Aftershocks and opportunities shaping the industry in Australasia

A panel of distinguished consultancy CEOs discuss the changing business landscape in the across Australasia and southeast Asia in the wake of COVID-19, and how they are responding operationally, strategically and financially.

The CEOs of regional powerhouse architecture, engineering and environmental consulting (AEC) firms – Beca, GHD and Surbana Jurong Group – joined BST Global earlier this month in a webinar to share experiences and perspectives as markets reopen, workforces adjust to the ‘new normal’ and plans for the great recovery progress.

The panel-led discussion – which is available to anyone to view here – was presented in association with Consult Australia and Environment Analyst.

Webinar host and director of BST Global, Eileen Canady, opened the virtual meeting with the observation that, “as the world around us is still finding its way, it is important to look to business leaders for visionary thinking, to share obstacles they’ve overcome, strategies they’ve deployed and new ideas they are still exploring to assist the peer group in pressing forward post-pandemic”.

In this spirit, the panelists discussed the current state of business compared to pre-COVID times, the main challenges and silver linings discovered through weathering the storm, how the ‘new norm’ is influencing trends in the future of the work, as well as client and employee relationships, and also the impact of accelerating digital transformation and connectedness.

WITH MUCH THANKS TO THE PANELISTS:

- Greg Lowe, group chief executive, Beca (headquartered in New Zealand with around c3,400 employees globally)
- Heang Fine WONG, group CEO, Surbana Jurong (based in Singapore; c16,500 people worldwide)
- Ashley Wright, CEO, GHD (HQ Australia; c10,000 staff globally)
- Javier Baldor, executive vice president, BST Global (US-based business management software and ERP solutions provider to the AEC sector worldwide)

‘It is important to look to business leaders for visionary thinking...to assist the peer group in pressing forward post-pandemic.”

Eileen Canady, BST Global
CV19 challenges and current state of play

The panel were asked to provide a view on the journey for their companies during 2020 to date and what’s been happening at a macro level. GHD’s Ashley Wright observed: “Our business has become notably more agile, adaptive and completely open to change than it was before. Although GHD began its digital transformation in earnest from about 2016, if I look at the advancements made over the last six months I think this has really shown us what’s possible when everyone comes together for the common purpose with the mindset to succeed.”

“I think COVID has really highlighted the resilience of our people as well as dramatically increased the pace of change,” he added. Work share, both at national and international level, has never been stronger within the company. For Wright, the biggest challenges were related to moving 100% of GHD’s people to a remote working situation within the space of two or three days, despite WFH already being a strong feature of the business with 15-20% of employees already working from home at any one time.

Surbana Jurong’s Heang Fine Wong noted that after the act of relocating staff, the next major hurdle was around managing and responding to the different situations in different jurisdictions across the globe with his company being present in over 40 countries. Three specific broad issues stand out for him based on recent months, as follows:

(i) The business environment has become more challenged – like many in the peer group a strong 2019 helped carry Surbana Jurong through the first quarter of this year, but after that there “has been tremendous impact on the progress of many of our projects” though delays or scaling down of operations;

(ii) Prioritisation and protection of jobs – through measures taken such as salary cuts for senior management, wage freezes for all staff and shorter working weeks for some units whose projects have no turnaround in sight, this has meant the group hasn’t had to make any major retrenchment; and

(iii) The importance of strengthening client/industry relationships and collaborative efforts.

Meanwhile, Beca’s Greg Lowe said has been surprised and delighted at how well his staff were able to change direction so quickly, commenting: “We saw the pandemic first of all hit our business in Singapore and then Australia, then New Zealand, and even with that progressive activity it was still a huge shock to people to go into rapid lockdown and for all of us to test our systems.

“We’ve invested a lot in the last few years in trying to maintain our regional client focus and connection, while building a more globally connected international business that can work together more seamlessly. [..] I think we were all surprised at the way the world continued to carry on under the umbrella of restrictions and how people began to accept the situation as an ongoing one.”

On that front, Lowe noted that “we’ve gone from seeing the virus as affecting our operations over a six-month time period to an 18 month one; although the economic impact might well exist beyond that.” He acknowledged the company has been challenged with the deferral – or cancellation in some cases – of work in the private sector, and changing priorities in public sector expenditure. “When you operate in multiple jurisdictions, dealing with multiple different governments and their approaches to support industry, and to stimulus that might occur over the next six months, we are fast learning that nothing is turning out how we expected!”

