NAC Executive Insights

NAC Case Study

On-Boarding a New CEO in Engineering and Construction Business

Key Points

- Executive coaching is a blend of coaching and mentorship.
- Coaching works best when the firm and the consultant/executive coach/mentor being hired clearly understand the reason for jointly engaging in such an assignment.
- Understanding the challenges at a sufficiently granular level is important.
- Recognize that the consultant/executive coach/mentor role will likely evolve into problem solving, direct coaching, and foundation building.
- The biggest challenge is for the consultant/executive coach/mentor to remember what their role is.
- The engineering and construction industry has an opportunity to improve by capturing the value of the experience and lessons learned and documenting the leadership methods used in assignments such as illustrated in this case study.

Introduction

This is a case study of my role as a consultant/executive coach/mentor. The task was to on-board a new CEO.

Earlier this year I undertook what I regarded as a nontraditional role: serving as an executive consultant and coach to a new CEO. An engineering company board where I served as a non-executive director, made the request of me. Over the prior year, the company had engaged an executive search firm to replace the then-current CEO, who was taking on other business responsibilities. The board decided to go with a non-engineering internal candidate as the new CEO on the condition that I agree to serve as the CEO's executive coach full time for six months.

As I move through the case study presented in this Executive Insight, I will provide a high-level overview of the challenges this 48-year-old firm faced, some steps taken to address those challenges, and how my role changed over the six-month period. I will conclude with thoughts on the challenges I faced and on the use of a consultant/executive coach/mentor in the future.

The New CEO

The new CEO had been with the firm for many years. He enjoyed the trust of the owner and fully embraced the culture of the firm. He previously served as the company's human resource director. The industry has seen its share of chief financial officers and chief legal officers being promoted into the CEO role. For me, however, this was the first instance of a human resources executive being similarly promoted. As we moved through this transition and coaching period, the value of the human resource skills he brought to the job became increasingly evident.

High-Level Challenge

As I began working in my requested role, my level of understanding of the firm was at the level one typically acquires when serving as a non-executive director on a company's board. Fortunately, this was supplemented by a two-week "deep dive" I undertook two months before my role began. That in-depth exposure certainly highlighted areas of concern that I had not realized before. A sincere appreciation of the scope and depth of the challenges, however, did not become evident until I had been in my new role for a couple of weeks.

***Coaching** is a development process that enables clients to build their capabilities so that they can achieve personal, professional, and organizational goals. Coaches partner with the client in a thought-provoking and creative process that inspires clients to maximize their personal and professional potential.*

***Consulting** is defined as "the practice of providing a third party with expertise on a matter in exchange for a fee." The service may involve advisory and/or implementation services.*

***Mentor** — is an experienced and trusted advisor. A mentor is a person with experience in a job who supports and advises someone with less experience to help them develop in their work.*

That two-week deep dive highlighted (1) an unacceptable loss rate in proposals and (2) some obvious people issues (failure to recognize and address challenges; selecting individuals who are inadequate for the task; resistance to change). My initial understanding of these issues within the firm proved to be incomplete. In addition to these drawbacks to progress, we quickly identified other challenges:

- A rapidly declining backlog (driven by low, single-digit proposal capture rates).
- A lack of transparency in financial information, hindering our ability to attack the right costs.
- a dearth of used, written procedures (many existed from years before, but simply were not used regularly in the business).
- inadequate accountability of performance and results, especially at the project level.
- insufficient client engagement.
- the very normal challenges from deploying a new company Enterprise Resource Planning (ERP) system.

Further compounding the challenges was a national culture in transition (the Middle East country was changing), a multi-cultural workforce not always well integrated in every department, and a client portfolio in which the country set aside most of the best opportunities for international players instead of their own in-country firms, thus preventing the development of the longer-term engineering capability the country needed. This preferential set-aside to engage international expertise was done despite a national focus on developing a well-educated and capable workforce in-country, especially in areas requiring technical skills.

Our new CEO faced all these challenges, and all required immediate attention. There was no time to address them sequentially.

Addressing the Challenges

For each of the challenges, it became necessary to quickly identify the root causes, which were not always obvious. It was here that my role took on more than consultant/executive coach. It was expanding and requiring that I become a mentor as well, elevating to the unspoken role I was stepping into as a co-CEO. The breadth of my career experience in all these different facets and my ability to provide proven leadership in the moment (multiple times) became paramount and extremely useful in getting the new CEO onboard.

Drawing on my own experience, I had the new CEO prioritize the tasks required to resolve each challenge area, all the while guiding him as his mentor. We then divided the initial assault on the challenges between the two of us. Now in a more expanded role than the original executive coach/consultant, I had the opportunity to be more assertive. This was made possible, however, only after the new CEO and I achieved a seamless alignment between us. That alignment was required and we acknowledged our alliance, especially given the scope of the challenges we had to undertake.

