the state of construction

IFMA™ International Facility Management Association

McKee Wallwork

IMPROVE GROUP

McKee Wallwork

McKee Wallwork is a marketing advisory firm that generates new momentum for stalled, stuck, and stale organizations and industries across North America. MW partners with various design and build companies to connect businesses and brands to their buildings across industries. MW regularly assists clients with designing or redesigning their built environment to enhance brand value for internal and external audiences. MW's insights are highly sought after by numerous business and marketing publications, including Forbes, Digiday, and Advertising Age.

IMPROVE GROUP

Improve Group works across the United States and Europe designing and building tech-enabled, sustainable buildings that are made to be more impactful to the people that use them. Started in 1976 as a distributor of office shelving and filing systems, Improve Group has grown to become a global integrator, with projects across the U.S., Europe, and beginning in Asia. The company has grown from $10M in 2013 to $50M and is poised to disrupt construction in the federal and commercial sectors.

Methodology

By conducting a nationwide research study among thousands of organizational executives over more than 20 years, MW has developed and refined a survey and associated research methodology called the Disruption Cycle™. This survey cross-references respondents' self-assessment of their own firm's stage in an organizational life cycle with questions about the internal dynamics of their organization. The results of the survey identify the internal health of an organization in four main areas: Alignment, Focus, Nerve, and Consistency. These are the primary internal drivers of organizational growth, and typical levels in each of these categories have been tied to business life cycle stages.

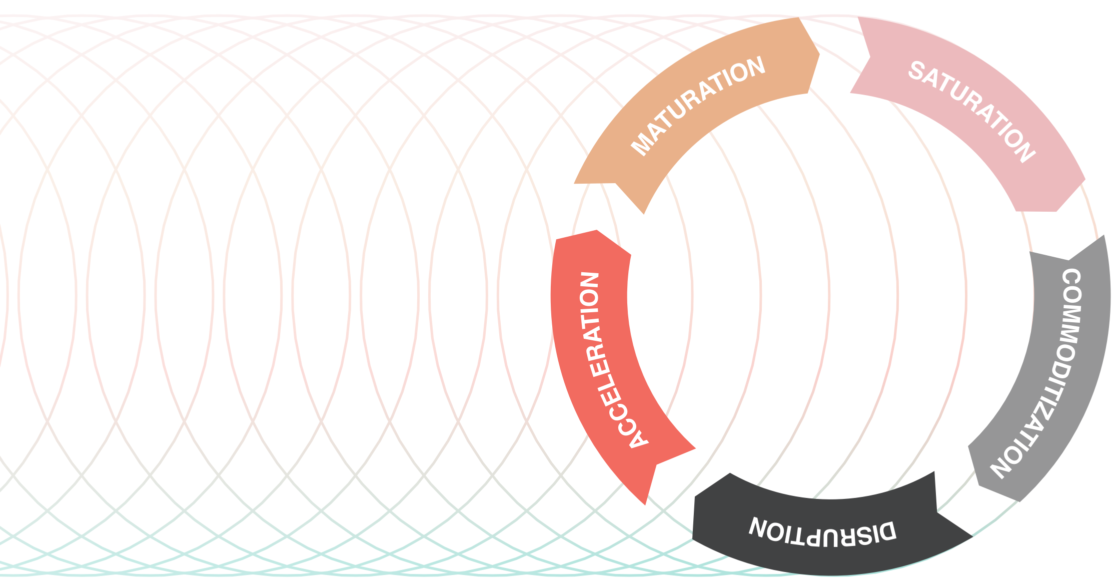
Disruption: Businesses in this phase pioneer innovations that upend the current market situation entirely. In this phase, new business models are developed that bypass or replace existing models.

Acceleration: Companies in this phase are defined by aggressive expansion and the challenges and opportunities that come along with it.

Maturation: Companies in this phase have momentum and resources, but scaling presents new logistical, competitive, and often regulatory challenges.

Saturation: Businesses in this phase devolve into playing not to lose. Saturation is when the pie becomes fixed, and the law of diminishing returns leads to progressively smaller yield for every business addition.

Commoditization: Business in this phase becomes about rent seeking. Business leaders in this phase often find themselves trying to change the rules of the game to benefit themselves rather than pursue innovation and new growth.

