People Business

INSIDE THE MOST SUCCESSFUL CONTRACTOR OF THE 20TH CENTURY

How it attracted, recruited, hired, retained and inspired the best people in the industry

Bob Street and

Mike Vallez

People
Business

Other books by Mike Vallez

Work Smart, Work Safe

Achieve Operational Excellence – Improve productivity by 25% while resucing accidents by 70%

Twelve Steps to Sustainable Living

Reduce Your Energy Costs by 70%

On Time and Under Budget

The Ultimate Power of Team Leadership

Dedication

This book is dedicated to the late Bob Street, President, CEO, and Chairman of McDevitt and Street Company. During his life, his leadership inspired legions of others who became construction leaders throughout the country. He served in his role until shortly before his death from Lou Gehrig's disease.

His obituary, which appeared in the Charlotte Observer on April 5, 1990, appears here below.

Thursday, April 5, 1990

E.R. ``Bob' Street, chairman of McDevitt & Street Co., died Thursday at his home of Lou Gehrig's disease. He was 51.

Street's death from amyotrophic lateral sclerosis came a little more than a week after employees of the Charlotte-based general contracting firm learned that his condition had worsened and that he was likely suffering from Lou Gehrig's disease. The Company Street headed was founded in 1917 and is the nation's fourth largest general building contractor, with projects valued at $1.1 billion now under contract.

Street helped develop a ``people-sensitive, caring culture that focuses on meeting the needs of our clients,' said Luther Cochrane, McDevitt & Street president. ``He was loved and respected by all 1,200 of our employees.'

Street began his career with the company at age 14 when he performed various summer jobs.

A graduate of Davidson College and the Georgia Institute of Technology, he joined McDevitt & Street as a field engineer in 1962. Street succeeded his father, the late C.P. Street, as president and chief executive officer in 1972 and became chairman and sole owner when his father died in 1984.

Under Street's leadership, the company grew from a predominantly local contracting firm with $45 million in revenues to a national company with revenues of $880 million in 1989, the company's 15th straight profitable year.

Since 1960, McDevitt & Street has built about 1,600 projects nationwide at a total cost of more than $7.5 billion. The company is currently building the 60-story NCNB Corporate Center in downtown Charlotte.

The company has offices in eight cities and is licensed in 36 states. Some of its more prominent projects have included the Atlanta-Fulton County Stadium, the Tampa airport and the new Universal Studios Theme Park in Orlando, Fla.

Funeral services will be held at 10 a.m. Saturday at First Presbyterian Church, followed by burial at Elmwood Cemetery.

Preface

Many consider McDevitt and Street Company to have been the most successful general contractor of the 20th Century, especially in the 1980's. Though mergers and acquisitions over the years have turned McDevitt & Street into Bovis Lend Lease, and now the $13 Billion Lend Lease, the Company outgrew and outpaced every other national and regional contractor on the scene in the 1980's. McDevitt and Street began 1980's as a small regional contactor, housed in a Quonset hut, with annual revenues of $50 million. In the following ten years it grew 20X to a $1 billion Company, with a reach across the United States, and a compound annual growth rate of 35%. It was done very profitably, every step of the way.

I had the privilege of working under Bob Street for four of those years, and it spoiled me for the rest of my career. Since then, I have not observed the kind of successful and dynamic culture that existed within the McDevitt and Street Company.

Five years ago, I started a new hobby – writing books on leadership and management. Prior to this book, my most recent work is titled: On Time and Under Budget – The Ultimate Power of Team Leadership. In writing it, I found myself referring back to many leadership lessons that I learned while working at McDevitt and Street. On a whim, I started to look on LinkedIn for other construction leaders who worked there. I found several, including Larry Beasley in Atlanta. I reached out to Larry to say hello and ask if he would be interested in collaborating with me on a book about the leadership lessons from Bob Street. Coincidentally, Larry had been looking through some of his old files, and came across a 1983 memo by Bob Street that was simple titled: People Business. Larry sent it to me.

Having found this jewel of a memo, from one of the great construction leaders of the 20th Century, I thought about what to do with it over many months. At first, I thought about taking Bobs memo and paraphrasing it, updating it with new perspectives and management concepts. But after reading it, and noticing that he had not placed a copyright on it, I decided to print his memo in its entirety, just as Larry had sent it to me. I think

that the original memo, written the way it was originally written by Bob, is a lesson in itself. From the tone and content of the memo, you can see that Bob was deeply involved in something that he knew would have an impact on the success of the Company. Bob understood the business from the inside, having grown up in his fathers Company as a kid, delivering water to workers on sites. I can imagine that this formative experience led Bob deeply into the paradigm of servant-leadership that embodied his style. From the tone of his writing, you can see clearly that Bob is not merely dictating what to do to his executives, but teaching like a coach, sharing what he had learned with his team.

Bob was the kind of leader that made himself very accessible to his people. He was not like some of the charismatic leaders that I had been around or had envisioned. He was intense and focused, and his extroversion seemed forced, not natural. He was not involved in business development himself, but adroitly left that to his division managers and their business developers. Although one of the stated weaknesses within the Company was the fact that the Chairman, CEO and President was one person, a strength was that he empowered his divisions with broad decision license.

On my first assignment, I was thrown into greater responsibility than I had ever had. I immediately reached one of my ten year career goals – to be a project manager on a major project. When I joined the Company in late 1984, it was on its growth trajectory, heading to a $1 Billion Company. The thing operated like a Swiss watch. Not long before joining, I had read the international bestselling book, In Search of Excellence, by Tom Peters and Robert Waterman Jr. In it, the authors had examined the operating cultures of some of the top companies in the world. And within McDevitt and Street, I recognized many of the same traits that were described by Peters and Waterman. I had never seen them before, and I have not seen them since.

This is why I am publishing this work. Bob Street often proselytized about the call of leadership, and the responsibility to maintain an environment that would contribute to the growth and fulfillment of the people working in it. My live long quest to find the keys to creating that magic has turned to a call to spread that same gospel, and teach others how to do the same. When we create that kind of team environment or company culture, we are surely making a better world for clients, shareholders and employees.

TABLE OF
Contents

PART 1

Inside McDevitt & Street

By Mike Vallez

*My Experience of Being Hired and Recruited
By McDevitt and Street*

In the early 1980's, I was working as a sales manager for Dravo Engineers and Constructors. At the time, Dravo's client base of industrial companies had grossly cut their capital project spending, instead choosing to invest their cash in money market funds, paying well over 15% in many cases. After three years of bleeding red ink, Dravo was divesting its businesses, and my division was on the block. At the same time, commercial construction and development was booming. A large impetus to this growth was the Depository Institutions Deregulation and Monetary Control Act which was signed into law by President Jimmy Carter on March 31, 1980. By 1982, this unleashed a boom in commercial construction and development in Atlanta and other major markets in the Sun Belt. To make the personal transition into commercial construction, I identified the top five contractors in Atlanta, and networked my way to get interviews with these companies.

McDevitt and Street was one of those five contractors, and I managed to get an interview with one of their Executive Vice Presidents, who flew from Charlotte to Atlanta on their corporate plane and met me at the Dekalb Peachtree airport for an interview. McDevitt and Street did not

have a current position open for me at that time, but they were expecting growth, and wanted to begin an intake process with me to see where I might fit. Four months later, I received a call from a Human Resource representative in the company, and the rest is history.

I went through the testing as described by Bob Street in this book. It confirmed that I was best suited to be a successful project manager. Shortly after joining the company, I attended a new employee orientation that was conducted by Bob Street himself every quarter. Every employee, from administrative assistants to executives, were required to attend this meeting, in which Bob reviewed the handbook of Company values – a confidential glossy piece that was for employees only.

I have observed that many organizations become "ingrown", with old ideas, "the way we do things", and very little adoption of cutting edge practices. It was clear from the beginning that McDevitt and Street was not one of those organizations. One way that they kept fresh was with the new employee questionnaire. On my first day, I was given a five page questionnaire that contained specific questions about how things were done at my previous employer(s) in a number of operational areas. It also asked me to identify the names and contact information of people who I might recommend for being recruited into the company.

My first project was a high rise office building that was for Duke Power Company in downtown Charlotte. At about the 70% complete mark of that project, I was tapped from over 50 project managers in the Company to be the group manager in charge of the $350 million James Center Project, a mixed use development in downtown Richmond, Virginia. It was an honor, a challenge, and an opportunity to stretch my talents to a new level.

Throughout my entire career, I have never encountered another company that took the time and effort to recruit and interview potential employees before there was an immediate need. After joining the company in a group manager position, my performance as a group manager was greatly enhanced by this practice – when I needed to hire someone, I had already been interviewing candidates, and the HR department was managing the relationships with prospective employees for me. In contrast, at other companies, I have often found myself placed in executive and project

leadership roles where my results suffered because I did not have the right people on the bus at the right time and the right place. Few companies allow their managers to spend time recruiting unless there is an immediate need. And at that time, it is too late.

....
Marketing
....

McDevitt and Street had a small corporate marketing department that did the following things: (Remember, this was prior to the widespread use of desktop publishing)

Developed marketing collateral material for use in qualification statements and proposals.

Managed the client database of current and prospective clients in the "Top Ten" lists for all 21 divisions, as described below.

"Every Employee has Marketing Responsibility" This was one of McDevitt and Streets values, that was well described in it Values Statements. This value, and the promotion culture that was created around it, was one of the keys to its rapid growth and success. In most construction and professional service companies, when an employee hears about a client or project opportunity, the information is passed up the line to higher authority. But at McDevitt and Street, each employee was empowered to pursue clients, as long as ones basic job was being handled. And, once a project was secured with a client, the manager had the opportunity to create a live long client, under the "Like Concept", as also described in the company values statement. The "Like Concept" simply stated the truth that "people do business with people they like." This marketing and client philosophy was one of the cornerstones of success in attracting top talent in the industry. The Company became a "magnet" for top talent.

Incentive Compensation

Bob Streets philosophy was that approximately 1/3 of pre-tax profits went to pay employee bonuses at the end of the year. The rest went to pay tax, and the remaining amount after that went into retained earnings to help fuel company growth. In the last year with the company, Bob increased the bonus to 50% of earnings. It was the beginning of the S&L Crisis years that followed the boom of the 1980's.

All of the experts on employee compensation that I am familiar with say that incentive compensation is most effective when the employee can calculate what their bonus will be, prior to opening the envelope. This was embedded into the way McDevitt and Street ran its business. The bonus plan had three parts:

Part 1. All employees: Every employee, from the mail clerk to the Executive Vice Presidents, received a bonus based on the profit margins of the Company. There was a straight scale that related the overall company profit margin, in percent, to a dollar value percent of your salary. On a monthly basis, the sales, revenues, profit, and cash positions of the company were graphically posted on bulletin boards, usually above the copy machines at each operation. So every single employee felt like a partner in the business. Face it, profit margins in the general contracting business are paper thin. To get the most out of people, Bob Street made everyone feel like a partner in more ways than one. This financial incentive, to maintain a healthy margin, was just one of the ways.

Part 2: From Project Managers, Superintendents and above, there was a second part to the incentives, and it related to the profitability of your Division, and the specific pr3oject(s) you were on during the year. Again, the bonus was structured in such a way, and there was sufficient internal transparency, that anyone could calculate their bonus before opening the envelope.

Part 3: This was the only purely objective bonus possibility, awarded by the Division Manager to his project managers and superintendents, awarded when the individual truly went beyond the call of duty to produce extraordinary results in the face of circumstances that were outside of his control. This was only a small part of the pie, and the quantitative bonus parts were the major components.

Strategic Planning

Company Mission

The core mission of the company was simply stated in these three elements:

1. To have the best people

2. To provide an environment for growth and self-fulfillment

3. Our number one purpose is to please our clients

All companies say that they want to have the best people, but very few actually put into place the disciplines to actually achieve that. McDevitt and Street was the exception.

Company Goal

To be the leader in our industry.

Values

The statement of values stood behind the mission statement. These values were clearly described in a booklet for employees only, and the following were among those values:

- The Unit President Concept. Every employee is the president of his or her own job.

- The Like Concept. People do business with people they like. Win over a client, and that will define your career path.

- Every Employee Has Marketing Responsibility.

- Integrity. Never do anything that you would not want to see on the front page of the newspaper.

- The Team Approach. We team with owners and architects on projects.

- The People Business. We recognize that we are in the "people business", that is engaged in the construction industry. We are in the people business first, and construction business second.

- Servant Leadership. Bob Street often said that managers should "dance on the stage" of the people they lead.

- Open Communications. No secrets either up or down or across the organization.

In all, there were about twelve of these values, each with a full page description. Each employee received a copy of this booklet, and each new employee had the opportunity to meet Bob Street as part of their orientation. Bob took time quarterly to meet all of the new hires during that quarter to personally explain the importance of the values.

The annual strategic planning process engaged every salaried employee in the Company. It was tightly integrated with the monetary incentive program. In October of every year, the strategic planning ring binders were distributed to each division, and each employee in every division

was engaged in a survey/ questionnaire that included queries about the Division's strengths, weaknesses, opportunities, and threats to develop a SWOT Analysis for the division. Each employee identified personal growth goals and plans for the coming year. Competitors were identified. Thoughts about sales and revenue goals for the coming year were enlisted. These questionnaires were gathered together and sent into the corporate office, where the input was aggregated into a combined document. By the end of December, each division held a weekend retreat with all of its key employees, and this retreat was also attended by the Regional Manager, Corporate Strategic Planning Coordinator, and Bob Street, the CEO/ Owner, attended as many of these retreats as possible.