The CEO and I discussed what each of us was seeing and doing on a near continuous basis. This was essential for both of us: for the new CEO to get onboard and for me to guide him as a consultant/coach/mentor. This more aggressive phase was a normal approach for us and took up the first four to six weeks of the assignment. Eventually, our alliance shifted into a less aggressive phase as I took on discrete tasks. The result was that my role became more coach-focused and his role evolved into being the CEO, not a human resources director.

My coaching and mentoring roles carried some aspects of being a consultant, which in retrospect was probably a development that should have been expected. The addition of the consultant angle was a value-added quality to the objective: getting the new CEO onboard.

The identified challenges and my role(s) included:

1. ***A rapidly declining backlog*** (driven by low, single-digit proposal capture rates)
The initial assessment of the low, single-digit success rates for the firm's proposals was that the quality of the technical proposals had to improve, especially in a new service area related to program management. During the first two weeks of the assignment, I assisted the CEO in reviewing bids and augmented them to create a better go-by document, especially in the program management area.

During this assessment, we realized the *quality* of our submissions was not bad; therefore, there had to be other factors impacting success. We identified two: pricing and inadequate client insight and engagement.

At this point, we turned our attention to pricing. We concluded that our pricing was 20-30 percent higher than the successful bids, despite what appeared to be reasonable salary and overhead rates. The decade-old pricing model was a "black box," personified with a set of built-in assumptions that no longer reflected market realities.

2. A lack of transparency in financial information

The challenges presented by the old pricing model became evident as we looked at the flow of financial information, which lacked both transparency and accountability. Financial transparency had to begin with a new pricing model that would allow us to understand our true costs. These true costs were high, and we developed strategies to attack them. The old "black box," with its built-in assumptions, was replaced by a more traditional engineering multiplier model. With this, salaries for planned hires could be tested against available labor in the market. Major expense items now had time to get competitive quotes pre-bid.

We gained clarity on the overheads being used in our bids, replacing overhead as a variable cost that could be randomly manipulated. The as-sold pricing sheets now provided clarity to project managers and empowered them to clearly understand the true financial condition of their projects.

My primary role as coach here was to bring into play my relevant industry knowledge and experience that the new CEO did not yet have. Importantly, I had to ensure that each change that was to be made was explained, challenged by the CEO, and ultimately embraced as policy.

Pricing subsequently moved from Finance (which still owned the overhead rate) to Commercial. The intent was for Commercial to then stay engaged in the ultimate buyout phase.

3. Dearth of procedures

The review of the firm's pricing model plus the lack of transparency were in part due to an absence of written procedures. Things were done as they always had been done despite the impacts of COVID and post-COVID market conditions on the firm's business model. Market conditions had changed significantly. The lack of written descriptions of how the business was executed made change nearly impossible in many regards.

Nowhere was this need for written procedures more evident than in Finance. The lack of a CFO further exacerbated the situation. Here my coaching of the CEO began to roll down to some of his direct reports as he changed the tempo and focus of the company. The result was a *Finance Policy & Procedures* manual. In addition, we directed that a written alignment be created with the requirements of the firm's new Enterprise Resource Planning (ERP) system.

Similarly, and to improve cost competitiveness, a changed business model in design was initiated that required new design management and quality control procedures to be put in place.

In other areas, the CEO recruited a strong, internationally qualified quality, safety, and risk manager. This individual then put a broad focus on documenting and improving the firm's work processes.

As coach I guided the CEO to:

- Begin each meeting with a safety topic, utilizing some of my prior Executive Insights and some safety moment PowerPoint® presentations to help sustain and extend this effort.
- Assume personal ownership of risk money (vs. contingency) included in the bids (part of the new pricing model).

4. Inadequate accountability

Transparency and written processes provided a basis for improving accountability. The CEO clearly recognized the need for holding people accountable, but here my industry experience (and serving in this instance as a coach to the CEO) provided practical suggestions for him to implement, including:

- Enabling project managers to fully understand the true financial condition of their projects.
- Introducing rigorous, consistent, monthly project review meetings. This revealed informed challenges created by regular report formats that were populated by data from the ERP. The CEO's recruitment of an outstanding project controls manager brought a mindset and discipline to what best could be called "the company as a project."
- Holding regular monthly business review meetings, which looked at business unit performance in winning work, doing work, and making a profit.

The human resources background of the CEO provided a balanced approach to coaching, stretching, and when necessary, challenging and admonishing. He clearly understood people were the principal asset for which he was responsible.

5. Insufficient client engagement

We did not adequately know or engage with our clients. About halfway through the sixth month of my executive coaching/consulting/mentoring roles, the firm's business development director returned home due to a family situation. He had done an excellent job of mentoring a successor and the transition was made to this individual. In conjunction with this change in leadership, the business development process was strengthened through the introduction of an account management program. Again, with my coaching hat on, this important transition was supported both by selective mentoring and development of an account management training program that the new head of business development could use after my coaching assignment was over.