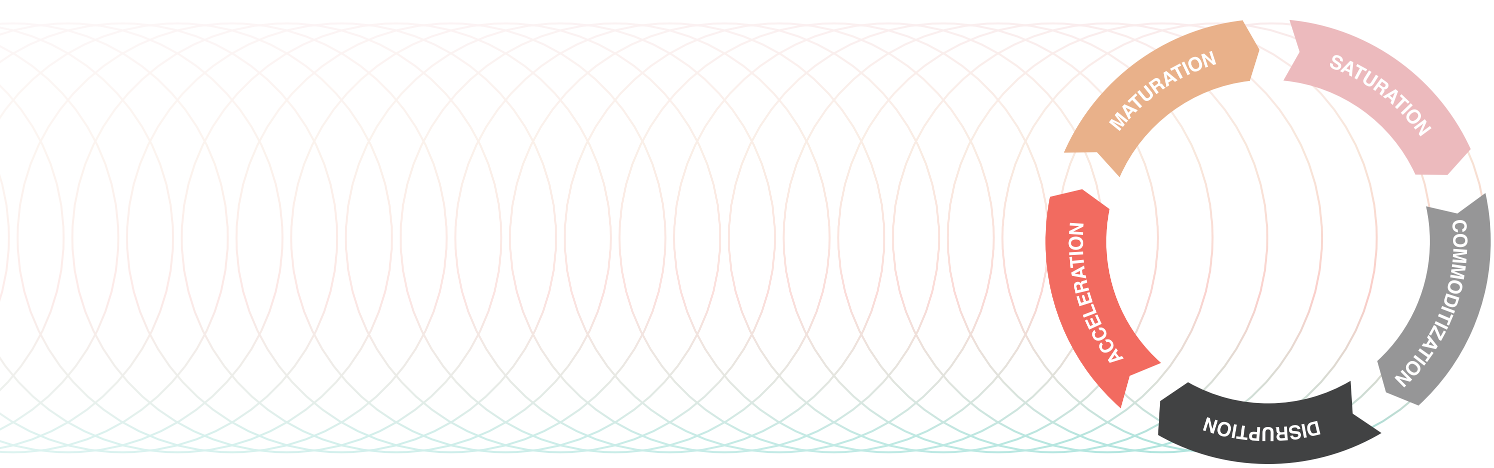


Introduction

The primary stages of the business life cycle—Disruption, Acceleration, Maturation, Saturation, and Commoditization—each present their own unique challenges and are correlated with an organization's strength or weakness in each of the four internal dynamic categories. As a firm progresses from Disruption through Commoditization, the pace of growth slows, typically due to deterioration in the overall internal health of the organization.

The Disruption Cycle survey identifies the level and dynamics of a firm's internal health, which directly affect organizational growth. Variations in answers between respondents within the same firm, or gaps between the answers of a single company and the average answers of its peers, can further signal organizational issues and provide important clues as to the overall health and vulnerabilities of the firm.

Earlier this year, MW, Improve Group, and IFMA partnered to deliver the Disruption Cycle survey to the members of IFMA chapters across the West, including New Mexico, Arizona, Oregon and Southwest Washington, and Seattle. The results are in, and they are not only fascinating, they may just help you see what's coming next.



Unhealthy Organizations Have Unhealthy Buildings.

1. **General Health**
   A slight majority of respondents report overall organizational health. Most respondents are confident in their competitive differentiation and customer loyalty. Similarly, most respondents report a relatively healthy corporate environment, which includes culture, operations, leadership, office politics, and gossip. Exceptions to the general health of the industry were noted in the areas of technology and energy efficiency. A surprising number of respondents—one-third—say they fail to invest in updating their technology, and more than half state that energy usage could be improved.

2. **Mounting Pressure**
   A substantial portion of the industry is being crushed by changing labor and commodity dynamics. A remarkable 25% of industry respondents self-reported being in the Disruption phase—the highest percentage ever recorded in any Disruption Cycle survey over the course of 24 years. Also, nearly half of all respondents reported an inability to keep up with staffing needs. Price pressure and tighter margins were reported across the industry.

3. **Thinking Small**
   A surprising percentage of the industry, particularly in the Northwest, reported the need for less physical space in the near future. These space-related results align with broader calls in our research for adaptive reuse of outdated physical spaces and less ground-up construction, along with more energy-efficient and tech-enabled spaces. Despite the overall health of the industry, the projected need for less space coincides with COVID-fallout concerns that companies will opt to allow more employees to work from home more often.