Notwithstanding the rapidly shifting operating environment, the expectation and outlook for the Beca business financially for this year has improved in the last six months, Lowe revealed. “At first we thought we’d see a 15% revenue drop across the business for the year as a whole, but now we think it will be 5% down based on how we are performing currently.” (Interestingly, Environment Analysts’ membership survey pointed to a 3.3% year-on-year revenue drop specifically for environmental consulting practices in the Asia-Pacific region in 2020 (EA 29-Jul-20)).

Lowe continued: “The great questions are what will the market look like over the next
6-18 months; will we continue to win work at the same rate, will work come to market, what do we have to change to address opportunities as new areas of increasing activity emerge? As a business we need to be able to pivot quickly, relocate workforce to those new areas and be more agile and fast-paced about changes and decision-making processes.”

BST Global’s Javier Baldor revealed his company had been able to draw on its previously formulated global hazard response and risk mitigation plans, which was drawn up in the wake of Hurricane Wilma back in 2005. And this really helped in the initial stages of crisis management. Wright stated that GHD had a pandemic response plan that triggered “about eight out of ten of the major enterprise risks we’d identified that we’d never thought about dealing with simultaneously,” which “quickly brings you into a new frame of thinking”.

**Lessons learned and strategizing for the ‘new normal’**

Of course, some of the biggest changes brought about by the global pandemic for the AEC industry have been around the rapid switch to home working, and/or to ‘safe’ on-site working, and the need to manage client relationships through digital media in place of face-to-face meetings.

Wright stated that a major learning on this front for **GHD** has been that “the level of trust has accelerated future of work initiatives and made us look at everything quite differently to the past.”

“The future is very exciting,” he continued. “We’ve now opened a Pandora’s box which has shown that a whole load of beliefs we had on how work had to be doesn’t have to be that way. As long as we work together and trust in each other, and focus on team outcomes anything’s possible.” The key to taking this forward is going to lie in flexibility, balance (acknowledging for example some tasks are better done when a team is physically present), and how much choice is offered to people in terms of working environments to bring the best out in them, Wright suggested.

Lowe’s perspective is similar in that balance and flexibility must be paramount given that “humans are ultimately social beings”, and he also notes a demographic issue with young graduates who won’t necessarily want to join a completely virtual organisation. In addition, there are geographic limitations, with some parts of the world less well connected to facilitate working from home in the long term. Lowe expects only a small proportion of the workforce at **Beca** will continue to do so on a permanent basis. “The main challenge I see is that we’ll have an increased amount of flexibility, but not so much that we can reduce our committed office space [as some other firms in the peer group have stated their intentions to do].

“It’s not like we’re going to halve our office requirement overnight but maybe it might give us impetus to think differently about what we use the space for going forward, towards more collaborative areas and less about permanent individual space.” Lowe also made the point that it can often be more difficult to work effectively with people you don’t know very well in a virtual collaborative environment than in person.

“Another interesting outcome might be that we’ll end up with a heightened sense of accountability,” he noted. “So we might say to our people if you want this privilege going forward then you really have to understand what you’re delivering.”

Building on this point, WONG suggested: “Another significant change is the way that we monitor work deliverables, and that’s where I think our industry needs to improve substantially to facilitate greater flexibility in working.

“Don’t forget that sometimes out of sight means out of mind so there can be an impact on productivity, depending on which discipline and the kind of work you are delivering. For client-facing projects where we need deep collaboration I don’t think we can do without face-to-face meetings. And for some essential services, in facilities management for example, they simply can’t be done from home.”

But WONG also acknowledged that “through all this there is a need to redefine what we mean by coming into the office; and it’s certainly not 8-5 anymore.”

**Client relationship pros and cons**

There is a broad consensus that for many firms in the built environment being physically apart has in fact brought them closer to their existing clients than ever before. But on the negative side, the panel agreed it can be harder to forge new client relationships in the virtual environment.

Lowe said that **Beca** has found that some of its European clients in particular have become more open to the use of virtual platforms and digital connections to commit to programmes of work, and that they “previously wouldn’t have countenanced an in-depth conversation unless we could meet them in person”. And this has saved on a lot of time and cost, and not to mention carbon emissions, spent on flights from Singapore to Europe.

He explained the company has for a couple of years been actively refining its client engagement programme to achieve a deeper level of customer understanding; and through the crisis period this has been absolutely fundamental: “By keeping close to our clients and talking about the types of challenges they have been facing, we’re actually finding more opportunities to help them in ways we hadn’t thought of previously.”