These division retreats included a great deal of candid discussion about the collective input that was received from everyone in the pre-work surveys and questionnaires. There was a tremendous amount of white boarding, discussion, brainstorming, all leading to a set of strategies and tactics for the coming year.

After the weekend retreat, the division then formalized its final plan, which included goals for sales, revenues, profit, employee growth, client development and other things. This plan was then presented to the Executive Committee of the Company in Charlotte.

Employee Involvement

McDevitt and Street was recognized as Company of the Year by Business North Carolina magazine while I worked for the firm. The cover showed a photo of Bob Street, with the headline: "Division Entrepreneurs Push Company Growth" and a quote from Bob Street: "Our Company is not run by a board of directors, our people run our Company."

Every year, there were special weekend retreats for the different functional positions in the company. For example, there was an estimator/ pre-construction manager weekend; a business developer weekend; a superintendents weekend (per region); and a strategic planning weekend.

Invariably, depending on your position in the Company, you attended one or two or three of these weekends each year. These were training and development experiences, as well as opportunity for team building and bonding. Since McDevitt and Street hired the best people in the business, there was no need to go outside of the Company to find people to provide training in estimating, sales, business development, planning, or any of the other functions performed in the Company. These weekends were opportunities for managers to showcase case examples or successful practices and wins. For me, these were exciting times, learning from the best of the best in the industry.

Business Development

After finishing my work on the James Center Project, I was asked to serve in a business development role to expand the Virginia Division. I gained insight into how McDevitt and Street managed business development.

Each of the 21 divisions had a division manager, business development manager and estimating manager. The company had a very effective "self-regulating" system for coordinating the efforts of 21 different business development managers and divisions so that no two divisions were calling on the same clients. It was the "Top Ten" system. Every month, each business development manager was required to prepare, update and submit his action plan for securing business from his set of "Top Ten" clients. These Top Ten were included in a database that was distr3ibutged to each division, so that if a new project or client was identified, the first step was t3o see if that client or project was already on someone's top ten list. If it was, the client was automatically "off limits" to other divisions. Each division also had a list of other clients, not top ten potential, who may be planning a project sometime in the future. But the idea of the Top Ten, was that only clients who met the "Ideal Client" profile would be on the top ten.

Organizational Structure

Rapid Growth required a dynamic structure. Some of this was flexible by necessity, but my comments here are generally applicable.

Each Division had from three to six project managers. When the division grew beyond about six project managers, an intermediate tier was added, with a group manager.

The distinction between a group and division was that a division had a division Vice President, an estimating manager, and business development manager. A group was part of a division and did not usually have its own estimating and business development function.

A region had from four to eight divisions. Regional Managers were Executive Vice Presidents.

Bob Street, CEO (1)

      Region Managers (3)

            Division Managers (21)

                  Business Developers (21)

                  Group Managers (+/- 10)

                        Project Managers (50)

                              Superintendents (100)

Each project manager was expected to run his project(s) like running a business. He might often be involved in pre-construction planning activities. He wrote his own subcontracts, (with support and mentoring from his division or group manager), and had a high limit to his purchasing and subcontracting authority. As I entered the company, I was issued two ring bound manuals: A project manager's operations manual, and a financial manual (with financial reporting and other requirements). If his client was planning future projects, the ambitious project manager could become the point of contact with that client for the current work, and future projects. This is how a manager built a career path within the Company.

In theory, project managers were in parallel with superintendents. Each reported to the division manager. This "two headed approach" was flexible enough to account for large differences in capabilities and experience of the project managers and superintendents.

Internal Communications

Internal communications were completely open and transparent. Here are some examples of how the company operated:

Every Monday morning at 8:00 AM sharp, Bob Street hosted a weekly meeting with all employees located at the corporate office. This included corporate support function personnel, accounting, and others, and all operating divisions that were housed in the Charlotte headquarters building. Bob provide a "state of the company" report to employees. This was unusually open for a privately held company. For example, Bob reported to the company employees what the cash position of the company was each week. Why, one might ask, would an owner/CEO divulge cash in the bank to employees? The answer is quite simple, and it reveals one of the secrets of the phenomenal success of McDevitt and Street. Bob Street would always say that the cash position of a construction company was a good indicator of the company's health. During the time I was working out of the home office, the firm ran a cash balance of about $90 - $100 million dollars. To put this in perspective, the company's retained earnings was about $20 million, annual revenues at that time was about $600 million. How did the company achieve such a high cash balance? Hint: It did not stretch out its suppliers or subcontractors.

I agree that the cash balance is a good indicator of a contractor's financial health. McDevitt and Street achieved this high balance, relative to its financial ratios, in several ways:

1. Contract payment terms were aggressively negotiated with the clients. Typically, applications for payment were submitted to the client by the 25th of each month, for payment by the 10th of the following month. Look, if clients wanted to use McDevitt and Street strongly enough, they were strongly pushed to agree with these terms. The clients and their banks simply had to agree to this.

2. Project managers were clearly responsible and accountable for the pay application process, including the preparation of the schedule of values. Accountability was clearly with the project manager. The Company's one page project report, prepared and submitted by the project manager, included two questions on it about payment: 1. Was the pay application submitted to the client on time per the contract? 2. Did the client pay on time per the contract?

3. Part of the calculated profit for each project was a "plow back" or allocation of the interest earnings on the amount of the billing in excess of cost. This profit was used to determine the project manager's incentive compensation at the end of the year. So, the cash management of each project manager was measured, and tied to rewards.

4. Project managers strongly rely on their administrative assistants, project engineers and others to perform many of the project clerical and administrative duties, including billing. By reporting the cash position to the entire company, everyone on the team felt like a partner.

In the mid 1980's, money funds and banks were paying out interest rates in the high single digits – 9-10%. So the opportunity to earn substantial income from the Company's cash balance was significant.

In addition to cash position, the financial results in sales, revenues, profit and margins of each division were updated monthly, published and posted on bulletin boards at the copy machines throughout the Company. Graphs of plan vs actual helped everyone see clearly at any time, how the Company and their division was doing. I contrast this to the many

companies who keep their employees completely in the dark, or, only annually, or quarterly flash the financials up on a screen like a "peep show". I can understand the legitimate concerns that a company's stockholders may have about posting the financial results of a private company on the bulletin boards. But I will tell you that the corporate performance of McDevitt and Street speaks for itself. There are hundreds of management articles about the value of sharing financial information with employees. And, when financial information shared in the context of an integrated and inclusive strategic planning process like the one at McDevitt and Street, the results can be astronomical.

At each Monday morning meeting, the division managers also reported some key statistics from their division such as safety incidents and accidents, new contracts, new hires and personnel changes, and travel schedule (to coordinate with the corporate plane.) More often than not, Bob publicly recognized someone in the Company for something that they accomplished in the last week.

On a monthly basis, Bob Street held an executive committee meeting, made up of senior executives in the Company. The minutes of this meeting were published and distributed throughout the company for any employee to read. Of course, there were times when the meeting retreated into "executive session" to discuss sensitive issues, but for the most part, the philosophy was that the employees had been engaged to plan the sales, revenues, strategies and tactics for the Company, and they should get feedback on the executive discussions about these matters. No secrets. This kind of open, top down communication, created a tremendous sense of ownership, accountability, and motivation for everyone in the Company.

Typically, each division had a weekly division meeting to discuss current issues, challenges, opportunities, strategies and tactics.

Loose – Tight

Peters and Waterman identified eight themes in In Search of Excellence, one of which is the presence of simultaneous "Loose -Tight Properties" - autonomy in shop-floor activities plus centralized values.

Management consultant, Allan Roberts, describes Loose-Tight this way:

"This is a term I commonly use to describe a management style that I believe delivers the best results to any enterprise.

In one sense, central management is loose, against a clearly articulated and understood strategic purpose, it allows line management to make decisions, determine activity priorities, encourages mistakes by enabling calculated risk taking, experimentation, and just getting things done that delivers value to customers.

On the other hand, management is very tight, there is a rigorous planning and risk management regime that does not weed out risk, but exposes it to scrutiny, there is a culture of quantification, but equally, recognizing not everything, particularly new stuff can be easily quantified, and there is a deep commitment to continuous improvement, and all its associated disciplines.

In these circumstances, creativity will flourish without losing sight of the main game, but it calls for the enterprise leadership to give up a key attraction for many leaders, using the office to get people to do what you say on a daily basis."

At McDevitt and Street, Loose-Tight showed up in a number of ways.

First, the loose:

- The Unit President Concept said that every employee was the president of his or her job.

- Every employee was both expected and empowered to do personal marketing (selling).

- Financial decision / purchasing and contracting authority was pushed out as far as possible into the organization, with well-defined dollar limits of authority.

- The focus was on results, not how to do the job. Although there were plenty of internal resources to support you with the "how".

- Every Division Manager, Business Developer, and most Project Managers had a budget for "PR & Entertainment". Contrast that with most companies, who require pre-approval of client entertainment expenses (meals, golf, fishing, etc..), or, alternately, what I call the "choke chain" system – you can spend entertainment money until someone up the chain of command or at corporate tells you to back off on it.

The tight:

- All employees were expected to adhere to the written company values.

- Project managers were expected to deliver their monthly project cost projections and budget revisions by the designated Monday every month by 8:00 AM. NO one ever missed this deadline. It was unheard of.

- Monthly project manager status reports were confined to one page per project. Every manager up the line, including Bob Street, read these reports.

- Business developers had to submit their Top Ten client business development action plans on a monthly basis, by the designated date and time.

- Project managers had to submit their monthly applications for payment to the client by the 25th of the month, or else.

- Every month, finance issued a report with a list of "uppers" and "downers" - projects with an increase or decrease in forecast profit. You did not want to be on the "downer" list – it was public. Much better if your project was on the "upper" list.

- Monthly financial results of each division were made public, in a comparative spreadsheet.

- Project managers received weekly labor productivity reports, and regular cost activity details.

Human Resources

In Bob Street's People Business memo, he refers to Vic Josephs in Human Resources. The HR department at McDevitt and Street was largely responsible for executive search, and managing the talent acquisition processes. Vic Josephs had been an external executive search consultant before joining the Company, and by the time I joined the firm, this group had grown to a team of four or five recruiters. While the company was growing at a compound annual growth rate of 30-40%, the need for new recruits was steady. And when your mission is to find the very best people, it is a serious operation. When new candidates were being considered, HR administered the Myers Briggs and AVA tests; arranged interviews between the candidates and the potential direct line manager(s) involved. After being hired, HR administered the new hire surveys, gathering information about best practices of prior employers.

Putting it All Together

We cannot say that every company can achieve the same kind of results by applying these concepts and principles. And it is difficult to know what can be achieved by "cherry picking" from these ideas. Achieving excellence is like playing a piano. You need many keys to make the complete sound.

Enjoy reading the original memos from Bob Street which follow.

PART 2

PEOPLE BUSINESS

December 23, 1983

Memorandum to: Executive Committee

From: E. R. Street

Date: December 23, 1983

Re: People Business

You have heard me say many times that the three most important functions that we must perform are planning, people, and marketing. Obviously, we cannot be great at planning or marketing without first having the very best people. Therefore, people is probably the most important of the three. At least for the purpose of this memo, I would like to have you assume that this is correct.

I believe that probably our greatest potential for improvement is also in the area of people. Therefore, we should spend much of our time in trying to improve in the people business because our potential for improvement is so great.

What do I mean by the people business? First, let me say that we are so embryonic in our development in the people business that my thoughts continue to change yearly, if not more frequently. (When I say we are

embryonic, I mean as regards to how great we can be. I do believe, however, that we are ahead of most of our competition.)

As you know, I have consistently been searching for outside help that would allow us to grow in the people business, and in every case so far, I think we have taken what the outside source has to offer and have been able to grow above their level of expertise, at least as it relates to our business. More recently, I have studied AMA/PA, attended the AVA and ECS courses and read books on Behavioral Science and Intelligence.

Part of the purpose of this memo is to try and communicate to you in writing very briefly where I am at this point in time regarding the people business. I would like to break down the people business into the following categories:

1. Recruit
2. Select
3. Train/Develop
4. Opportunity
5. Environment/Climate
6. Motivate
7. Guide
8. Assist

As stated above, my thoughts are constantly changing and this list may be different tomorrow. However, I am absolutely positive that what I think today is more near to the Truth than what I thought yesterday. As we try to learn, we go down streets that are dead end or that are detours, but we hopefully continue to head in the general direction of our desired destination. I ask you now and in the future to please bear with me as I try to help our Company grow in the people business.

I think we are handling a lot of the people business by the seat of our pants, rather than professionally. I know that people are very complex, and therefore it is very difficult to have a given set of principles that we always follow. However, the very fact that people are so complex makes it more imperative that we do deal with that subject professionally, rather than by the seat of our pants. When we are building a warehouse, you can

almost build it by instinct or by the seat of your pants, and it generally will work out satisfactorily. You can even use a superintendent that purely operates from past experience (instinct), and he will build the warehouse success- fully more times than not. However, when you build a very complex hospital with intricate renovations and everything as complex as possible, that is the type job that is most important to approach on a very sophisticated, well thought-out plan. This is the same point I am making regarding the people business.