4. **Defensive Mindset**
   Respondents in every phase were asked to report what they fear most about the future. Respondents consistently reported a fear of losing company identity, losing customers, losing touch, or losing talent. Together, the responses indicate a defensive mindset as the default response to changing industry dynamics. What is causing the defensive mindset? “Change” was the top response when respondents considered what they feared most about the future. The loss of nerve (or the measure of your team’s commitment to the plan) is a common response to increasing pressure and often injures a company’s ability to adapt to changing industry dynamics as they move into the Saturation phase.

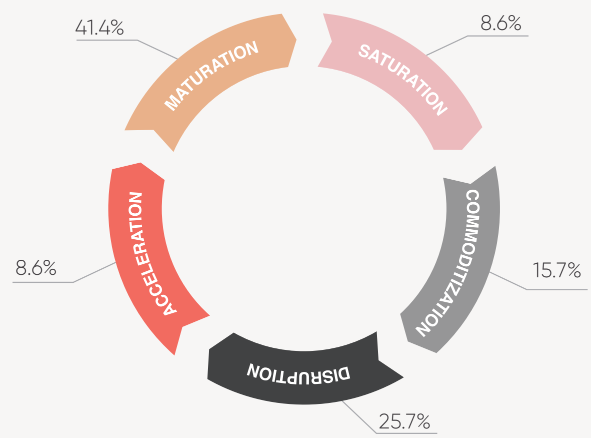
5. **Unhealthy Spaces**
   For years, Disruption Cycle research has proven that unhealthy internal dynamics in a business cause stalls in growth. Importantly, survey results from IFMA members now demonstrate that an unhealthy culture not only affects the performance of an organization, but the performance of its built environment as well. Generally, findings show that companies in the growth phases of the Disruption Cycle that have healthier internal dynamics also have a healthier relationship with their space. Conversely, companies in the decline phases that have unhealthy internal dynamics also tend to have an unhealthy relationship with their space. The implications of this correlation are substantial and introduce important questions about the relationship between space and company culture.

GENERAL FINDINGS

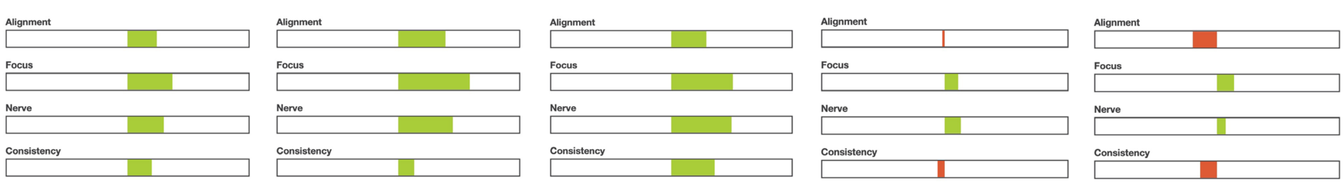
Overview

The left side of the Disruption Cycle, comprised primarily of the Acceleration and Maturation phases, is largely defined by companies experiencing growth and its accompanying opportunities and challenges. Conversely, the right side of the Disruption Cycle (primarily Saturation and Commoditization) is associated with decline: price pressure, aggressive competition, rent seeking, and strained internal dynamics. Overall, the facilities management industry reported an even split between companies in the growth phases and companies in decline or Disruption. Many of the following general findings will distinguish between the categories of growth and decline and the dramatic differences between them.

Fifty percent of respondents self-identified as being either in Acceleration or Maturation, the majority of which (about 41%) were in Maturation. The other 50% of respondents self-identified in Saturation, Commoditization, or Disruption, with the highest percentage in Disruption (about 26%).



With respect to the four internal health indicators, the following profiles demonstrate the obvious strengths of growth-phase companies, particularly with respect to focus and nerve. Alignment and consistency tend to be lower throughout each phase and reached into obvious unhealthy territory in the decline phases.