Another positive, as noted by GHD’s Wright, is “an authenticity about some of the decision-making we’ve had working virtually with the CEOs of our client bodies, which wasn’t happening previously face-to-face”.

“I think that somehow the process of donning a suit and tie and meeting in the boardroom has created a formality to these relationships that has been broken down through this pandemic.”
Technology as a driver for a more collaborative future

What has become very evident is that the level of adaptability this industry has shown during the pandemic and lockdown restrictions wouldn't have been possible even ten years ago because of the advancement of technology and digital connections. The panel was asked to consider how far technology can push the sector forward in a world where pandemics may occur on a more frequent basis, and to consider what role it may have in the ‘future of consultancy’.

Wright of GHD said: “Quite frankly the pandemic is highlighting a lot of the need for change in the way we do things, but there is a need to ensure we are embracing technology not for technology’s sake but for the sake of need to ensure we are embracing technology change in the way we do things, but there is a pandemic is highlighting a lot of the need for in the ‘future of consultancy’. ”

Lowe agreed that “the more we can automate and speed up the processes around design and development of deliverables, and remove repetitive activity from our people, the more we can increase productivity – which ultimately allows us to deliver more for our clients”.

“I think AI has the huge potential to sift through huge amounts of text response, for example, and areas where we’re getting a lot of written communication can more easily be analysed and give us greater insight, more quickly,” he added. Beca does a lot of work with IBM’s Watson AI platform in this respect, which “we find speeds up our analysis of information and gives us a greater ability to respond with enhanced understanding and targeted thought around how to find solutions.”

Baldor of BST Global suggested digitalisation will be transformational for the AEC industry on multiple fronts. “There will be new business models emerging, and I see it as a great equalizer, particularly for SME consulting firms that historically have not had the resource or investment capacity of the larger, more global firms.

“Having had thirty years working alongside this industry I believe that the design and engineering consultant of the future will be a technology consultant first and foremost, that happens to bring unprecedented domain knowledge in the built environment. So I think we’ll see acquisitions and/or alliances with major tech companies – e.g. Google, Apple, IBM, Tesla – with very deep balance sheets towards the trillions.

“They’ll come into our field and couple up with many of the AEC industry leaders, including those represented on this panel, to deliver integrated global solutions to solve the world’s biggest challenges in the areas of climate change and smart cities of the future.”

Wong concurs with Baldor and adds additional perspective. Citing Uber as a model, he shared: “Even before COVID we had been thinking hard about globalisation and how it impacts our business model. We think the future for the built environment will be a kind of ‘uberisation’, where we’ll be able to tap a global talent base of designers, consultants and engineers working independently - experts who will pick and choose which firms and projects they want to work on, working from wherever they want, and paid through secure financial platforms like Blockchain. I think that’s going to be the new normal.

“The result is that our clients will get better, more sustainable solutions. With all the tech now available we’re on the way to building a very strong ERP system we can use to link up all the back-end processes which will facilitate our front-end activity. So that’s what I think globalisation will mean for this industry.”

Silver linings and leadership learnings

Finally, Canady asked the panelists to sum up the silver linings and key learnings as business leaders to have come from the new normal in just a few words or simple phrase.

For Ashley Wright of GHD it was: “We’ve broken through the trust barrier, so everything is possible; if we trust and adapt, we’ll thrive.”

Beca’s Greg Lowe also emphasised the importance of increased trust “both in our people and from our clients”, stating: “We’re coming through a time of great uncertainty with a lot of confidence in how we can operate and with a reinforced understanding of the role that we play, we’ll have to be alert and agile but there’s every reason to be very positive.”

Meantime, HF Wong concluded: “This crisis has underscored the need for business leaders to energise our teams to deliver successful outcomes for clients even in extreme circumstances. It’s really brought forth Surbana Jurong’s mission of ‘building cities, shaping lives’ and showed people at all levels in this organisation the importance of their role in society. I am very excited for the future.”

Finally, based on BST Global’s view, Baldor said his watch words were “relentless optimism and resolve”, commenting: “My major learnings have included to slow things down, particularly during very uncertain and stressful times, as well as the importance of honest and transparent communications, and of unity within our organisation.”

Watch the ‘Aftershocks & Opportunities shaping the AEC industry in Australasia’ webinar recording here.