More important was providing real-time advice as client challenges emerged, often through stories, a powerful coaching technique. Importantly, the CEO immediately understood the value of engaging with existing and prospective clients, especially when there were project issues. His human resource training was particularly useful in dealing with difficult clients.

How the Role of Executive Coach Evolved

My role of an executive coach (and at times as a consultant and a mentor) was built on a prior relationship I had with the new CEO, who had also been a board member of the firm with me. Our personal relationship and prior engagement then helped in his transition to CEO. Throughout the six-month period that I was there, several lines of engagement between us appeared more as a "dimmer switch" than an "on/off switch." These lines of engagement included problem solving, direct coaching, and foundation building, as indicated below:

Problem Solving

In the initial stages of my role, myriad challenges had to be addressed. As coach and mentor in these initial stages, I drew on prior experience and leadership skills. Once we agreed on the problem, the CEO in these initial stages would often task me to drive a solution, which I did by continuously providing my observations and constantly reinforcing with him that he was the final decision maker. I analyzed the situation principally by knowing the right questions to ask, and then provided the CEO with my assessment of the solution. In effect, the initial stage was more of a mentoring one, based upon giving advice and direction, which coaching is not. As we moved from dealing with immediate challenges to more systemic ones, the role shifted to more of a coaching role.

Direct Coaching

In the coaching role, the focus was on helping the new CEO discover answers for himself. After all, people are much more likely to engage in solutions that they have come up with themselves rather than those served up or forced upon them.

A technique that I used was "storytelling," using analogs to the problem or situation to be addressed. My assessment is that a successful executive coaching assignment requires the transfer of a career's worth of knowledge in memorable bites. The stories were all ones I have told before, but the scope of this assignment provided an opportunity to use most of them. A measure of success was when the CEO recalled a previously told story and applied it in a new situation.

Mentoring did not stop during this direct coaching phase, but rather became much more focused. Here I was able to draw upon the wisdom contained in many of the National Academy of Construction Executive Insights.

Throughout this phase, coaching shifted more to asking open-ended questions that led to a conversation. Mentoring became increasingly discreet. Also, this phase evolved from all-on problem solving to a more foundation-building set of activities.

The new CEO evolved his leadership, communication, vision, and firm's strategy. After an initial period of listening and engaging with his leadership team he crafted a simple, sharpened vision of what was required at this stage. Not all came along readily and an extended period of engagement and one-on-one relationship building was required with one key individual. An overly detailed strategic plan was simplified, keeping focus on the desired outcomes but providing the flexibility required in a rapidly evolving market and changing firm. In effect he translated the key lessons and messages from coaching into actionable steps and tangible results. At each step the CEO's confidence grew.

Foundation Building

As my coaching role drew toward a close, I focused on laying foundations the organization could continue to build upon. These included developing and recording a robust program management training course to provide ongoing mentoring; NAC-like insights for use on a new website to demonstrate how the firm can add value; a set of safety topics to strengthen that corporate approach; and identifying innovative technologies the leadership team can use to create value.

Challenges Faced as An Executive Coach

Undertaking the task of on-boarding a new CEO in my role of executive consultant/coach/mentor involved numerous challenges. These ranged from logistical (being away from home for an extended period); cultural (experiencing a different national culture from my own with a different rhythm, foods, and social norms); environmental (hotter, dustier); and driving a car, which proved to be extremely dangerous.

The biggest challenge, however, was remembering my role. It would have been all too easy to act like the CEO. Each day I consciously reminded myself of my role and what I was there to do. It would have been all too easy to let ego get in the way of being an effective coach and mentor.

And while there were challenges, there were opportunities as well: being able to share a career's worth of knowledge in a meaningful and focused way; visiting new countries and taking advantage of different and unique locations; discovering new foods; and gaining a level of insight that any board member would welcome.

Future Use of an Executive Coach Role

Coaching must be carried out by qualified people who work with their clients to improve their effectiveness and performance and help them achieve their full potential. The members of the National Academy of Construction, who have had careers defined by their leadership abilities, are uniquely positioned for such a role. Coaching on this basis works best when both parties—the firm and the consultant/coach/mentor—clearly understand the reason for engaging a coach and agree on the expectations to be achieved through coaching.

The engineering and construction industry has an opportunity to improve by capturing the value of the experience and lessons learned and documenting the leadership methods used in assignments such as illustrated in this case study.

About the Author

Bob Prieto was elected to the National Academy of Construction in 2011. He is a senior executive who is effective in shaping and executing business strategy and a recognized leader within the infrastructure, engineering, and construction industries.