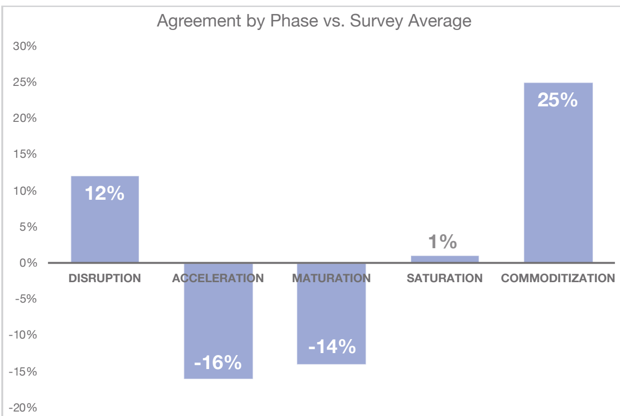


Disruption Profile **Acceleration Profile** **Maturation Profile** **Saturation Profile** **Commoditization Profile**

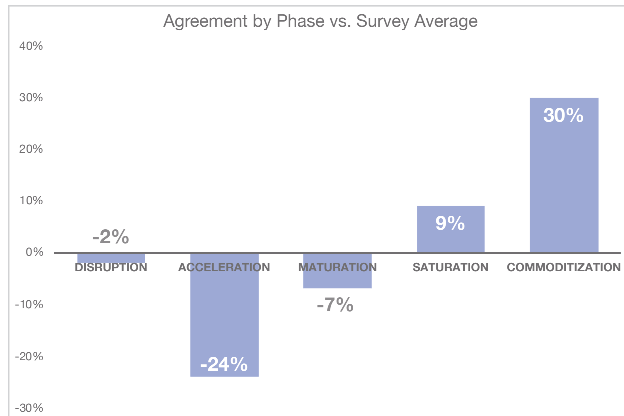
GENERAL FINDINGS

Life Stage Dynamics

MARGINS ARE TIGHTER THAN THEY WERE A YEAR AGO.

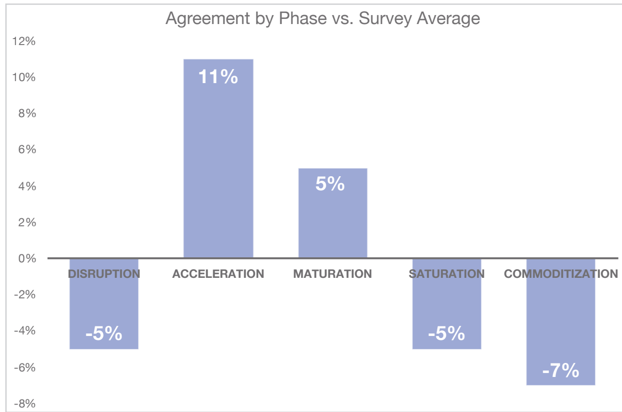


WE NEED A NEW BUSINESS MODEL.

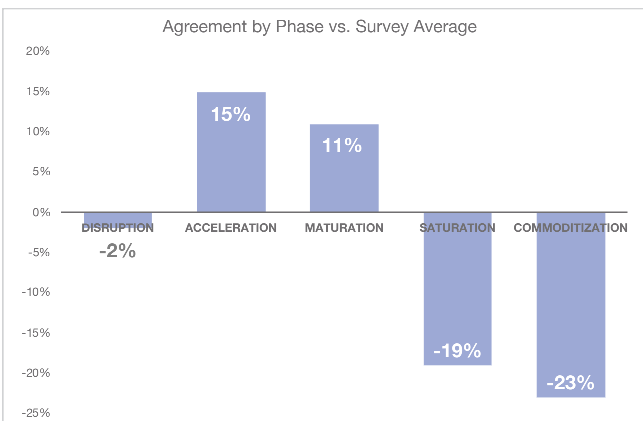


Companies in decline or in Disruption were substantially more likely than the group average to agree that margins are tighter than one year ago compared to companies in a growth phase. Similarly, companies in the decline phases were much more likely to report the need for a new business model.

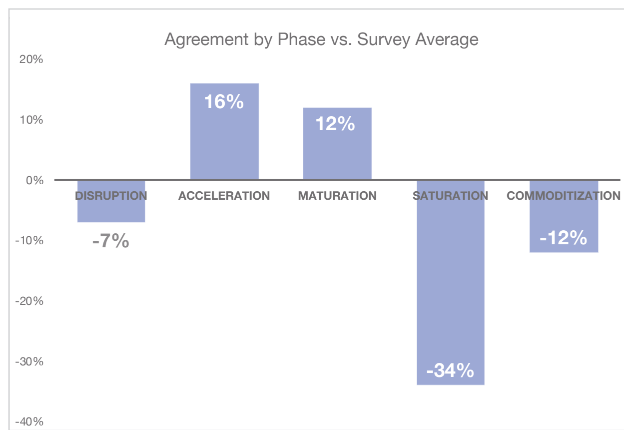
OUR CUSTOMERS KNOW WHAT WE STAND FOR.



