008 Global Financial Crisis...

What drives the “shock geometry” shown above?

The key determinant is the shock’s ability to damage an economy’s supply side, and more specifically, capital formation. When credit intermediation is disrupted and the capital stock doesn’t grow, recovery is slow, workers exit the workforce, skills are lost, productivity is down. The shock becomes structural.

## So, now consider COVID-19...

What is the mechanism for damage to the supply side?

What is the policy response to prevent such damage?

Source - <https://hbr.org/2020/03/understanding-the-economic-shock-of-coronavirus>

## According the AGC Survey

- 39% of the more than 1,600 respondents said they had been directed to stop work on one or more projects.
- 45% of respondents reported experiencing project delays or disruptions.
- 23% of respondents reported shortages of material, parts and equipment, including vital personal protective equipment for workers such as respirators.
- 18% reported shortages of craftworkers.
- 16% said projects were delayed by shortages of government workers needed for inspections, permits and other actions.
- 13% reported delay or disruption had occurred because a potentially infected person had visited a jobsite.

# Projected POTENTIAL Economic Impacts



- The Index of Consumer Confidence fell 32 points in March
- According to Conference Board of Canada, economic growth will contract by 2.7% in the second quarter
- With cross border closings (Canada and the US), there is concern since approximately \$2B of goods cross each day
- According to J.P. Morgan, US GDP would fall by 4% this quarter and then plummet 14% over the next three months
- Some predictions have the Canadian GDP falling 5%
- For contextual purposes only, Italy's projected GDP decrease from Quarter #1 to Quarter #2 is forecasted to be -3% to -5%, respectively (Statista)

# VUCA



**Volatility**



**Uncertainty**



**Complex**



**Ambiguity**

## Quick Questions to Ponder

- In this VUCA environment, how well equipped would you rate your business's heartiness to weather a storm?
- In this VUCA environment, how *long* are you equipped to deal with this storm?
- What tools and metrics are you using to gauge the impact of COVID-19, short of the news media?
- What is the state of the work in progress and where do projects stand?
- With a focus on the disease itself, what will the long-term impact be on projects and clients (i.e. social distancing, education, etc.)?
- How are you as a construction leader providing stability, communication, guidance, etc. in the face of the pandemic?



# The Checklist

## Immediate Items for Review

- ☑ What is the status of our balance sheet and cash flow
- ☑ Have we contacted our bank and possibly talked about our line of credit
- ☑ If we are working from home, what IT/Equipment needs do our people have
- ☑ For associates that are impacted by children now home from school, what will that do to productivity
- ☑ Have we reviewed our contracts and do we understand the force majeure clauses in our documents
- ☑ For jobsites deemed “essential” or NOT impacted, what measures are we taking to ensure proper hygiene and cleanliness
- ☑ How will we communicate “effective hygiene and cleanliness” to the community at large, illustrating that we are helping not hindering the pandemic
- ☑ Have we traced long-lead items or ALL of our supply chain to understand potential impacts, short or long-term
- ☑ What projects in the sales pipeline have the greatest risk of closure