We must improve to the point that we operate professionally, rather than by the seat of our pants. In order to deal with people business professionally, we first <u>must become much better educated</u> regarding people and what makes them tick. We must break the people business down into its simplest parts and evaluate each part individually and in as much detail as possible. We also must become better educated at understanding what the job description is for every job that we are trying to perform. We also must deal with each person in the manner that causes them to grow and develop to the very fullest extent of their potential and be motivated to the very highest level that they possibly can be so that they achieve the objectives of the Company. That in a very sloppy fashion is my definition of becoming professional in the people business.

If I can just get you to agree with me that there is gigantic room for improvement in our people business, and secondly, have a gigantic hunger for further growth and development in the people business, then a large part of my purpose in this memo will have been accomplished.

Now let's look at the eight functions that I listed above in defining the people business.

....

1. Recruit

....

We must realize that <u>very</u> <u>person</u> <u>is</u> <u>different</u>. Each of us has different personality traits, behavior patterns, intelligence, energy, drive, education, experience, etc. Also, we must realize that different job descriptions

require different types of people to perform them <u>best</u>. It is obvious that we want very badly to be the best, and therefore, we must try very hard to find the very <u>best</u> person for each job description. I do not want to use names to make a point, but I think each of you can easily think of different job descriptions within our Company and can easily match certain people for certain job descriptions and conversely can easily say that other people in our Company would do a miserable job of performing that job. The point I am trying to make is that the right person in the right job can achieve a fantastic result, and conversely, the wrong person in the wrong job will have pitiful results. But that same wrong person for one job can be the perfect person for another job. I cannot over-emphasize how important it is to understand this point. I will discuss this in much more detail further on.

The point I am trying to make now is that we must first know the job description for the job we are wanting to fill and then we must do an exhaustive search to find the very best person for filling that job. This is not easy, and in fact, it is very, very time consuming. We generally make several big mistakes in this process. They are as follows:

> A. We generally wait until we need a person for a particular job to start looking for that person. At that point, quite often it is an emergency and we simply do not have time to do the adequate job of searching. We act out of necessity very quickly and do not get the best person for the job.

> B. Many of you in operations have very low patience. Therefore, you behaviorally are not inclined to take the time to talk to dozens and dozens of people before making a selection. You act too quickly out of impatience and get a less qualified person.

> C. One of the biggest mistakes we make is being uneducated in the people business, and therefore, we really do not know how to identify in each person we are talking to who they really are and what they really look like. We also often do not really know how to define the position we want to fill and the type of person we are looking for.

In order to overcome these three mistakes listed above, we must do the following:

1.   We need to be recruiting all the time. That is, every time we talk to a subcontractor, to a superintendent, to an owner, to an employee, or to anyone, we need to be brainstorming with that person who he thinks is the very best person for performing each of the job descriptions that come under your area of responsibility. A division manager, for example, should continually be talking with everyone he comes in contact with regarding top flight potential project managers and superintendents. At lunch, at job visits, at interviews with potential owners, with architects, at cocktail parties, any time, anywhere you are, you need to be improving and main- training the very best possible list of potential employees. This is a dynamic on-going process. Things change daily, and therefore, your list will also change. By following this procedure, you help overcome the problems A and B defined above.

2.   There are always an infinite number of candidates out there that you should consider. It is literally impossible for you to know them all. However, one technique to help spread your search around to the fullest extent possible is by the "center of influence" concept. Most of you have already heard me refer to this concept before, but let me redefine it. You have many friends and co-workers that are constantly in the construction arena and have access to potential project managers (as one example) and who would be very happy to help you perform a continuing search for the very best project manager if you dealt with that person properly. Martin Freedland discussed the means by which you get a center of influence turned on to the greatest extent possible working in your behalf. In summary, you must select people that you respect as having the capability to judge a good project manager from a bad one.

Second, you must create some motive in that person to want to help you find the best project manager. Sometimes this can be done because the person needs something from you. Sometimes that need can be nothing more than positive stroking of the person by you. Quite obviously, if you have many, many centers of influence helping you, your leverage grows drastically and provides the opportunity

for you to consider many more applicants. All of this, again, is based on the concept that each person is different, and there is one person in the world that is best suited for each job. I do not mean to imply that we will find that one person, but we at least should get in the top two percentile and better if possible. There are many potential centers of influence in our business, such as owners, architects, McDevitt & Street employees, subcontractors, headhunters, personnel agents, construction industry organizations (such as AGC), and purely personal friends who have some involvement in the construction business. Various other methods of recruiting include ads, agencies, walk-ins, etc.

One key reason why recruiting must be a continuing process is because some candidates you know to be fantastic may not be desirous of making a change today. Tomorrow their situation may change drastically. Their motivation for coming with us could be like a sine wave, and you need to catch them at the high point in the wave. The very fact that this process is very, very important has prompted me to create a recruiting department headed by Vic Josephs. Use him all the time; he can help you immensely.

"INDIVIDUAL TRAITS"

At the very core of the "people business" is the fact that you must have the right person for the right job. What does this mean? To really answer this question properly, we need to be totally knowledgeable of psychology, psychiatry, medicine, the behavioral sciences, chemistry, and nuclear physics. I do very strongly believe that each person is unique and if we work at it long enough, we will be able to <u>quantitatively</u> identify the differences between individuals. This in itself is such a very important part of the "people business."

The next question that needs to be answered is why are people different. Obviously, the reasons can be easily broken into two different influences: (1) heredity and (2) environment. I define heredity as what there is at the moment of birth. I define environment as the influence that has been placed on the person since birth. It is an on-going and very important question to decide whether hereditary traits can be changed through

one's environment. My experience leads me to believe that, in very large part, you cannot change one's hereditary traits. If you would accept that as a fact, then it is very important for us to identify what hereditary traits make up an individual and make certain that the hereditary traits that are needed for a job description are already a part of the individuals that we are considering for that job. If the hereditary traits cannot be changed through one's environment, then no matter how hard you work to train and develop the person and guide and assist him, he still cannot or will not change these habits and style. He will surely fail if his hereditary traits do not match the traits required for the job.

How do we break down the traits, both hereditary and environ- mental, that are necessary in order to be successful at a job? At this time in my development, I would break down the traits as follows:

- Intelligence

- Behavior Pattern

- Energy or Activity Level

- Ambition/Drive

- Formal Education

- Work Experience

I personally believe that the first four factors are primarily hereditary and therefore be changed to any great extent through one's environment. The last two factors are environmental and do not relate to one's heredity. The major part of the seminar Jim Coleman and I attended related to behavioral traits, and this organization does feel pretty strongly that those traits are hereditary. I personally also believe that a very large part of the entire people business

is simply making certain that the person you select for a given job does have the correct behavior pattern, drive, intelligence, and energy level as required by that job. In my memo of January 25, 1982, revised December 23, 1983, entitled "Selecting," (Exhibit D) and in the AVA seminar which we had in Charlotte in May of 1982, we went into greater depth with each of these six factors. However, let me give a brief definition of what I mean by each factor:

Intelligence: There is a certain level of intelligence that is necessary in order to do each job. Intelligence can be broken down into at least two areas—one relating to the world of words and other other to the world of numbers.

The left side of the brain contains the words capacity, and the right side has the numbers capacity (analytical and systematic traits). Our major area of concern relates to the numbers part of intelligence. We as a Company have done very, very little in trying to predetermine what level of intelligence is required for each job and what level of intelligence each applicant has. I will be the first to admit that we have a long way to go to get a better handle on this as a requirement for performing the job. I also think we can identify people that are or have been with our Company that have been severely restricted in the level of their performance because of their limited level of intelligence. AVA has a battery of tests which they have been experimenting with to measure intelligence and required intelligence levels for certain type jobs. They have a process whereby you take the job description and determine what level of proficiency is required for each of the battery of tests in order to perform the job. Several of the tests which I think are very important in our business are "Skill in Thinking", "Skill in Memory", "Skill in Shapes", "Skill in Vocabulary", and "Skill in Orientation" (listed in order of importance). I am continuing to explore the entire question of intelligence as a hereditary pre-requisite for performing the job. Please remember that intelligence and formal education are two different characteristics.

Behavior Pattern: AVA uses six basic factors to evaluate job requirements for behavior and the applicant's behavior pattern. In other words, how close is the applicant's natural behavior pattern to the behavior pattern required to perform the job. The six factors are: aggressiveness/ submissiveness; the need for people in one's activities; patience/impatience; structure/ independence; conviction, and behavioral energy. (You probably will remember that Martin Freedland's concept involved behavioral energy as a factor separate from one's basic behavior pattern. I do believe that behavioral energy is so important that it should be separate from one's basic behavior pattern.) AVA ends up going through a very complicated inter-relationship between

the five or six factors and plots the factors on a sphere with the proximity of one pattern to another relating directly to the capability of a person with one pattern being able to perform the job description of another pattern. At present, I think AVA's approach to reassuring the behavioral traits is the most advanced and sophisticated of any I have found. This is primarily because AVA has done an intense amount of research in the subject and has compiled a gigantic data bank from which to make their analyses and interpret them. However, at this point, it is certainly not totally accurate and the theory behind it has been much more helpful to me than the application of the analysis itself. I am sure that each of you will agree that a salesman cannot function satisfactorily as a clerk and a quantity surveyor cannot function adequately as a salesman. This is an example of extremes, but the same is true when comparing the job description of a project manager as relations to the job description of a superintendent, or any two jobs. By reading my book of January 25, 1982, revised December 23, 1983, entitled "Activity Vector Analysis," and through direct involvement with AVA representatives, I hope you will gain a much greater personal understanding of the behavioral science and behavior patterns.

Behavioral Energy: Behavioral energy is defined as one's level of vitality and mental energy. Stated otherwise, this is a measure of the individual1s ability to cope with frustration for long periods of time without its affecting his work. It also measures his ability to play a role or a job pattern which is different from his own natural pattern. Behavioral energy is also a factor which we must learn an awful lot more about, but nevertheless, is very important. It is very important that people in our Company, particularly in the operating side, have a very high behavioral energy. The job does require so much intensity of effort and so much role playing and ability to deal with and overcome frustration.

Ambition/Drive: This factor measures how strong is the person's need to gain the rewards of success and how hard he will work for these benefits. This is a crucially important factor (probably the most important of all) in one's ability to succeed in the operating side of our business.

The person must have a very high drive and energy in order to put up with the headaches, the frustration, the pressure, the failures, and the

elements which are beyond his direct control, but which affect his ability to achieve the   desired goals. This also is a factor that is not   t h a t easy to measure. One way of measuring it is by evaluating the track record of the individual to see if he has a clear "thread of success" in his past. There are certain questions that can be asked of the individual that will allow him indirectly to tell you how driven he is. I will again plan on giving you more of my thoughts on this factor at a later date. Drive and ambition is also in my opinion a hereditary trait and not something that can be acquired through environment. I believe that if the person does not have the right traits in the four above listed areas, then no matter how hard you work with the person, he will fail, or will only be marginal at best. Individuals with the wrong raw material will be of no value. The more I study the people business, the more I feel this to be true.

Formal Education: This is the first factor which is gained through one's environment, rather than through heredity. I am sure there are many thoughts on what is required in this - area, but as stated before, it is my personal belief that most of the jobs in our Company involving any management should require an undergraduate degree in engineering. A high school education or about is preferred for superintendents. A business degree with a major in marketing is preferred for business developers.

Work Experience: I have already written a memo which I am redrafting that tries to speak directly to work experience and what is desired for various positions in the operating side of our Company.

These six factors discussed above are at present my best effort at defining what I mean by matching the right person for the right job. This entire thought process needs to have occurred before you ever start recruiting to make sure that you really know what you are looking for and what the requirements are for the particular job involved.

2. Select

The second function is selecting. My definition of selecting would be finding the best person for the job with the <u>least time</u> possible spent <u>by you</u>. Let me stress that you are looking for the <u>very best</u> person. No one else will do.

Let me emphasize and re-emphasize over and over again, IF YOU DO THIS FUNCTION CORRECTLY THEN YOU WILL BE SUCCESSFUL. DO IT RIGHT AND SPEND THE TIME NECESSARY.

As I have already stated, I think there is one best person for each job and even though we will never find that person, we certainly should hit in the top 95 to 99 percentile. How do we go about doing this? We must define the job in terms of the six factors—intelligence, behavior pattern, ambition, behavioral energy, formal education and work experience—and then we must find the person who meets these requirements. We can do this by the seat of our pants or by instinct (gut feeling) or we can do it professionally. This again is an area that has tremendous room for improvement, and we first must learn how to improve.

We first will assume that you have been doing a good job of recruiting, and therefore have access to a lot of candidates for the job. If this is not correct then you will still have to go through the same recruiting process using centers of influence and other recruiting methods, but I will guarantee you it will not be as successful. The next step is to screen out the candidates using the least amount of your personal time possible.