IT'S EASY FOR PROSPECTS TO TELL US APART FROM OTHER COMPANIES LIKE US.

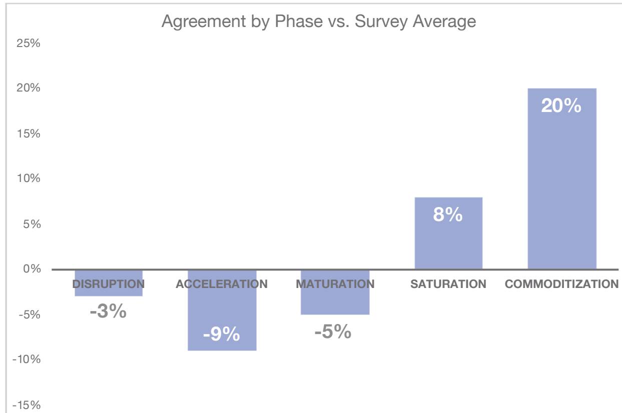


THE LOYALTY OF OUR CUSTOMERS CONTINUES TO GROW.

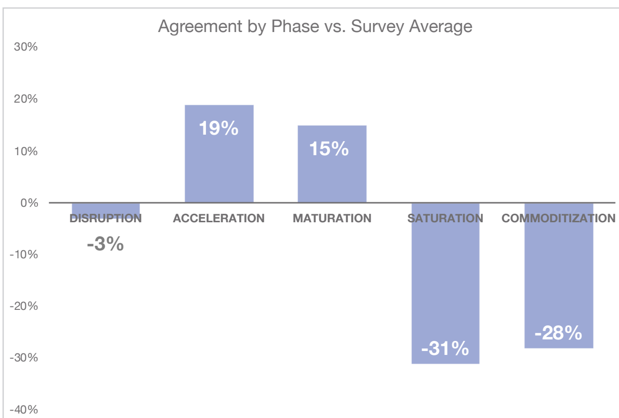


Companies who self-reported being in a growth phase were much more likely to have confidence in their differentiation and customer loyalty than those in decline. For example, an Acceleration phase company was 38% more likely to state that it's easy for prospects to tell them apart from other companies than a company in the Commoditization phase. Similarly, Acceleration phase companies were 50% more likely to report that customer loyalty continues to grow than a Saturation phase company.

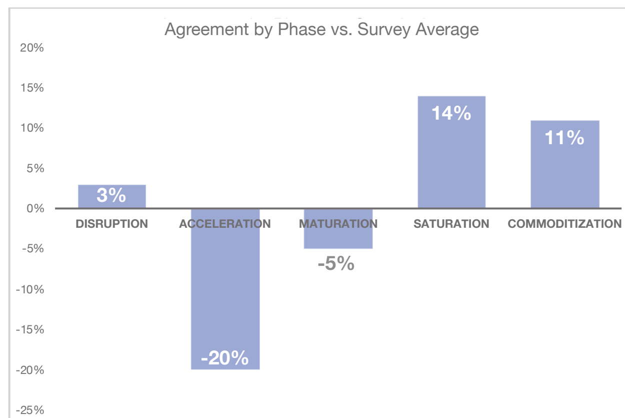
THERE IS A LOT OF GOSSIP AT WORK.



EMPLOYEES ARE IN SYNC WITH LEADERSHIP HERE.

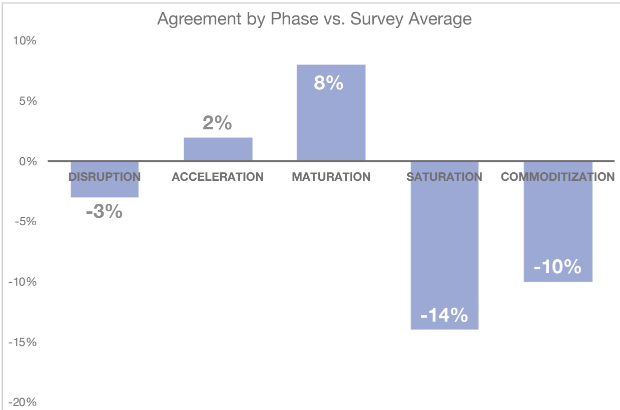


WE TEND TO OVER-THINK THINGS.