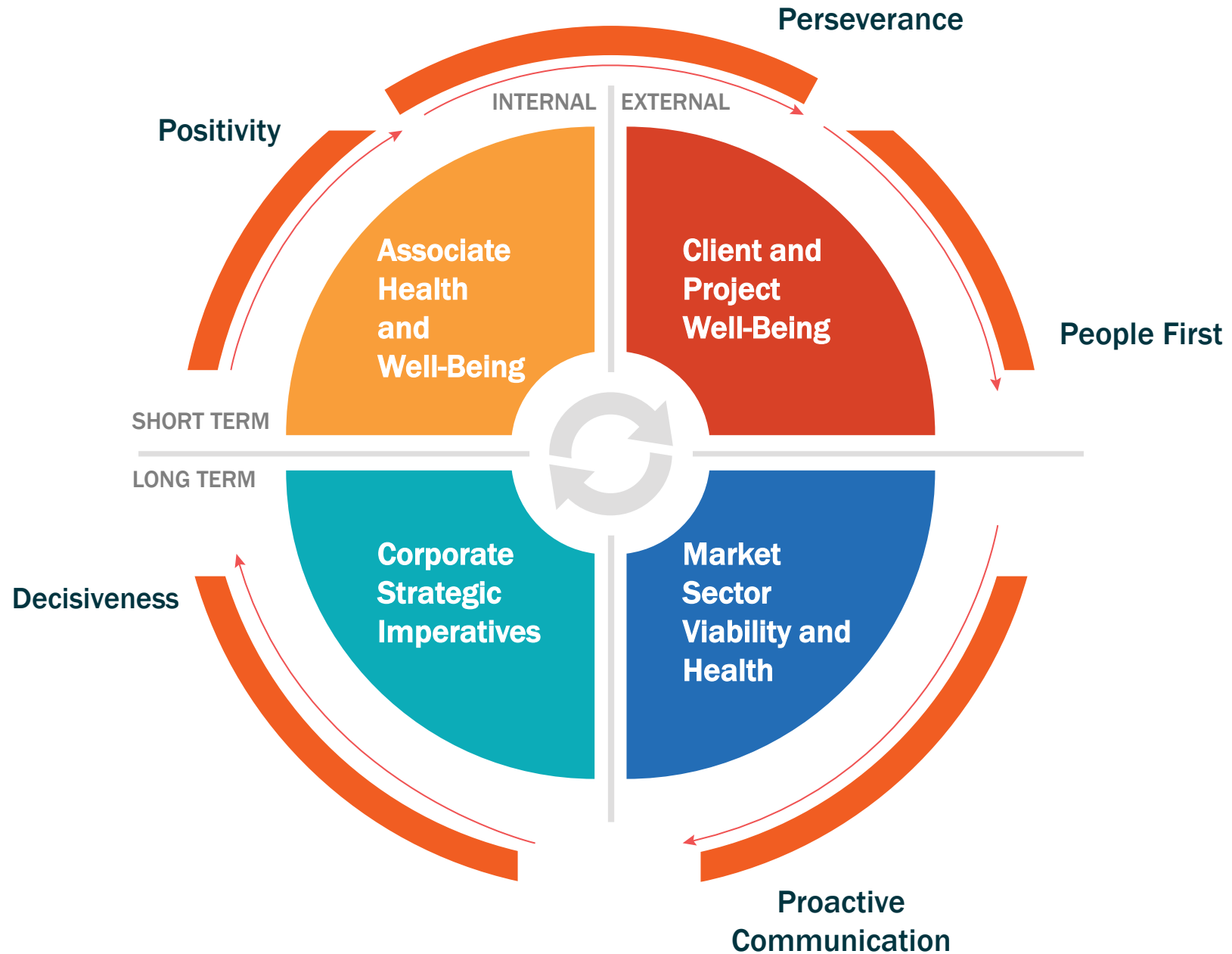
# Uncommon Themes

Some of the more uncommon business discussions that should be included



- How will projects be impacted from a design standpoint going forward
- Like the previous economic challenges of the last 20 years, how will succession planning be handled
- In conjunction with succession planning, how long can a firm delay in internal talent development
- When projects restart – SIMULTANEOUSLY – what will the impact be to supply chains, workforce demand, etc.
- When confronted with “tough decisions”, how will a firm balance compassion with fiscal reality

# FMI's Countermeasures – Emergency Response Framework



# Leadership

- *People First* –
  - Our teams – internal, tradespeople, clients, etc.- are all in this and a dose of humanity goes a long way
- *Proactive Communication* –
  - Don't leave internal communication to chance while you hunker down – be on the front line of the communication and don't wait for the nightly news to define your actions
- *Decisiveness* –
  - Firms will be confronted with tough decisions every day before, during and after the dust settles. Avoid analysis paralysis
- *Positivity* –
  - Don't paint an unrealistic picture but your team is looking for a quarterback that won't succumb to the pressure of being down by three touchdowns in the third quarter
- *Perseverance* –
  - You've planned for this – maybe not on this level but you have contingency plans and a strong balance sheet for a reason. When the dust settles – and it will – you will be OK.



So, if our office is CLOSED, why do I still have to come to work?

*- Random Field Leader's Comment*

- Answer –
- 1.) The office is closed but everyone is still working, albeit differently
  - 2.) With social distancing in mind, is your team still visiting jobsites regularly?
  - 3.) How are you providing regular and frequent communications to the team?
  - 4.) As the leader, how visible are you to the field teams?