My <u>first step</u> is to get as comprehensive a <u>resume</u> as possible, which hopefully speaks directly or indirectly to the six factors listed above. Many, many times you can eliminate a candidate simply by reading his resume. (One very important technique I use is to rule out anyone that I have any doubt about. Almost always you will find that the person you have any doubt about ends up being a bad candidate. The process of selection is so difficult and so time consuming that we must rule out any people quickly that we feel may not be qualified.) My second step usually is a <u>telephone conversation</u> with the candidate, and that can eliminate a lot of candidates also. After this step, I usually proceed with one or more <u>face-</u>

to-face interviews, which will eliminate additional candidates. One other fairly quick method of eliminating candidates is by reference checking. This is my best approach for eliminating the B.S. artist who did a good job of selling me both on the resume and in the interview.

Let's evaluate further how we determine how strong the person is in each of the six factors listed above.

By far the easiest factor is the person's formal education. This can obviously be requested and included in the person's resume.

The next easiest item to obtain is the person's work experience. However, it will take a face-to-face interview to really get a good understanding of the responsibility and authority the person had in his work experience. An easy example of what I am referring to is the person that will tell you that he was an on-site project manager, but in fact, upon reference checking you will find that he was the office engineer and pushed paper, but did not have responsibility for the profitability, the time or the quality, and he did not have the authority. The difference between these two jobs is like day and night. As stated earlier, the person's work experience needs to track in a somewhat similar fashion to the work experience described in my January 8, 1982, memo entitled "Training & Development Program", revised December 23, 1983 (Exhibit E).

The next four factors are all hereditary and become more difficult to evaluate. Possibly the simplest is intelligence and yet we have done very little to test someone s intelligence in the past. I think there are some very simple tests that can be taken in a few minutes that can determine if the person has the necessary intelligence to perform the job. We simply must work in this area to define the test or tests that will identify his intelligence level as relates to our job needs. This test obviously must be given during the interview and cannot be handled in a resume or telephone conversation. Please do not confuse formal education with intelligence. There are many very intelligent people who never had the opportunity to go to college, and there are many people with a college degree that are not intelligent (that do not have common sense, that cannot think analytically and logically, or that cannot retain information quickly).

The next easiest factor to measure is one's behavior pattern. You can get

some of this by the resume, but it will primarily require the interview, an AVA analysis and reference checking to evaluate his behavior pattern. You must ask open-ended questions that are directed towards his behavior in the interview and yet the discussion must follow a pattern whereby the candidate has no idea what the correct answers should be. The entire subject of the interview is very important and complicated and is discussed in more detail in my "Selecting" memo (Exhibit D).

The next easiest factor to measure is ambition/drive. It is similar to the behavior pattern and will require a one-on-one interview and reference checking. Again the probing, open-ended questions are required to evaluate this factor. Drive comes from the intensity of one's basic needs, and we will have to devise better techniques for quantifying which needs are greatest and how intense they are. Be certain that the candidate's needs (hot buttons) are the same as the rewards that will come from doing a great job at what you are hiring him to do.

The most difficult factor to measure is behavioral energy or activity level. I guess the main reason it is so hard to measure is that I am not sure what we are measuring. As you can te11, you don't get that much information in the resume that relates to this critical factor, and to really evaluate the person, the interview and reference checking are critical. Behavioral energy is required to "role play" the job and to handle the many functions required by the job.

It is _imperative_ to understand that _experience in recruiting_ and selecting will bring better techniques, better understanding of what is required, better judgment of how to evaluate the answers and the candidate, and you will have a much better success ratio for the individuals that you hire.

I will also continue to stress that the whole process of recruiting and selecting is so very difficult that you must be prepared to terminate employees and assume that some fairly significant percentage of those you hire will not be successful and must be terminated quickly. I cannot overstress how crucial this factor is. The wrong person in the wrong job will ruin the person even more that the Company, and it is not fair to him nor the Company to allow that situation to grow any further. Therefore, the termination process is imperative. Don't procrastinate. Again, your first reaction is almost always accurate.

I think that Executive Consulting Services, Inc. (Martin Freedland) probably has a pretty good format for the selection process. Attached is a copy of the selection funnel (Exhibit A) which I think is good enough to at least spend the time to study. I will comment on this form as follows. The personal history is what I call the resume and should come first. Attached is a summary (Exhibit B) of the critical items that should be included in the resume. This outline can be improved upon greatly, and I request your help.

The next item is the screening interview, and Martin says to do it for 15 to 30 minutes face-to-face. I disagree and would prefer the telephone interview that would last 10 or 15 minutes and would simply be a further step in eliminating a dud. Otherwise this conversation is the vehicle for setting up the time and place for the face-to-face interview.

The next step is the face-to-face interview. This is the time when you really must determine his intelligence, the quality of his work experience, his behavior pattern, his ambition/drive, and his behavioral energy level. I recommend a 4 to 6-hour interview for the people that you really believe are excellent candidates. The interview may only last 30 minutes where you determine the person is a dud. The better the candidate, the longer the interview. I discuss this subject in more detail in Exhibit D. I do not personally believe the family interview (home interview) is necessary. I think, however, it is imperative to determine that the candidate does rule the family, and the family accepts this situation. Remember, always get the AVA filled out before starting the interview.

I think the reference checking process is crucial. The technique used in reference checking is also crucial if you really want to get accurate and detailed answers.

You can probably imagine that this whole process of recruiting and selecting takes a lot of time. It does, and I will guarantee it is worth every minute you spend. The difference between a fantastic employee and a bad employee is again like day and night.

Another very important point in the selecting process is the fact that when you are trying to fill a position you will have a much better handle on the quality of the applicant you are considering if you have quite a

few alternatives. The alternatives provide the opportunity for <u>comparison</u>. The people business becomes much simpler when you can compare one against the other, even though each individual still is very, very complex.

Another very important point to stress in the selection process is to make certain that the person does have a "thread of success" in his existing track record. You must understand that you are not going to change somebody's past pattern. If that person has not been successful in the past, it is extremely unlikely that he will all of a sudden become successful today and in the future. The thread of success must be measured many different ways. One is simply rate of increase in compensation. One is rate of increase in responsibility and authority. One is the degree of achievement the candidate obtained in performing the job function; i.e., gross job profit, timely completion, quality control, and one's ability to sell those with whom he carne in contact.

Attached is a sample (Exhibit C) of probing questions that I ask during the interview and a brief explanation of what you are trying to gain from the questions.

Generally, I recommend that you take time to think about the candidate after you have the interview with him before making an offer. I personally find that my subconscious mind helps me evaluate candidates over a period of time, at least overnight, and I have a clearer impression of the candidate the next day. However, I have violated this rule on occasion, particularly where the candidate's home was so far away and I was so positive that he was the right candidate, and I wanted to make an offer to him face to face. Obviously, this is a matter of judgment.

My "Selecting" memo (Exhibit D) goes into more detail and gives you more reference data on the selecting process.

3. Train/Develop

The next category in the people business is training and development. In my memorandum to you of January 8, 1982, revised December 23, 1983, (Exhibit E) I tried to explain how I thought we would take a person with any given level of experience and put him in a "development program" that would allow him to grow as fast as possible. That memorandum also made reference to the people business, which is exactly what this memorandum is about. Please understand this whole subject matter is tightly interwoven.

I have revised this memorandum with comments made by each of you, and attached is a final copy of this Training and Development memorandum (Exhibit E).

Training and development of our people is one of the most important responsibilities that we have as managers. It is imperative to stress that each supervisor is responsible for training and development of the people who report directly to him. This is a basic part of the McDevitt & Street philosophy.

At the same time, it is very important to understand that, if you have the wrong person with the wrong intelligence, behavior pattern, ambition/drive, or behavioral energy, then I don't care how hard you work to train him, you will not succeed. The right raw material is crucial to the success of the training program. If you have the right raw material, and if you provide the person with the opportunity and a good environment, and if you have the right elements of motivation to satisfy the individual s needs, then to a large   extent, the employee trains and develops himself. I think that old saying, "you can lead a horse to water, but you can't make him drink" is also true of an employee in a training program.

Please understand how all of the eight basic categories do tie together and are dependent one on the other. Failure to provide one of the categories in the people business will resul in a breakdown of the entire system, just like the weakest link in the chain determines its strength.

4. Opportunity

This category is very important and is very simple to understand. It is imperative that you provide the individual with the opportunities as quickly as he can develop and to the fullest extent of his capacity. People with the raw material (hereditary traits), which we have said that we need, will not be willing to sit idly. They must be challenged with new opportunities, new experiences, new responsibilities as fast as they can grow. They also must be given enough quantity of work to keep them busy at any point in time. Therefore, the quantity and the quality are both separate and important parts of opportunity. We simply cannot allow someone to stay stagnant for long. A great person will become demotivated and leave, and an average person will be content with the stagnation and thereby will breed mediocrity in our Company, It is imperative that you keep close one-on-one communication with the employee to make certain that you know what his needs are regarding growth and capacity. The person's needs will change as he grows, and it is terrible to assume you know what the person is thinking. You should discipline yourself to discuss with the employee at least quarterly (depending on the job, it may be weekly) the subject of growth and capacity of the individual. Even though the category on opportunity is extremely important, I think it is very simple to understand and nothing more needs to be said.

5. Environment/Climate

This category is very important. If it is done properly, it will result in the employee ticking at +10. If it is done poorly, the employee will tick at a lower level, and the worse situation is for him to actually be operating against the best interest of the Company or operating somewhere near a level of -10. You can have a great person with great raw material, and if he is not given the right environment or climate, he can still be performing at a very unsatisfactory level. Stated differently, he is <u>capable</u> of doing it, but he is <u>not willing</u> to do it. Let me briefly discuss some of the areas of one's environment that are crucial to having the person tick at +10.

A. <u>Physical Working Environment: We must maintain a neat, clean, attractive physical environment for the employee to be positively motivated. We must think in terms of three of the five senses. It must be visually pleasing, it must be pleasing in terms of noise level and distraction level, and it must be pleasing in terms of smell. This memorandum is not a place to discuss these factors in detail, but it certainly is a subject that needs to be very carefully considered and dealt with. I feel our new office building responds to these factors totally.</u>

B. <u>Ethical Standards: It is imperative that we operate at a standard that will meet the individual standards of the large majority of our employees. I do not believe we can meet everyone's ethical standards, but we can meet the majority. An example of what I make reference to is the gigantic negative impact on morale that has resulted in companies who have become involved in price fixing, tax evasion, and bid rigging. I know from personal communication with employees in these companies that it has been one factor that has caused a demoralization of the entire company. The people simply are not proud to say they are employees of that company. The best example of this was a director of personnel in one company that told me he was instructed not to use his company's name in placing an advertisement for a new employee because the boss thought the company name would cause people not to want to respond to the advertisement. Other</u>

similar areas involving ethics would be our openness and honesty with clients and with our employees, our sense of fair play with our employees and subcontractors, etc.

C. Dress Code: This to some degree conflicts with another factor in environment which the Company believes in—that of being individualistic. However, I think that it is a very positive element of environment for everyone to be clean and neat and well dressed. I don't believe this has to mean that a person has to wear a coat and tie; however, there are certain times where it is very important, particularly where we are trying to sell a potential owner.

D. Management Style: This is an intensely important element of environment and involves many factors unto itself. Our management style at M&S is based on the following:

1. Consultative Management: With the behavior patterns we know are required to perform our standards of excellence, we cannot deal with that type person in an authoritative manner. You cannot tell him what to do, when to do it, and how to do it. You really must let him tell you how he can best write his job description and his standards of performance so that he can achieve hid needs. Obviously you cannot allow that concept to go to an extreme, but when you deal with a person in that manner, the person immediately becomes much more strongly understanding of and inclined towards establishing his job description in a manner that complies with the needs and objectives of his company. Let him do it, rather than your making him do it. You work together in deciding what his job description is, what his objectives will be, and how he will achieve them. This also means that he decides how he is going to accomplish it and how he is going to organize to accomplish it.

2. The relationship between supervisor/employee should be informal and personal. It is the only style to use in order to really communicate and understand the person. It also is the only way to really care for the person. If the person thinks you do really care for his best interest, then he is inclined to tick at +10, rather than -10. I do believe the saying "to understand is to love," and

the only way to understand one's true being is by one-on-one communication. That in itself achieves the maximum level of motivation.

3. <u>Unit President Concept</u>: It is imperative that we allow our people to operate on the unit president concept. What does this mean? This simply means that each person operates as if he were president of his job. He decides his job description; he establishes his plan; he organizes to achieve his plan; he establishes his standards of performance; he measures his level of success; and he is totally in control of everything he is doing. He hires, trains, develops, fires, etc. his people. He is totally in control of his destiny. This concept in itslf will allow the employee to operate at +10.

4. <u>Professional</u>: To operate professionally means to plan one's work, to know where one is going to advance, and how he is going to get there; and to control the work so that this plan is achieved. Professionalism means much more than this, but by operating this way, you establish a standard (the plan) whereby one can measure one's level of achievement and thereby achieve self-satisfaction. This should be compared to a football game where every player knows what the definition of winning is. If you don't operate professionally, then you do not know what winning is. Achievement of the plan is winning, and winning is an extremely important element of one's environment. Operating unprofessionally is like playing football without a goal line. You just can't win. To operate professionally also eliminates negative surprises, and this is a strong element of demotivation.