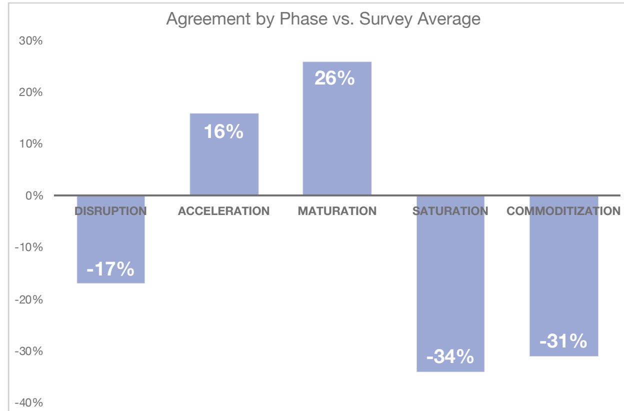


Internal health markers were widely disparate between growth-phase companies and decline-phases companies. For example, growth-phases companies were almost 50% more likely to report that employees were in sync with leadership, and as much as 30% less likely to report gossip than companies in decline phases.

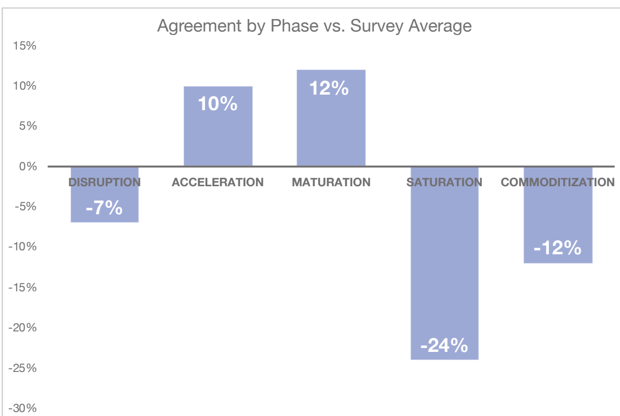
WE HAVE CLEARLY DEFINED MARKETING OBJECTIVES.



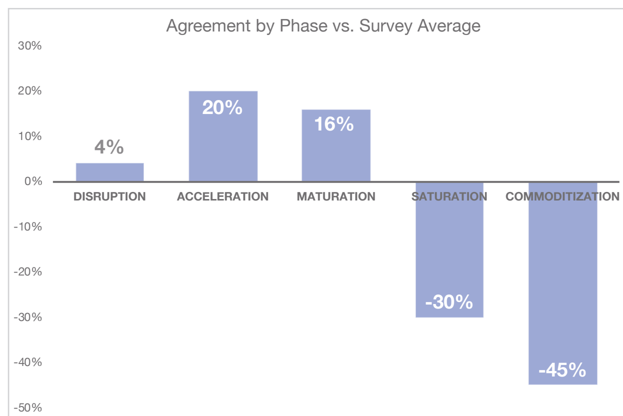
WE'RE ACHIEVING OUR MARKETING OBJECTIVES.



WE OPERATE LIKE A WELL-OILED MACHINE.



WE'RE FULLY ALIGNED ON STRATEGY.



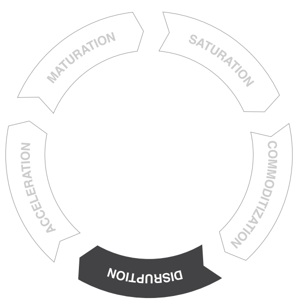
With respect to subjects like marketing and strategy, growth-phases companies were dramatically more likely to report alignment on strategy and successful implementation of marketing plans compared to decline-phases companies.

GENERAL FINDINGS

Space-Related Results

The following diagrams demonstrate what companies are likely to agree with or disagree with when it comes to space-related issues depending on which phase of the Disruption Cycle their company is in. We focus here on the differences between the Maturation and Commoditization phases—both of which had strong concentrations of survey respondents.

