

Hi everyone. This is Wayne Rivers at FBI, where *We Build Better Contractors*.

This week I want to talk about probably the best construction business book I've ever read, *Level Headed – The Incredible Story of a Construction Company Transformation* written by Doug Pruitt and Richard Condit in 2014. It chronicles the meteoric rise and almost fall of Sundt Construction out in the southwestern states of America. It is absolutely a fabulous read. Not too long. It's an airplane ride, maybe out and back, kind of a read. Get it, read it. Take it to heart. Commit it to heart. It is absolutely... I couldn't put it down. I mean, it's a pot-boiler. It's really that good. I can't say enough about it.

So Sundt was a company that was started in about 1890, and they grew slowly at first and then took on bigger and more projects, and they grew like most construction firms based on the character of the leadership in those early days. But they really took off in World War II. They were picked to build Alamogordo, New Mexico, which of course is where the Manhattan Project took place, and the first nuclear explosions in mankind's history took place. They also were picked to build Vandenberg Air Force Base, which was the first underground ballistic missile silo base in the world, I think. And they also had a hand in putting a man on the moon because they built the Cape Canaveral Apollo 11 launchpad. I mean, this was a company that was... I mean, this was a serious construction... it was and is a serious construction company. They had locations in New Mexico, Arizona, California, Saudi Arabia, and the Philippines. I mean, that's a big footprint.

Okay. In 1992, Wilson Sundt, the family CEO walks into the office of Doug Pruitt and he says, "Hey, my brother Bob is retiring as president. So, you're the new president of the company," and he turned around and walked out. That's true. That is gospel right here in the book. Holy moly. Well, "What does that even mean? Do I have a job description?" Well, there was none of that. There was no job description. There was no org chart. So, Wilson Sundt kind of got a piece of paper out and a pencil and started noodling around with an org chart, and he drew a dotted box in there and says, "Okay, you fit about right here, Doug." There was absolutely no structure to this organization whatsoever. They wrote that, "We had a belief that we were too good of a company to get in trouble with all that history, the history of profits," et cetera, et cetera. I mean, it was a great company, but this is the story of how a great company can go bad and go bad pretty darn quickly.

That year 1992 turned out to be the worst losing year in their history. Really quite a blow to everyone.

What problems did the company really have? They were very siloed. The heavy civil division had nothing in common with the building division, which had nothing in common with, let's say, the utility division. Really silos. There was no succession planning, not only at the top, but throughout the organization. So talented people who retired, the people that built Vandenberg and Cape Canaveral and all that, those people left and the next people in line, the next senior most people you might say, just got those jobs, but that didn't mean they were as talented as the people they were replacing. Did it?

So, what seven issues did the company really have?

Number one, lack of discipline. This is again, straight from the book, lack of discipline. They were skipping steps. They were ignoring policies. Different offices and different divisions had different policies. I think there was... Oh, the biggest thing I think in this lack of discipline was people discipline. They didn't have the heart to let people go. So, they closed down a division of about a hundred people that was not making money, but Wilson Sundt didn't have the heart to fire those people. So, on Friday, they closed the division. On Monday, all those people show up at another division expecting their jobs, and they were actually kept on board. A hundred people that needed to go. A hundred people didn't leave. There was no discipline whatsoever.

Second thing, there were no organizational systems. Processes were different again, in different divisions, in different locations. Payroll had to deal with 15 different kinds of time sheets. I mean, obviously that does not make sense for any company.

The third thing, nobody challenged the status quo. One of their core values as a company was innovation, but they had drifted away from that, and they got into these ruts, and they just kept kind of doing the same... What's the old saying? "If it ain't broke, don't fix it." Well, they got into a real rut with that, thinking that their processes were working, but they weren't. They were all over the place. They wrote a quote, "No one wanted to face the brutal facts," which I think is obviously true.

Number four, poor succession planning. We talked about that.

Number five, poor job selection. They would just kind of take anything based on their reputation. They found themselves... well, Doug and Richard found themselves dealing with a whole bunch of disputes for the first time in their history. Why? Because they had chosen jobs poorly, executed poorly and got in trouble with owners and trade partners.

The sixth thing, they grew in projects, but not in the businesses supporting infrastructure. So, the dollar volume of their project was going up and up and up, but the infrastructure to support that wasn't in place. So, there was the illusion of growth, but there wasn't the kind of support that that growth demanded.

And the seventh thing as we talked about before, there was no transparency. Silos in the organizations, nobody knew succession plans or anything else.

So, what did Doug and Richard decide to do? How did they turn this giant ship around in the middle of the ocean-going full speed by the way? They decided to do a strategic planning retreat. Now you've heard me and Dennis talk about strategic planning until you must be sick of it. The reason we talk about it is because it's the magic bullet. Until we find another magic bullet, strategic planning is the magic bullet for construction companies.

It just allows you to do things and be things that you couldn't be and do before. They took their top 50 people, and they went to a retreat over a period of days, and they made some very tough decisions, decisions that created change in the organization. So much change that of those 50 people, 30 had left the company within the span of just a very few short years, 60%. Now you think about that. 60% of their senior leadership departed the company. What would that do to you if 60% of your leaders departed? I mean, that might be a business killer. 60% of their senior people left the company. That's an amazing thing. So, the turnaround really started in 1992, up through 1996. I mean, they were kind of doing triage. From '96 through 2004, they really wanted to change the direction of the company to become business centered instead of project centered.

And I think that's a crucial distinction for any construction company. Where is Sundt today? They're profitable. They are able to attract talent. They're an ESOP company. They decided to go ESOP. They are ENR #61, just below a couple of our peer group members. So, a very sizable company to this day.

It's a great book. Get it. I mean, just even before I finish this vlog, you should be on Amazon getting this book. It's really that good. I'd like to know what you think. What other business books have struck you the way this one struck me? This is Wayne Rivers at FBI, where *We Build Better Contractors*.