5. <u>Individualistic</u>: The behavior pattern and raw material we have defined as needed to perform the job description in itself requires the person to operate in an individual manner. We are not trying to make stereotypes. Each person is an individual and must have the right to operate based on his need, his thoughts, his desires, and do it his way. Again, this cannot be taken to the extreme but conceptually, it is very important that we operate this way to the fullest extent possible. Our great performers are independent, not dependent, and to make them operate within too strict a

boundary is a big negative in their environment. Stated differently, we should put each employee in the biggest fence we possibly can. The sides of the fence are his plan, his job description, company policy and procedures, and the law. Those should be the four sides of his fence, and he should design all four sides. This is what I call operating in an individualistic manner and under the unit president concept.

6. <u>Results Oriented</u>: We must measure success by results, not by how one goes about achieving the results, or certainly not by the way he parts his hair. Again, the behavior pattern required for a great performer is a person who is an achiever, is competitive, and is driven to win. He wants or insists that he measure himself by results and that others measure him by his results. If you start measuring him based on anything other than winning and results, it will be a negative in his environment and will turn him off.

7. <u>Fair</u>: Our Company must be fair in everything it does to provide the best possible environment. The best and simplest example of this is paying each person according to his contribution to the overall Company results. There are many, many other examples, and we must always operate fairly in everything we are doing.

8. <u>Firm</u>: We must be firm. If not, this is a demotivator. An example would be to allow mediocrity to exists when we are saying we demand excellence.

9. <u>Winning</u>: We must know the stage of development of each employee and his present level of capability and make certain that we give him assignments that do not stretch the employee to the point that we create a failure environment for him. Said otherwise, it is imperative that we always create the environment and work with each employee so that he does <u>win</u> in his own mind. It is a major setback in the development of an employee for him to have a major failure experience. Winning is contagious—the more he wins, the more he wants to win.

E. <u>Attitude: It is imperative that the entire Company project a positive attitude, a "can do" attitude, in order to have a positive</u>

environment. The attitude of the Company will spread directly to the attitude of the employee, and a poo: attitude by definition causes a poor environment, and an employee will be less motivated to achieve. A positive attitude is a trait of an enthusiastic person, and we must all exude enthusiasm.

F.   Growth Oriented: The Company must be growth oriented in order to provide the employee the opportunity to grow. Again by definition, the behavior pattern for our great employee demands that they have the opportunity to grow, and by definition, if the employee is to grow the Company must grow.

G.   Company Mission: It is imperative that the Company's mission • and its beliefs be identical to the employee1s goals and beliefs. The employee actually must be the creator of the Company's mission and beliefs. We also must make certain that new employees who come with the Company have goals and beliefs that are inherently identical with the Company's mission and beliefs.

H.   Positive Stroking: It is imperative that you positively stroke the employee for the good things that he does. Do it quickly after the act, do it sincerely, and mean it (re: One-Minute Manager). Don't emphasize his failures. If possible, don't mention them. He knows md feels it more than you can imagine if you have him op* ¡rating on "management by objectives" which he set. If he has the right raw material to do the job, then negative comments are never needed. Positive stroking will stimulate the employee to do more of what you are stroking him for doing. Only discuss a mistake or "goof" in light of teaching him a better way. Do it as a friend who is trying to help, not to criticize. Criticism serves no useful purpose. I cannot re-emphasize this point. Stroke everyone positively, honestly, and sincerely. Never criticize. Contrary to the One-Minute Manager, never scold him.

There are other factors of lesser importance that relate to one's environment and climate, but I hope this will at least serve to make the point. It is imperative that we have the right environment in addition to the right raw material.

6. Motivate

Once you have the right raw material, and the person is heading on the right training program with the right opportunity and the very best environment possible, then you must establish a method of motivating the employee that does respond to that particular employee's needs. Undoubtedly, the biggest single factor regarding motivation is one's compensation package. The compensation package not only must have the right quantity, but the right quality. It must be based on results, and it must relate to today, tomorrow, and retirement. There are other elements of motivation that must also be included. The best way to consider this is by reference to Maslow's Triangle of Needs. Compensation does relate to all five levels of an individual1s needs. That is: his survival, security for the future, affection, ego satisfaction, and self-actualization. However, in order to provide ego satisfaction, you also must clearly have a method of measuring the employee1s degree of success in achieving his objectives so that you can identify that the employee has won, and you must clearly communicate to that employee that he has won. I am referring simply to positive stroking where success is achieved. Everyone needs this, but the ones that need it most are those that have the biggest need for peer recognition and peer acceptance. In addition, self-actualization by my definition is the employee himself being able to feel that he has won. The same rules apply in establishing his job description, standards of performance, and means of measuring in order to achieve self-actualization or ego satisfaction. Both the individual and his peers must be able to clearly identify that the person has won. This element of motivation is really much more important than compensation. The employee will not perform without the best compensation, but the employee will not perform at his highest level unless you provide the additional motivation that allows for peer recognition, and most importantly, self-actualization.

As stated many times, each category in the people business relates to and is dependent upon each other category. Motivation is not unto itself, but it also is dependent upon environment, opportunity, the right raw material, and the right training and development program.

7. Guide

This is my definition of how to make decisions in the supervisor/ employee relationship. As stated earlier, it is imperative that the employee, to the fullest extent possible, thinks he is making his own decisions, establishing his own objectives that directly relate to and satisfy his own personal needs, establishing his own plan and standards of performance, and measures his own results. In order to deal with the people with the raw material we want, you cannot be authoritative. You can only guide them. I clearly realize this is totally dependent on his degree of success or failure. A person who is failing to achieve his standards of performance cannot be guided. A person who is achieving his standards of performance can be guided. The degree of success of the employee determines the degree of change from authoritative to a consultative or guidance style. The higher you go in consultative management, the more you have to become a diplomat and a persuader. You will not be able to come in the front door, you must go in the side or the back. You must be able to make the employee think it is his idea. You must be able to reason with the employee and have him change his idea of what is right and wrong, rather than asking him to do something he thinks is wrong (the wrong way to do something). You must gain his respect so he literally thinks that your way was right. (I must say with the raw material we are looking for, very seldom will you have one who actually thinks you are right purely because of respect. He will be too independent, too aggressive, and too analytical to accept your idea. Trial and error will be his best teacher.) What I am really saying is you and your employee must work together, do it together, rather than your deciding and telling the employee. In that relationship, you actually allow the employee to be the leader, even though you are the supervisor.

One extremely important concept to understand and use in your continuing guidance of each employee is based on the fact that an employee will strongly gravitate to act in the manner in which you expect him to act. Said differently, the employee will do as good a job as you think he will do and no better. He will take on as much responsibility as you think he should. He will grow as fast as you think he can and no faster. He will think of him- self in a manner similar to the way you see him and treat him. What does this mean? It means that you should deal with the person

as if he were one or two levels advanced in his development from where he is today. This will provide the environment and motivation for him to grow to those higher levels at a much more rapid pace. You need to give him more authority, more responsibility and make him think he is able to do more than he really thinks of himself. We all tend to underestimate what our employees can do. Don't do it because it will happen. This is a very important concept, and I think it is very effective in helping someone grow and take on more responsibility at the fastest possible rate.

8. Assist

It is imperative that you be available to assist the employee whenever he decides he needs help. The employee with the raw material we are describing will be of a type that will know when he needs help and will decide himself that he needs the help and will come to you for help. He will come for your guidance, year thoughts, your ideas. You must be available and you must not deny him this right. You better be knowledgeable enough and have the judgment to be able to help him to the fullest extent possible when he comes for your assistance. Many times the questions he brings to you will not be immediately answerable. A very good example is a subcontractor that is not performing. Certainly you cannot perform miracles, but your experience and judgment can provide invaluable assistance to the employ-e. You must also be inspecting the employee's performance closely enough to know when he needs help, and in some cases, you will have to be the initiator of a discussion to see if he thinks t .ere is a problem and if he might want your assistance.

The eight categories described above is my best effect at this point in time to define the people business. In effect, what I am trying to do is break the complex down into its simplest parts. Let me clearly tell you that the people business is the most complex thing we do, and we must try to make it as simple as possible. I am the first to admit I do not have the entire answer , and I will be the first to admit that tomorrow I will have different ideas, but I will guarantee you that my ideas today are better than they were two years ago, and they are closer to the Truth. We all must strive
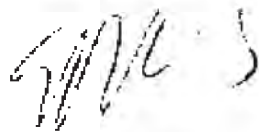
continuously and spend the time necessary to improve in the people business by analyzing the complexity of the matter and breaking it into its simplest parts and dealing with each part unto itself and as a part of the whole.

Again, I repeat, each of the eight categories cannot stand alone, but each can be evaluated alone and dealt with individually as long as it is continually kept in mind that each is a part of the whole.

My memo entitled "Selecting," (Exhibit D) contains more detailed information regarding intelligence, behavior pattern, motivation/ drive, behavioral energy, and selecting. As you get a better handle on the hereditary factors, it will allow you to much better understand yourself and understand the people who report to you. This in itself will help you improve drastically in categories 3 through 8. You will learn the best style for you to use in dealing with each of your employees based on their raw material in addition to your raw material. You must manage each person somewhat differently from how someone else would manage that same person. That is because you are different.

Finally, let me beg and plead with you to read this memo over, over, and over. It may be very poorly organized and poorly written, but I will guarantee you that it is the most important subject there is in our business, and if nothing more, it will serve to stimulate your thought process to help you come up with a better concept of the people business and thereby helping us grow as a Company. I do not want you to accept what I am saying as the Bible, but I hope it will stimulate your Creative thought process to allow you to get to be much closer to the Truth tomorrow than we are today.

Respectfully,

ERS/djp

Selection Funnel

Success by Selection

Candidates

1. Screening:
A. Personal History
B. Screening Interview

· ·

C. Character Reference
D. Family Requirements
E. Interest Analysis

2. Interview Preparation:
A. Behavioral Evaluation
B. Reference check form

3. Selection Interview

4. Home Interview

5. Decision
6. Offer/Commitment

Quality People

Outline for Resume

1.   Name

2.   Address

3.   Telephone Number

4.   Age

5.   Health

6.   Marital status   (children)

7.   Employment history   (in detail)

8.   Salary history

9.   Education   (location and grades)
(Worked to pay for education?)

10.   Strong points   (Aggressiveness, leadership
style, characteristics, working
relationship, etc.)

11.   Weak points

12.   Personal priorities   (family, work, recreation)

13.   Long-range goals   (personal and business)

14.   Short range goals   (personal and business)

15.   Why construction

16.   Position desired   (What enjoy?)

17.   Salary desired

18.   When available

19.   References

Interview Questions

1. Have applicant tell life history from day zero to present.

2. Have him emphasize family background, education, work experience, present marital status. Always get him to explain why he did something important. It is crucial to understand his thought process, his value system, his judgment, his priorities, etc. By asking why, I have found you get the best answers to the above key areas.

3. Get his salary history.

4. Get his strong points.

5. Get his weak points.

6. Determine his long-range goals.

7. Determine his short-range goals.

8. Determine his personal priorities at this moment.

9. Determine why he thinks McDevitt & Street Company isright for him.

10. Determine his leadership style.

11. Have him discuss his one or two worst business enemies and why.

12. Have him discuss one or two of his best friends in business and why.

13. Who was his best boss and why?

14. Who was his most difficult subordinate to manage and why. What did he do to succeed in that relationship?

15. How does he spend his time daily? Is most of it on work, or is work something he must do to earn a salary? (Does he love his work?)

16. Does he run his household?

Make him do all the talking. Ask "why" whenever possible. The object with all of these questions is to get a better understanding of his hereditary and environmental traits. There are many other questions that are of a probing, open-ended nature which can be asked to gain insight into the candidate.

Memorandum to: Executive Committee

From: E. R. Street

Date: December 23, 1983

Re: Selecting

In my "People Business" memorandum, I gave some of my thoughts regarding each of the eight functions involved in the people business. I indicated that function 2 "Select" was a subject that I would deal with in more detail in a subsequent memorandum. This is that memorandum.

In advance, please allow me to apologize for repeating myself and for not having the subject matter better organized. However, I again stress that this is an intensely important part of the people business, and I ask your indulgence and request that you devote an awful lot of your own personal time to the selection process so that each of you will improve in this very important area.

My definition for Selecting is <u>finding the best person for the job with the least time possible spent by you.</u>

Let's assume that you have been doing a very good job in recruiting and that you, therefore, have a good potential list of candidates for the position you want filled. In order to specifically give examples in the selecting process, I am going to assume that we are searching for a project manager, even though the logic will be the same no matter what position we are trying to fill.

First we need to write a very good Job Description for the job. There are many different reasons why you need a job description. The simplest type of job   description merely describes the duties for that job. You might also describe the job in terms of functions, such as planning, organizing, controlling, inspecting, etc. Some job descriptions involve an itemization of the authority and/or limits of authority given with the position. Some job descriptions include standards of performance and, in fact, I have seen some descriptions where all that is provided are the desired results. The job description I am talking about is somewhat different from all of the

above. One book I have read on the subject calls the job description "Man Specifications." I probably like that definition best. The purpose of the man specification should dictate what is included. In the selection process, what we are trying to do is define the entire per- son in the major areas where differences occur, which differences directly affect and determine the ability or inability of the person to perform the job. Therefore, the man specification cannot just be the duties, the responsibilities, or the functions. Instead, we are trying to define the basic traits in each individual's makeup that are significant and must be present in the person in order to success- fully perform the job.