Companies in Maturation are much more likely to fund facility maintenance appropriately and have access to funding for capital improvements. On the other hand, companies in the Commoditization phase were much more likely to underfund facility maintenance, capital improvements, and technology.



LIKELY AGREEMENT

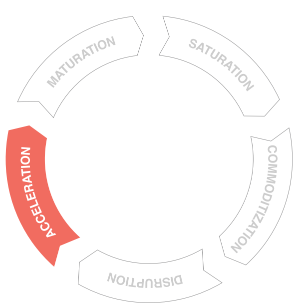
We update our physical space regularly to adapt to changing organizational needs

There's room for significant improvement in the energy usage of our physical space.

We can't keep up with staffing needs.

LIKELY DISAGREEMENT

We don't invest enough in updating technology in our physical space(s).



LIKELY AGREEMENT

Our physical space is client-or customer-friendly.

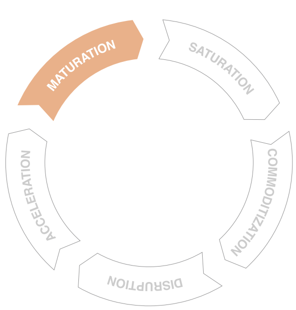
We have recently or will soon move to a new headquarters.

Our number of physical locations is growing.

Employees are in sync with leadership here.

LIKELY DISAGREEMENT

We can't keep up with staffing needs.

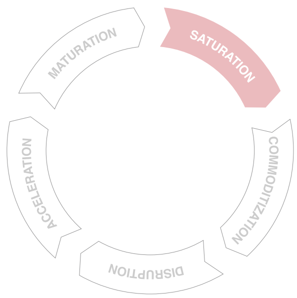


LIKELY AGREEMENT

The organization funds facility maintenance appropriately.

We have access to funding for improvements to our physical space.

We are good at employee retention.



LIKELY AGREEMENT

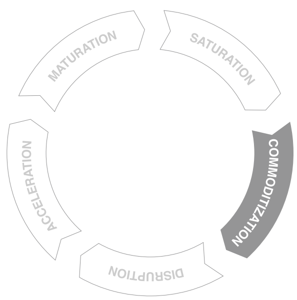
Our physical space is holding us back from accomplishing our business goals.

For future space needs, we would move into an existing building before we would build ground up.

LIKELY DISAGREEMENT

Our number of physical locations is growing.

Employees are in sync with leadership here.



LIKELY AGREEMENT

We don't invest enough in updating technology in our physical space(s).

There is a lot of gossip at work.

LIKELY DISAGREEMENT

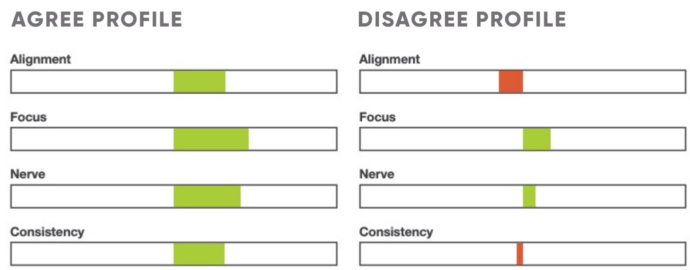
We update our physical space regularly to adapt to changing organizational needs.

The organization funds facility maintenance appropriately.

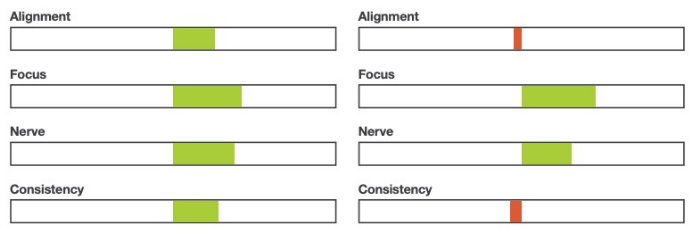
Leadership of the organization understands the importance of spending on physical space.

Shown another way, one can see on the following diagrams what the health profile looks like of a respondent who agrees or disagrees with each space-related question. Respondents who identified problems with their physical space (e.g., underfunded, not customer-friendly, not maintained, etc.) were likely have neutral or outright negative internal dynamics. The results demonstrate a surprising and significant correlation between companies' internal health and their relationship to the built environment.