# Countermeasures Checklist

Associate Health and Well-Being	Client and Project Well-Being	Market Sector Viability and Health	Corporate Strategic Imperatives
			
<ul style="list-style-type: none"> <li>Internal communication plan (frequency and approach)</li> <li>Hygienic best practices</li> <li>Protocol for remote working</li> <li>Staggered scheduling</li> <li>Associate mental well-being forums</li> <li>At-home assistance for families directly impacted</li> </ul>	<ul style="list-style-type: none"> <li>Force majeure rules</li> <li>Proactive construction summits to address potential impacts</li> <li>Regular client pulse communications</li> <li>Deep vendor and supply chain impacts</li> <li>Project staffing plans (direct labor)</li> <li>PPE and project hygiene protocol</li> </ul>	<ul style="list-style-type: none"> <li>Deep pulse on client and market sector impacts</li> <li>Long-term supply chain considerations</li> <li>Market opportunities and horizontal integration</li> <li>Customer management plans</li> <li>Tenant improvement and remodel sector analysis</li> </ul>	<ul style="list-style-type: none"> <li>Scenario planning – what if and for how long?</li> <li>Cash flow storyboards</li> <li>Internal risk management discussion (surety)</li> <li>Internal “Markers” - triggers</li> <li>Internal talent management and personnel decision trees</li> </ul>

# Associate Health and Well-Being

## Short-Term, Internal

Item	Description
<i>Internal Communication Plan (Frequency and Approach)</i>	Define the cadence and communication frequency that your team will take. Who and when should “Town Hall” meetings take place (virtually speaking) to answer questions, brainstorm ideas, etc.
<i>Hygienic Best Practices</i>	If you do have to work in an office or jobsite, what precautions will you make mandatory for cleaning? Once work schedules do return to “normal” how will you continue these practices to avoid a boomerang effect?
<i>Protocol for Remote Working</i>	As firms look to working remotely, how will you continue to press forward on your culture? What if your firm has travelling superintendents or managers – how will that affect their ability to get home on a regular frequency? What if there is a travel shut down domestically?
<i>Staggered Scheduling</i>	Once again, when normalcy returns, how do teams engage on projects that require less social distancing? Will staggered schedules make sense?
<i>Associate Mental Well-Being Forums</i>	How will you ensure your team is also in the right state of mind in the short-term? As concern rises relative to the economy and pay checks, how will you ensure – if possible – that all is OK?
<i>“At-Home” Assistance for Families Directly Impacted</i>	How will your firm address support for families that do not have day care capabilities?

# Client and Project Well-Being

## Short-Term, External

Item	Description
<i>Force Majeure Rules</i>	As projects are shut down or delayed, what contractual terms would apply as it relates to overhead recovery or simply meeting project deadlines to avoid damages?
<i>Proactive Construction Summits to Address POTENTIAL Impacts</i>	Reaching out to customers and demonstrating a proactive plan relative to their project may provide ONE silver lining in a series of awful news.
<i>Regular Client Pulse Communiques</i>	Similar to the internal communications, it will be important to engage with clients on a hyper-frequent basis, so they see the activities being undertaken to ensure safety and project continuity.
<i>Deep Vendor and Supply Chain Impacts</i>	Scenarios plans as it relates to the supply chain should be examined. This borders on short and long-term impacts. For a portion of time, there were concerns about materials shipping from the Asian continent. However, it is more realistic to think about Europe as well as even domestic supply chains.
<i>Project Staffing Plans</i>	What does the staffing look like on projects that are impacted? Have appropriate labor forecasts and histograms been run to look at the crew blends during and after work freezes take place?
<i>PPE and Project Hygiene Protocol</i>	As shortages persist in PPE – respirators, masks, hygienic gels, etc. – what protocols should/can be implemented on jobsites to help reduce potential interactions and transmissions?



# Corporate Strategic Imperatives

## Long-Term, Internal

Item	Description
<i>Scenario Planning</i>	What if and For How Long – Assuming a firm has a strong balance sheet, what is the long-term prognosis for how long a firm can weather this storm.
<i>Cash Flow Story-Boards</i>	Running a twelve-month cash flow projection is a good best practice to have regardless of the climate but what will this do to billings and collections?
<i>Internal Risk Management Discussion (Surety)</i>	Has the firm begun conversations with its surety and banking institutions to discuss their concerns and challenges? What contextual data can they provide since they are seeing the impact from many vantage points.
<i>Internal “Markers”</i>	With all of the projections and data points, what markets indicate triggers for specific actions relative to all business considerations?
<i>Internal Talent Management and Personnel Decision Trees</i>	As firms continue to wrestle with the long-term effects of a prolonged stagnant market, how will personnel decisions be made? How will succession planning be impacted? How will talent development continue since no one is able to hit the “pause button” on an aging workforce?