You have previously heard me describe these traits as intelligence, behavior pattern, energy level, ambition/drive, formal education, and work experience. I have already discussed each one in some detail in my "People Business" memo. Again, please bear with me as I review them in more detail as we evaluate how to identify and measure each of these traits in the selecting process.

<u>INTELLIGENCE</u>

There are tests which are utilized by different management consultants to help evaluate intelligence. Very few companies have tried to design tests that specifically identify the intelligence required for a certain man specification and then identify the intelligence level of the applicant. I have experimented with severa-1 different management consultants and am presently evaluating AVA. AVA has the greatest amount of data on this subject. I hope that soon our Company will have its own tests which can be utilized for each job. We will have to do a lot more research to get to that point.

Meanwhile, in the selection process you can get some feeling for the person's intelligence by his formal education and the grades he made. The more formal education he had, the higher his intelligence is likely to be. By no means am I saying that formal education creates intelligence; however, I think it does take a certain level of intelligence to successfully pass the exams required in the higher levels of formal education. A second, very effective way of deter- mining relative intelligence is to evaluate how much effort is required by the candidate to get the grades he made. If he made

very good grades with very little effort, he is probably highly intelligent. If he made very poor grades with great effort expended, then he is probably fairly unintelligent. My preference would be that the individual made very good grades with very hard effort. I would evaluate that candidate as being fairly intelligent and very driven, both of which are very important traits.

It is important to know that statistically the top people in business do not have extremely high intelligence. However, they do have above average intelligence as compared to a cross section of college educated individuals. If the person is too intelligent, then statistically he tends to be less driven and not driven in the direction of achieving the type of results required in a business.

Other ways of determining one's intelligence are:

1. How well organized are his thoughts? Is he scatterbrained, or does he have a logical thought process?

2. How effective is he in communication and selection of his words?

3. How does he think? Is he reflective or impulsive?

4. Does he think in a penetrating step-by-step manner in great detail, or is he a shallow thinker and cannot get to the base of a problem?

5. Can he be concise in his description of a subject or is he always heading off on tangents?

6. How many variables has he been able to handle at one time in his past track record?

I am convinced that to be a project manager, superintendent, or in management above that level, the duties require somebody with above average intelligence as compared to college educated people. The most important single function of our people in upper level of management is to make good decisions most of the time. The decisions involve very complicated subjects that require a thorough understanding of the total picture of a job and the people business related thereto. It is also imperative that the project manager must know how to allocate his time, how to set priorities, how to achieve results quickly, and how to solve problems quickly. He cannot do all of this unless he is pretty darn smart.

The major part of the AVA course which I attended was directed towards the behavioral sciences and training a person to apply this Science in the business world. Those individuals reporting to me will be receiving a lot of additional information on AVA and will be taking a very condensed version of the seminar which I attended in early December. Therefore, I will only summarize the major points regarding what behavior patterns are most desirable. I believe that the same basic pattern is most desirable for any management job in operations at McDevitt & Street Company. That would include positions of division manager, assistant division manager, senior project manager, project manager, superintendent, assistant superintendent, and engineer-in-training.

By far the single most important characteristic that is desirable is to be very high in the area we call <u>aggressiveness</u>. This is other- wise referred to as Vector 1 in the AVA program. This type of person is willing to take risks, wants responsibility and authority, is willing to be held accountable for his results, wants to control, is very competitive, likes to make things happen, likes to be able to measure his results, wants opportunity for growth, and wants to win very badly. This type of person likes the rewards that come from winning in that position. These rewards are things such as more opportunity, more responsibility, success, money, power, authority, recognition, prestige, reputation, and fame. These are words that basically represent the rewards of excellent performance in one of our operating jobs. Generally, the higher you go in the organization, the more of those rewards you obtain.

There are questions that you can ask in an interview which will give a very good indication of the degree of aggressiveness this person has. Also, you can get a pretty good handle on what his hot buttons are or what rewards he is really after in life. We could write a book on just the subject of what questions and what approaches should be taken to identify the degree of aggressiveness and the types of rewards the person is looking for and the intensity of each of these factors in that individual. That subject is so complex and so difficult to explain in a memo that I prefer not to try at this time. However, later in the memo I will discuss two books that I think have some good information on the selecting process. Both of these books have gone into great detail trying to explain the best approach

of questioning a candidate and getting him to disclose what his basic behavior pattern is, how intense these traits are, and said differently, what rewards he is seeking. (Your division manager or department head has these books. Please borrow the books from them at your convenience or ask the personnel department to order copies of these books for you.)

Let me again repeat and re-emphasize that the single factor of aggressiveness is by far the most important characteristic in the evaluation of the overall behavior pattern. If the person is not aggressive, not a take-charge person, not a can do person, not a person that wants to and can control things and people, then this person will not enjoy an operating position, and it will be very frustrating to that person.

Next in importance in the behavior pattern is a factor that I would call impatience or restlessness. This is otherwise referred to as Vector 3 by AVA. The person that is successful in operations must be very restless, have a very high sense of urgency, have a need to get things done now, enjoys and is successful working under time deadlines, is very reactive, is intense, sets very difficult time schedules for himself and conveys this same sense of urgency to others around him, has a good understanding of priorities, is a fast learner, and is bored with repetition. Our business is truly one that requires a high sense or urgency—time is of the essence. We must work under very tight deadlines, and we must have the sense of urgency that first is conveyed to our own activities and secondly, is transferred to all those around us with almost equal intensity.

There is a logical set of questions in the areas of a candidate's life that you can question him about in order to determine how strong he is in this trait.

The third most important characteristic is in the areas of sociability. This is Vector 2 of the AVA program. There can be a range of how much the candidate has of this particular trait. However, the range cannot be extreme at either end. The person cannot be too unsociable or introverted or he will never be able to understand and communicate to those around him. He will operate in a vacuum, and that precludes his being able to be an effective leader or manager of people. A person in operations must get things done through others, and he must be somewhat sensitive and aware of people and their feelings and what makes them tick in order

to be effective at managing and motivating them. On the other hand, the person cannot be too extroverted or his needs, his hot buttons, his desired rewards from the job, and his objectives will all be contrary to the things we are trying to achieve in operations. If the candidate is too high on people then he has such a strong desire to be liked and accepted that his objectives will relate to those accomplishments, rather than to accomplishing the result required by the job, which in many cases, have to be accomplished through expediting, and at times, intimidating people, which certainly does not bring acceptance from those people. It is imperative that the aggressiveness trait be much higher than the sociability trait. Basically, this allows the individual to be goal and results oriented, rather than oriented towards people acceptance. Another point to consider is that the more sociability the person has, the less analytical he is. Apparently, the study of behavioral Science has determined that a person generally is inclined to either be people oriented or analytically oriented—not both. The lower you are on people, the more reflective, analytical, Creative, and the more things oriented you are. In summary, we do not want people that are unsociable and totally introverted, but we do want people that are closer towards this extreme as compared to the other extreme of superficiality, gregariousness, and driven by the need to have people like and accept him.

Again, you should be able to mentally develop a pattern of questioning in your interview process that will determine where someone fits on the scale of sociability.

The fourth characteristic of one's behavior pattern is the degree of <u>independence</u> vs. dependence that the person desires and needs in his work routing. For simplicity, this is the way I describe this characteristic, but it is really much more far reaching than that. It also dramatically affects the method he uses in making decisions and thereby the likelihood of his making good decisions vs. a pattern of mistakes. As in the characteristic of sociability, we do not want someone at either extreme. The person that is very dependent upon others and/or detailed instructions in his work environment is not going to be successful in operations. That person is best described as the Army Sergeant who has a book of policies and procedures telling him exactly when and how to do everything. This person we call very structured and is very dependent on others or an

outside system to determine how and when he is to do something. The man in operations cannot be dependent on someone or some set of procedures for his daily activities. He must be intellectually capable and behaviorally willing to make decisions on the spot, because you simply are doing so many different things every day which you have never done before, that no book can describe adequately what he should do, when and how. The other extreme is a person that requires total independence and freedom in his area of operation. This person is the one who insists on doing it his way; he is independent in thought and action; he will make a decision his way rather than your way just for spite; and he will use only his own experience for making decisions. He often will make mistakes in his decision-making process. He is too bull-headed to ask others for advice, and then make the best decision he can based on his own experience and all other advice and data that he can draw from. His extreme independent action causes him to learn purely through trial and error.

If he is extremely smart, this may not be too bad, but it is certainly preferable that the person not be that independent oriented. I personally believe it best for the person to be independent oriented; that is, closer to the independent extreme than to the dependent extreme. However, he needs to have the energy level and the intelligence and enough of the dependent behavior trait to allow him to be willing to seek advice, seek the experience of others, and learn from the experiences of others, rather than purely his own personal process of trial and error. He also must be dependent enough to be willing to operate somewhat in a team framework. He is contrasted with the total entrepreneurial approach. This trait also is a measure of the amount of detail that the individual requires before he can make a decision. It, therefore, is also an indicator of how much detail the person becomes involved in in his daily activity. Generally, the person that is high in structure is the per- son that likes to be involved in detail and likes to work with detail and needs tremendous detail before making a decision. The tendency in this direction is contrary to the desired method of an operating person. Please do not misunderstand my thought. It is imperative that we be involved in detail, but a manager must delegate that detail to others rather than doing it himself. Someone else must check the shop drawings, must handle the change quote process, must handle contract document control, and must have all the data available whereby the manager can make good decisions.

After further study of the relationship between independence/dependence and detail oriented versus "seat of the pants," I am convinced that just because one is independent oriented does not necessarily mean that he will be seat of the pants. In other words, you can be independent and at the same time detail oriented. Also, I believe that the best set of characteristics for an operating person are to be independent oriented, but also detail oriented. In discussion of the AVA, you will note that the fourth vector is independence, and I now believe that that vector should be broken down so that the degree of detail one likes is measured in a separate vector rather than as part of independence. In studying the results of an AVA analysis on someone, you therefore will need to give careful study to the words the applicant checked to make sure that he checked words that are independent but also detail oriented. If he did, it probably will result in him being near a five on this scale.

It is pretty difficult to get a good handle on this trait through the interview process. By discussing his work track record with him, you can get some idea of how much structure he needed and was willing to accept. You can also evaluate his decision-making process through reviewing with him the major decisions he has made in his life and the thought process he used in coming up with these decisions.

There is a fifth trait that I think is of lesser importance which the behavioral sciences call <u>social considerations</u>. Basically, this is the evaluation of one's acquired social beliefs through his environment. It relates to one's ethical standards and the degree to which one operates from his own personal beliefs and ethics. A person that has very high social considerations has a very strong need for moral standards and is very aware of social norms and the need to operate within these norms. He is inclined to impose his beliefs on others, he is judgmental, and very consistent in his operation because of his need to conform. The other extreme is the person that operates purely from his emotions, is inconsistent in how he operates, may appear to operate spontaneously, and may be influenced by others fairly easily. It is important that the person be above the average on social considerations, but again, he should not be at either extreme. Examples of the extreme are: Adolph Hitler and Billy

Graham. These persons' convictions can be so intense that he is trying to lead others in his direction without regard to facts or by telling them

this is the way you must go and must believe. Please understand I am not trying to judge the beliefs of Hitler or Graham; I am only trying to show that the person can be consumed, either in a direction that can be very good or very bad. The other extreme of this trait is the person that operates totally outside of any social pressures or ethical standards. He very likely could break the law because he simply is not concerned with the punishment of being caught. He does not want to go to prison, but he does not care what people think.

It is fairly easy through questioning the candidate to determine how strong he is in this trait.

In summary, it is imperative that the candidate be at the high extreme in aggressiveness, very near the lower extreme in restlessness and impatience, and almost below the norm in sociability and independence, but not at the extreme. The candidate should be a little above the norm in his social considerations or need for ethical standards.

Again, please understand that the man specifications does involve six separate factors, and I am simply describing what I believe to be the theoretical best, but by no means does every factor have to fall exactly where the theoretical would be. That, however, is most desirable, and we should always strive for this level of achievement.

AMBITION/DRIVE

This trait measures how strong the person's need is to gain the rewards of success and how hard he will work for these benefits. It is very, very important that we understand what makes someone tick in order to really do an effective job in the selection process. Let me please take a few sentences to describe what I understand about the basic logic of the behavioral Science, otherwise called psychology.

We are creatures of need. We respond to needs that are within us. In a real sense, we do not act but react to the primary stimuli of what makes us tick. Let us go very simply through the steps from the original stimulus that creates needs within us to the outward activity that is demonstrated in our daily lives.