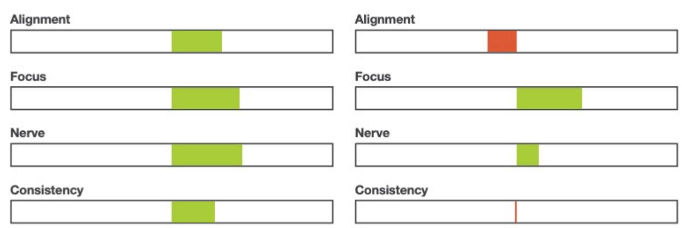
We have access to funding for improvements to our physical space.



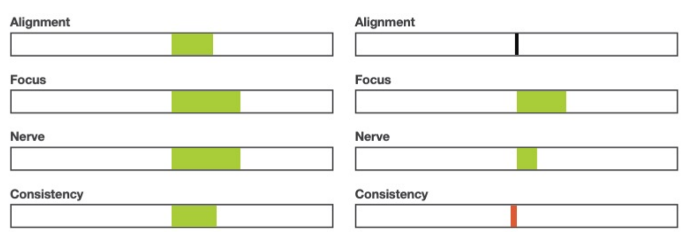
Our physical space is client- or customer-friendly.



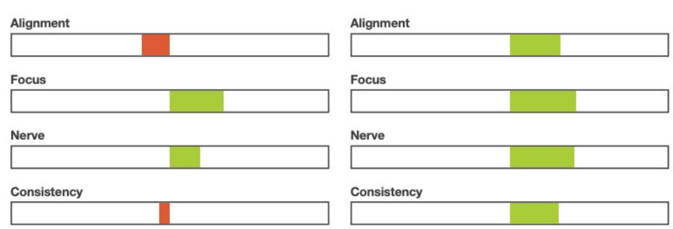
The organization funds facility maintenance appropriately.



We update our physical space regularly to adapt to changing organizational needs.



Our physical space is holding us back from accomplishing our business goals.



Legend Healthy Unhealthy

GENERAL FINDINGS

Fears and Challenges

The following quotes offer a sample of what respondents fear most about the future of their company, according to the self-reported phase of each respondent.

WHAT DO YOU FEAR MOST ABOUT THE FUTURE OF YOUR COMPANY?

DISRUPTION	"Labor," "Talent," "The development of our Business Development," "Changing consumer tastes," "Running out of money"
ACCELERATION	"Losing our identity since we are growing so rapidly," "Not finding good people," "Meeting expectations"
MATURATION	"Supply chain," "Maintaining quality service," "Losing the human touch in business," "Nothing," "No fear"
SATURATION	"Losing more customers," "Not being able to take care of existing customers," "The direction of future office space and corporate needs will still include the services we offer"
COMMODITIZATION	"Being pushed into obsolescence," "Antiquated," "Growth," "Not enough young people entering business

Similarly, the biggest business challenges in the growth phases graduate from what we would refer to as "good" problems—i.e., leads, tariffs, processes, etc.—to "bad" problems in later phases, such as relevance, sales pressure, staffing, company politics, time, and communication issues.

WHAT ONE WORD SUMS UP YOUR BIGGEST BUSINESS CHALLENGE?

DISRUPTION

ACCELERATION

MATURATION

SATURATION

COMMODITIZATION

Get in Touch

Jonathan David Lewis is the author of "Brand vs. Wild," and a turnaround expert at McKee Wallwork, a business and branding advisory firm that helps stalled, stuck, and stale companies through tough transitions. Jonathan's opinions are highly sought after numerous business and marketing publications, including Forbes, Digiday, and Advertising Age, where he explores the factors that lead to stalled growth and the principles proven to help companies navigate the ambiguities and dangers of the business wilderness. Jonathan partners with design and build companies to connect businesses and brands to their buildings across a variety of sectors.

McKee Wallwork

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Matt Procter is the President and CEO of Improve Group. Improve Group works across the United States and Europe designing and building tech-enabled, sustainable buildings that are made to be more impactful to the people that use them. From the U.S. military to hospitals to large companies, Improve Group works with organizations of every form across many facility types. Though Matt has seen Improve Group experience fast growth, become employee-owned, and allow him to be named one of Albuquerque's 40 under Forty, he's most proud of figuring out how to get his awesome wife Ashley to marry him, which led to getting to raise 3 awesome boys. Normally you'll find him drawing a new idea on a white board or running on a trail.

IMPROVE GROUP

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