# Market Sector Health and Viability

## Long-Term, External

Item	Description
<i>Deep Pulse on Client and Market Sector Impacts</i>	With economic projections for all niches in flux, how will your firm base its activity and standard for performance? What new data can you use to handicap projections and provide a true measure of sector viability? What is your firm doing to talk through market sector considerations – for instance, if your sector is “Resort, Leisure and Recreation” how will your company address market slowdowns?
<i>Long-Term Supply Chain Considerations</i>	What long-lead items may be impacted by longer term impacts to the supply chain (i.e. stricter border inspections, delays in deliveries, etc.)? What logistical considerations should be made and does this provide more opportunity to the firm (i.e. absorption of supply lines, etc.)
<i>Market Opportunities and Horizontal Integration</i>	What new market opportunities will open for firms in the next 12-16 months? What will this do to sectors such as healthcare, pharmaceuticals, adult living? Will social distancing persist and affect sectors such as these plus education (K-12 and higher education)? What will the tenant improvement market look like as customer spending may be more constrained and spaces needing appropriate retrofitting may be more likely avenues for clients? Lastly, are there potential targets for acquisition that may be strategically viable in light of market conditions and work force capability?
<i>Customer Management Plans</i>	While there is a deep need to avoid the obvious discussions and engage in expressive commiseration, there should be specific customer strategic plans to gauge their “health” and outlook on the future. With so many customers and so much ground, divide your team appropriately and dig in.

# Silver Linings

Even in the darkness, there is light

- **Improved Productivity** – Hyper focus on cost control and less distractions on jobsites (i.e. traffic, pedestrians, consumers, students, etc.)
- **True Technology Leverage** – The pandemic has forced heavier reliance on a “paperless”
- **Deliberate Communication** – Email, web technology, conference calls, etc. have driven stronger “listening”
- **Flexibility in Work Schedules** – With WFH rules in place, firms are discovering how “home based personnel” can be productive
- **Improved Cleanliness** – Gone are the days of “messy jobsites”
- **Cashflow focus** – While it shouldn’t take a crisis to have good cashflow, businesses are getting a deep understanding of collections, balance sheets, cash on hand and lines of credit

# Concluding Remarks

- The situation is one of the most dynamic and unprecedented worldwide events so there are many factors yet to be determined
- Business leaders must understand there is most likely not a “playbook” to deal with this type of situation and nor is there a “silver bullet” to get back to “normal”
- Examine the previous economic crises for some context and guidance (i.e. 9-11, the 2008 Recession, etc.) – while many of the circumstances are demonstrably different, there are key takeaways (i.e. strategic responses, tactics, etc.) that can be leveraged
- While “hunkering down” may be a theme, business leaders also have to be seen and heard with consistent themes and messages
- The only failure you can possibly make is not having a plan with many different layers and options – doing NOTHING is a recipe for disaster
- Regardless of the trade, industry, position, department, etc. this pandemic does not discriminate – humanity and compassion go a long way
- Leverage friends, trade partners, associations, etc. as a resource – once again, there may not be an immediate answer but getting through any crisis requires everyone to come together (figuratively of course)



For additional questions or concerns, please reach out to:

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# Who We Are

FMI is a leading consulting and investment banking firm dedicated exclusively to the built environment. We serve the industry as a trusted advisor. More than six decades of context, connections and insights lead to transformational outcomes for our clients and the industry.

## **FMI** CONSULTING

FMI Consulting has a deeper understanding of the built environment and the leading firms across its value chain than any other consulting firm. We know what drives value. We leverage decades of industry-focused expertise to advise on strategy, leadership & organizational development, operational performance and technology & innovation.

### PRACTICE AREAS

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- Market Research
- Market Strategy
- Business Development
- Strategic Planning

#### Performance

- Operational Excellence
- Risk Management
- Compensation
- Peer Groups

#### Leadership & Organizational Development

- Leadership & Talent Development
- Succession Management
- High-performing Teams
- Corporate Governance
- Executive Coaching

#### Technology & Innovation

- Market Accelerator
- Partner Program
- Tech Readiness Assessment
- Sourcing & Adoption

## **FMI** CAPITAL ADVISORS

FMI Capital Advisors, a subsidiary of FMI Corporation, is a leading investment banking firm exclusively serving the Built Environment. With more than 750 completed M&A transactions, our industry focus enables us to maximize value for our clients through our deep market knowledge, strong technical expertise and unparalleled network of industry relationships.

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- M&A Advisory
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- Acquisitions in the Construction Industry
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