First we have many needs within us that must be satisfied. The intensity of these needs determines how motivated we are to satisfy the needs. The intensity is different for different needs, and it is different from person to person. The intensity of the need, therefore, determines how great our drive is or how hard we will outwardly work and strive to fulfill that need. (That is the trait we are discussing in this section.) It requires more than drive, however, to be successful in filling the need. We must have enough "behavioral energy" in order to respond to the drive within us. By way of example, our behavioral energy decreases as old age takes over or it decreases if we do strenuous exercise involving our primary organs for long periods of time. I find, for example, if you run for a long distance you lose both the ability to think and physically perform. Another trait in the man specifications is the measure of one's behavioral energy. The behavior pattern of a person is indicative of how the person will go about satisfying his need. His behavior pattern describes what he will look like as he is satisfying the need, and that obviously will determine how aggressive he will pursue that need. One's intelligence is a measure of how quickly and how easily the person can determine the best way to fill the need and then go about filling it. In other words, the more intelligent the person, the better under- standing he will have of himself, the total picture around him, and the easier it will be for him to respond to his needs and fill them. I think an understanding of the process I have just gone through would help explain the relationships and the significance that one trait plays on another in the overall man specifications. You may be super-intelligent, but without intense drive, you will not put that intelligence to work. You may be intensely driven, but without the behavioral energy, you cannot physically or mentally act to satisfy that drive. You may be driven and have high energy, but without intelligence, you will be spinning your wheels or heading in the wrong direction. You may be driven and have high energy, but behaviorally, you may be non-aggressive and very, very patient and you will be in conflict, one trait with the other. Your behavior will not allow you to achieve the things you need to achieve because of your drive and energy. However, if you are intelligent enough, you will be able to see this conflict, and in large part, work around it or resolve it.

Let's now focus on one's basic needs. We might ask what things are of most value to an individual in the world. Let's first look at the rewards of being successful in operations. Some, of these rewards are: c h a l l e n g e ,

success, growth opportunity, achievement, money, power, authority, recognition, reputation, prestige, and fame. I know that some of these traits are not important to all people in operations, but some of these traits must be important to each person in operations, otherwise, he would not be so driven to achieve in operations in order to gain those rewards. One way of evaluating his drive is simply to try to determine what rewards a candidate is trying to achieve and see if they are the rewards that are available through success in operations. If those are not the person's hot buttons, then he will not a be a good performer. Much more difficult is the process of determining how intense he is driven to achieve these rewards. I think this is by far the most important of all the traits and many of your questions need to be directed towards gaining information in this area.

Again, I will make reference to the concept of "thread of success." If the person is driven to succeed in the area of operations, then you should find a thread of success in his past track record, and it should be very, very successful if he has the drive we are looking for. -The thread of success can be measured in many areas and must show up in many different areas. They should be work related inasmuch as we are looking for the person that is driven for these rewards. Also it must be construction related. Examples of this success pattern would be rapid salary increase, rapid increase in job responsibilities, rapid increase in the amount of authority he is given, rapid increase in the success he has had in achieving the desired results, and the degree of success he has had. Other simple examples would be rapid increase in the size of jobs he has handled, the complexity of the jobs, and the number of jobs. Yet another example would be the rapid growth of his stature and reputation in the business community. All of these are simply examples of methods of measuring one's thread of success or failure. I repeat, this is the most important single trait of the six.

<u>BEHAVIORAL ENERGY</u>

This is best described as the vitality and ability of the individual to keep many balls in the air at the same time. Behavioral energy is one's awareness, aliveness, alertness, and responsiveness to different types of activity. It is also an indicator of a person's physical capacity to do work; how long he can work and stay alert. The lower extreme is identified by someone that is

continually sick, tired, fatigued, unable to concentrate, has a poor attitude, does not like to travel, and/or is accident prone. The high energy level allows someone to perform a job description contrary to the description he is best suited for for long periods of time without becoming frustrated. It is an indication of the person's ability to role play. It is a measure of the person's ability to continue to have a positive attitude in times of adversity. We have stressed that the operating job requires one to perform many different tasks quite often at the same time.

Many of these tasks do involve behavior patterns that are not the normal high aggressiveness, low patience type. When you are trying to sell to an owner that is very patient and very structured and is very sociable and is not aggressive, then it requires an operating person to play a role totally contrary to his natural being. This is an example of role playing that is crucial to the success of an operating division. That is one of the reasons why we are developing sales functions within the divisions that will have people more naturally suited to deal with these owners and owners1 representatives. Also, the operating person must perform estimating and scheduling functions that require great patience and attention to detail which are quite different from the natural behavior pattern of the operating person.

One way to measure this factor is to evaluate the person's physical fitness and the person's physical activity. If he is healthy and he does have a strong hunger for physical activity, then it tends to indicate he has a high energy level. As in the behavior pattern itself, the behavioral energy is supposedly measured fairly accurately by the AVA test. I do not have much comfort in being able to accurately evaluate one's behavioral energy through a three to six-hour interview process. One small trick I have found has been to determine how long it takes in the interview to wear the person down to the point he becomes totally honest and open and no longer has the strength to role play and hopefully does not feel threatened, thereby allowing him to really tell you who he is. If the person loses his stamina in the process too quickly, then he would tend to have low energy.

FORMAL EDUCATION

I have already spoken to this point in the January 8 memo. This is a very easy factor to evaluate. I do recommend the engineering degree. I do recommend that the person have high grades—B's or A's preferably—and that it took a lot of effort on his part to gain these grades. The caliber of the school he attended is also important.

JOB TRAINING

This is the sixth factor which has also been discussed in the January 8 memo. I would simply stress that the closer the person has come to following a training program identical to the one we recommend at McDevitt & Street, the more likely he is to be successful with our Company. First, he will have been given the right training, and secondly, it will indicate that his interests are in construction and not some other business. I think it is important that the person has not jumped from one industry to another, but rather has stayed in construction for most or all of his work experience. Certainly there are some companies such as Turner or Daniels, just to mention two, that have very good training programs at the early stages and probably have influenced the person in a manner that would be desirable for a McDevitt & Street employee. This factor is fairly easy to evaluate. I think it is important to discuss his track record in detail to determine if the person really had the authority and responsibility he indicated or was he just an assistant.

This evaluation is very important in trying to draw up the "man specifications" for the particular job involved. Please note that you are not evaluating the job duties, the responsibilities, or the functions—rather you are evaluating the basic traits of the individual as required for the particular job involved. In addition, it is important next to draw up the job activities, the duties, the functions, and the standards of performance. This is very important so that the candidate will understand what he will be doing, how he will be measured, and what his authority will be, his responsibilities, and the limits of his authority.

After having done all of this, (which theoretically should be done one time in our Company for each basic job description and updated periodically) then you are ready to evaluate the candidates. Again, it is imperative that you develop the ability to do this with the least amount of time expended by you personally.

The first aid in the selection process is the resume. Even if I know the person through contacts in the industry, I still find it very important to get a resume that covers at least the subjects provided in Exhibit B of my January 8 memo.

I would like to make the following general observations regarding the resume:

Resume

1. The purpose of the resume is to gain key information about the employee as a basis for understanding him better, and secondly, to provide the information whereby you can eliminate as many candidates as possible as not meeting the man specifications for the job.

2. I believe there is a definite correlation between age and the position in operations. Specifically, the candidate should have spent about two or three years in the field and about one year in the office training to be a project manager. Therefore, he should be a project manager by age 25 or 26. He should spend about three to five years maximum as a project manager and then should be somewhere above that level, either assistant division manager or division manager in training. Therefore, if we are looking for a project manager, he should preferably not be over 30 to 35. If it has taken him longer than that, then he has a poor thread of success, he has had too much patience, he has not been aggressive enough, and/or his behavioral energy or intelligence has not been adequate to get him to project manager as quickly as he should have gotten there. For whatever the reason, it is very unlikely that he will be able to climb the mountain at the rate we want him to climb it. Also, I think his behavioral energy will begin to drop or at least level out at that point. If we are looking for a division

manager, the project manager should not have taken more than four to six years to become a very good division manager, and therefore, the division manager preferably should be 35, but not 40. I am afraid that a person in operations by age 40 is too set in his ways to make it with our Company and climb the mountain we want him to climb. (Please understand that this is a guideline as the theoretical best, but is by no means an absolute. There are exceptions to every rule.)

3. I recommend his work history be totally in construction. It shows stronger interest in our business, and obviously it gives better experience, and it indicates his drive is more clearly alligned with the rewards of success in operations.

4. I would give careful consideration to the types of contractor she worked for. I would check closely for the threads of success.

5. Reference salary—I would check closely for growth and logic in his track record in this area. The salary can tell you a lot about how the person did as viewed by the employer. If it is a good company he worked for, this is by far the best measurement that can be made.

6. Study his education carefully, including college, grades, and effort expended.

7. Evaluate the neatness and quality of the resume, particularly evaluate whether the person is factual and logical or is he a sales (B.S.) artist? I do not believe I have ever seen a sales resume that was produced by a good operating person.

TELEPHONE INTERVIEW

The next aid in the selection process which should follow the resume is the brief telephone interview with the candidate. Generally, I find this not to be a very successful means of selecting an employee. My comments regarding the brief telephone interview are as follows:

1. The purpose should be to screen out those candidates that have very salesy resumes, but the facts simply don't substantiate what he told you. Also the purpose of the telephone conversation is simply to set up a time and place for the in-depth one-on-one interview.

2. The telephone conversation should be very structured. You should direct specific questions to the candidate trying to get quick concise answers in major areas of concern.

3. Emphasize facts and past track record. You will not do much good trying to discuss philosophy, strong points, weak points, goals, etc.

4. Try to determine if he really has had a good track record in his work history, a thread of success.

5. Get clarification on his education and salary history.

6. It is extremely important that you do not show your hand if you feel this is a person that may be your choice for the job. If you plan to interview him face to face, don't tell him what you want him to tell you.

IN-DEPTH INTERVIEW

By far the most important process is the one-on-one in-depth interview. My thoughts regarding the in-depth interview are listed below:

1. Make certain that you have a good environment for the interview—no disturbances, no telephone calls, comfortable, relaxing—an environment where the candidate will relax and feel at ease.

2. Allow adequate time. Personally I find it takes maybe three to six hours to interview someone that you really feel is a good candidate. This is the most important part of the selection process, and is probably the most important part of the entire people business. It is inconceivable to me that we do not spend the time to make certain that we really understand the person we are interviewing. If you get the right person for the job, then everything else will be simple. If you get the wrong person, not only will you have to do his job, but he will cause untold problems that would not have been caused had he not been there. So it isn't a question of going from zero to +10, but it is going from -10 to +10.

3. The purpose of this interview is primarily to evaluate the four characteristics of drive, behavior pattern, behavioral energy and intelligence, and to explore his track record in detail. Is he the very best person for the man specifications?

4. The first thing to do is to make the candidate comfortable. You will not get anywhere if he is in conflict with you or uncomfortable. Compliment him or talk first about something that you can support him on so that he feels you are not a threat.

5. Take notes. You cannot possibly remember all the details of the interview.

6. Get him to do all the talking and you simply direct where you want the conversation to go. Really listen to what he says. REALLY LISTEN!!

7. Sometimes his body language will tell you as much as his

conversation. Is he keen and alert? Is he driven, is he restless, or is he dull, is he slow, is he submissive in his body language?

8. Ask open-ended questions, not closed-end. Open-ended means a question that cannot be answered by a yes or no. Example: Do you like to play golf?—closed end. Tell me about your hobbies?—open-ended.

9. Ask layering questions, rather than questions in parallel. Example: ask what hobbies he likes, ask why he likes the hobby, ask why he prefers that hobby over others, dig into the competitiveness of the hobby, the solitude vs sociability of the hobby, the patience required, the question of aggressiveness in the hobby. Ask the questions in a way so he has no idea what you are trying to evaluate.

10. Ask probing questions. Dig deeper and deeper into whatever the subject is you are discussing—the purpose being to find out how he thinks, how he makes decisions, why he made the decisions he did, what were his alternatives, is he a logical thinker, is he intelligent, etc.

11. There is a good book that discusses communication. It breaks down communication into four different levels. They are as follows:

    a. The level of conversation you enter when you pass someone in the hall—"hi, how are you today?"—totally trivial. You do not even know you said it, you do it because it's the right thing to do—because of your learned trait of the need for acceptance from others.

    b. Discussions that you might have at a cocktail party— subjects such as: the weather, hairdo, what one is wearing, how the children are—the type of subjects you normally carry on with someone in order to pass time, but not really looking for any answer and not really caring what the answer will be.

    c. Discussions on subjects relating to your outside environment which are important to you—such subjects would be: ecology,

economy, education, politics, stock market. These basically are subjects that are important in the areas of food, clothing, shelter, and security.

d. The fourth level of communication is at the gut level. That is discussions of how you really feel inside. It is discussions of self. It relates to subjects such as love, hate, fear, anxiety, passion, needs, etc. These subjects relate to your inner being and involve primarily subjects of ego satisfaction and self-actualization. This is the level of conversation you need to get into with a candidate, and it takes intense skill and true care and concern to get there. Any discussion related to conversation of the (a), (b), or (c) type listed above is really not relevant and will really tell you very little about the person's man specifications.

e. By the way, that book has one further level of communication. That is when you know the person so well that you do not need to say a word. You both know where each other is and what each other is thinking and feeling. That theoretically is where you are trying to get with the employee once he is hired and can develop a relationship with him.

12. Sometime during this interview, preferably at the beginning, give him the AVA test. I do believe that is an additional instrument that can help you better understand the person in the area of behavior traits and behavioral energy. It may be a very good piece of the entire puzzle.

13. I have some concern over giving a candidate an intelligence test, but generally, I am beginning to believe that it should be done. We are exploring this subject in more detail, but I do believe we will find there is a definite correlation between intelligence and performance in operations.

14. Don't hesitate to end the interview if at any time you decide the person is not the right candidate. Always leave the person as pleased with you and the Company as possible. Tell him he is a great person, but the job is something different from his great characteristics—the job is not right for him.

15. The better the candidate, the longer the interview should take. You may end it in one-half hour if he is no good. If he is great, you should spend as much time as you possibly can trying to prove to yourself that he is not good. It is easy to decide he is good; it is hard to decide that he is not good. Your natural instinct will say he is good because you are impatient, you want to get results, and you do not want to mess around talking to any more people.

16. Because of your natural instinct to take someone less than the best, I use the philosophy that if you can find any negatives about him, eliminate him as a candidate. You need to think you have a person that is a +98 or 99 compared to a scale of 100. Usually when you hire him, you will find he is somewhere between 50 and 90.

Refer to Exhibit C of my January 8 memo for typical questions that you might ask to try and get to the gut level in your conversation with him. Other examples of good techniques to get at this level are as follows:

(a) Ask him to describe himself to you.

(b) What traits does he admire in others?

(c) What would he consider the best job for him?

(d) How does he plan to accomplish his goals?

(e) How would a friend describe him?

(f) How would someone who does not like him describe him?

(g) In what areas does he lack confidence?

(h) What does he like best about his past jobs? (The approach I am trying to stress is to ask questions that relate to what he likes, dislikes, hates, what he needs, what he does not need, who he really is, what really makes him tick.) Again, the best way I know to start that type of question is "why."

17. Professional interviewers emphasize about 10-12 parts of one's past experience that you should explore with the candidate in trying to answer the question of who he really is. These areas are as follows:

(a)   Work experience
(b)   Educational background
(c)   hobbies
(d)   Social life
(e)   economics
(f)   Present family life
(g)   Early family environment
(h)   health
(i)   Philosophy and goals
(j)   religion

In my opinion, by far, the most important areas to cover in great detail are his work experience and his philosophy and goals. I would leave until near the end the discussion of his philosophy and goals. You are asking him directly to tell you who he is and what makes him tick when you get into that area. Prior to that point you were trying to find out the answers to those questions without his knowing what the right answers were. Hopefully, you have developed a very strong relationship with the person at this point and he will not be afraid to tell you who he really is. At the point that you start talking about philosophy, his goals, his drive, and his behavior pattern, you hopefully have a good understanding yourself of who he is in these areas and the purpose of the direct discussion of these subjects is simply to reconfirm what you think to be correct. It is very important and very difficult to make certain that you do not force him or allow him to start selling you, rather than really telling you who he is.

18. It is very, very important to get as many qualified candidates as possible. The best way to make a good selection is to select from alternatives. The subject matter is very complex, and it is easier to compare than it is to evaluate against a theoretically perfect individual.

19. I almost always would recommend that you not hire at the end of this interview process. One important phase yet to be accomplished is the reference checking. I find it much more beneficial to check references after the intense interview, rather than after the telephone conversation. You have a much better handle on what areas you want to explore further and where you might have any concern.

20. If you think he is a very high prospect, I recommend you tell him pretty much of the detail about the job and sell him on McDevitt & Street. If the interview has been very long and tiring, then you may need to do this again at the hiring interview.

21. One important advantage of a detailed description of the job and a strong sell of McDevitt & Street is to give the candidate the chance to respond to you as to how strongly he really feels that he is right for the job and for McDevitt & Street. Quite often I place a lot of importance on the candidate's evaluation of whether he is the right person for the job or not. Certainly if he does not palpitate at near +10 after your description of the job and the Company, then I would seriously question whether he is right for the job.

REFERENCE CHECKING

One of the most important sequences in the selection process is checking references. I recommend two good books on this subject (How To Interview And Hire Productive People and Interviewing For Managers) which are available through your division/department or through Personnel. In these books, you will find samples of reference checking forms that you would fill out and will give a guideline of what to ask. I would stress the following points:

1. Find out how well the reference knows the employee and for how long.

2. What relationship existed between the candidate and the reference?

3. What real capacity did the candidate fill in the time frame that the reference knew him?

4. What work, if any, did they do together?

5. Evaluate his people skills in detail.

6. Ask what the reference thought about the candidate's priorities, strong points, and weak points.

7. Ask what the candidate was earning.

8. Ask if the reference would hire the candidate for the job we are considering.

9. The main purpose of the reference checking is to determine how the reference evaluates the person in each of the six major categories and to verify that what the candidate told you was the truth as it relates to these factors.

10. I find that reference checking is extremely important and to really get the best evaluation from a reference, you should spend the time to meet with that person face-to-face. Quite often, time does not allow this to be done, but in the instances when I have done this, I got a much better insight into the candidate. Attached is an example of Executive Consulting Service's reference check form which they recommend you use (Exhibit A).

Probably one of the best techniques for improving your skills in selecting is by doing a lot of it. There is a technique which you should use. You will improve your own technique the more you practice. Actually, that practice session must include the training, development, and management of that person to determine how successful or unsuccessful you were. In other words, you do not really know if you are doing a good job at selecting until you have three or six months in which to evaluate how good the employee really is at the job.

One of the most important points that you must remember is that no matter how good you get, it is very difficult to keep from making mistakes.

Therefore, it is imperative that you are willing and ready to terminate the employee as quickly as you find out you have made a mistake. Don't keep hoping that he will change; make the termination quickly. It is best for the employee and for you.

I recommend that you make a comparative analysis between the candidates before making a final selection. I recommend that you list on the left—hand side of the page in a column the six basic traits of the man specifications. Then list each of the final candidates across the top of the page and rate each candidate in each of the six traits on a scale of O to 10. I would then total the numbers and see who has the highest total. This in itself should not be the deciding factor for the selection, but it does allow your mind to evaluate the candidates in a more analytical and summarizing fashion.

Probably one of the best ways to allow yourself to improve in the process of selection is by reading books that have been written on this subject. (Your division manager or department head has two books on this subject. Please borrow the books from them at your convenience or ask the personnel department to order copies of these books for you.) The first book is entitled HOW TO INTERVIEW AND HIRE PRODUCTIVE PEOPLE, by Jack, Peter, and Don McQuaig. They are also the managing partners of a good management Consulting firm called McQuaig Institute. I do think that they have some very good ideas, and in some areas are advanced from our present level of development. However, in some areas I think we are far advanced to them. Please allow me to comment briefly on this book as follows:

1. I obviously disagree with their belief that you can interview a person in one hour.

2. I disagree somewhat with the qualities they think you need to evaluate in a person. They have six qualities. One is temperament, which is exactly the same as what I call behavior pattern. They have only four job patterns, which are in AVA's terminology: 1199, 9911, 1955, and 9155. Their level of sophistication in this area is very poor. A second quality is motivation, which is identical with what I call motivation/ drive. Their factor called "aptitude" is the same as what I referred to as intelligence. They

have a section called "attitude" which relates both to drive and aggressiveness, and to some extent, energy level. They have too many different definitions for attitude, and I find great difficulty in measuring it as a single ingredient. They have another quality which they call "stability." They define it at one point as ability to adjust and at another point as steadiness. Steadiness in itself is a part of AVA's behavior patter under Vector 3. The ability to adjust is a measure of one's energy and/or the ability to role play. Again, the word stability in itself is too multi-faceted a word, and I find it very difficult to measure the way they have defined it. They have a sixth quality called "maturity" which again has so many different definitions that I find it impossible to measure. It does relate to intelligence and aggressiveness. Personally, I much prefer the six traits I have used in lieu of the six they talk about.

3. They have some very good information on the ten areas of one's past that you should evaluate in order to determine who the man really is. They also have some very good recommendations for techniques in interviewing. At the end of the book, they give some fairly simple examples of how to apply their procedures and make them work. The last section is an example of a real interview, and I think it is very helpful to read this.

The second book is entitled INTERVIEWING FOR MANAGERS, by John D. Drake, who operates in conjunction with the American Management Association. The book is actually published for and by AMA. This book has some very good points. I would like to make a few comments as follows:

1. I think his recommended "emergence approach" as a new way of Interviewing is ridiculous. I am sure you will have your own idea on the emergence approach. I have tried it several times and have gotten nowhere.

2. He has a very good suggested plan for conducting the interview.

3. I do not think it is worth reading Chapter 10 - "Recruiting and Evaluation of College Seniors."

4. Please note that the traits or factors he recommends you evaluate in each individual's makeup are intelligence, motivation, personality, knowledge, and experience. Intelligence and motivation are identical with two of the ones I recommend. Please note that he includes energy level as a section of intelligence. I find no fault with these, and it does make sense, since it is indirectly related to intelligence. Personality is the same as our behavior pattern as defined by AVA. And his fourth section "knowledge and experience" I think relates primarily to one's formal education and work experience. Therefore, I would like to believe that even though he first talks about the emergence approach and his desire to look at each individual as a unique entity without any preconceived notion of traits you are trying to identify, yet at the same time, the traits he is trying to identify are those four traits and are identical to the traits that I would suggest we need to identify. Please look carefully at Appendix A on page 173 where he gives sample questions for ten areas of the candidate's life, which should give information regarding traits as outlined in the right-hand column. This should give you some further ideas of how to approach exploration in each of those areas.

As I have previously said, this particular subject is so complex that I do not believe there is any perfect way to do it. I would hope that this memo and these books will serve to stimulate your own thinking and allow you to improve in the business of selecting people, and thereby help our Company to grow and develop. Please do not accept what I am saying as the only way. I wish you would help me to improve in this very important area.

I do again stress and re-stress the importance of your reading this memo and these books. It is only by that process and by trying it yourself that you will improve.

Respectfully,

D-26

Memorandum to: Executive Committee

From: E. R. Street

Date: December 23, 1983

Re: Training & Development Program

The training and development of our people is one of the <u>most important</u> duties that we must perform. <u>Each employee</u> is responsible for training all people who report to him.

In training our people, the first several months of employment are very critical for a new employee. During that time, his attitude about his beliefs regarding McDevitt & Street Company are, in large part, developed. Also in those first few months, the new employee is most receptive to the learning process. Significant individual <u>change</u> can occur then.

Training and development is not something that is magical and is not something that can be done by a separate department. <u>Each individual's boss is responsible for his training and development</u>. (This is a fundamental concept in the philosophy and style of McDevitt & Street Company, and it is imperative that we understand its total implication.) The boss will primarily train and develop through one-on-one communication, but he can also use seminars and other people within and outside the Company to help in the training process. For example, a division manager can use his chief estimator to train an EIT in the estimating function.

Immediately after a new employee is brought on board, a thorough and detailed training and development program should be developed for him. The program should cover the long and short-range time frame, and the employee should be consulted in the preparation of the program. The employee should approve the program.

The <u>long-range plan</u> should trace the positions and time frame that the employee shall follow in his growth program as he heads toward the final position that he is trying to attain. The plan cannot describe exactly what the employee will be doing, because much of his training will be on unknown jobs that he will be getting in the future. For that very reason, it

is even more important to try to define in detail what types of positions, what <u>functions</u>, and what <u>responsibilities</u> the employee will have and why. He also needs to know the time table as best we can define it.

The <u>short-range plan</u> should specifically describe what the employee's immediate assignment will be. This plan should also provide the initial indoctrination of the employee in McDevitt & Street Company.

Training Program for Operations Position

Below is my present belief as to the detailed steps that an EIT fresh out of school should take in his growth on the operating side of our Company. Please understand, and I stress that this is not intended to be the Bible, but only a guide. Every person is different, and his training program must be geared to his particular needs.

A.   Field Experience   (One-two years minimum)

    1. One concrete structure – high rise preferred

    2. One job in its entirety

    3. Desired position to occupy:

    - Gofer

    - Rodman, instrument man, chief of party

    - Field office Engineer

    - Assistant Project Manager

    - Assistant Superintendent

    - Superintent

B.   Estimating   (Three months minimum)

    1. Quantity take-off

    2. Pricing

    3. Schedule

    4. General Conditions analysis

    5. Working subcontractors & receiving prices

    6. Running the General Summary Sheet

7. Job risk analysis

C.   Assistant Project Manager   (Six months minimum)

1. Contract documents control & distribution

2. Scheduling

3. Shop drawing process

4. Change quote & change order process

5. Subcontractor control

- Communication, schedule, expediting, problem solving, relations, etc.

6. Architect control

- Communication, schedule, expediting, problem solving, relations, etc.

7. Owner control

- Communication, schedule, expediting, problem solving, relations, etc.

8. Superintendent contact & relations

- Helping the superintendent lead the weekly/monthly coordination meetings

D. Project Manager/Senior Project Manager (Three years minimum)

1. Marketing
2. Business development
3. Leading the selling team on potential new clients
4. Leading the estimating team
5. Contract negotiations with owner
6. Contract documents control & distribution
7. Scheduling
8. Shop drawing process
9. Change quote & Change order process
10. Subcontractor control

- Communication, schedule, expediting, problem solving, relations, etc.

11. Architect control

- Communication, schedule, expediting, problem solving, relations, etc.

12. Owner control

- Communication, schedule, expediting, problem solving, relations, etc.

13. Superintendent contact & relations

- Communication, schedule, expediting, problem solving, relations, etc.

14. Recruiting/selecting new field and office employees

15. Training, developing, and managing new EIT's from position of Gofer to Project Manager

E.   Assistant Division Manager (Two years recommended)
1. Marketing

2. Business development

3. Leading the selling team on potential new clients

4. Leading the estimating team

5. Contract negotiations with owner

6. Monitor and help in relationships with all team members involved on the projects

7. Long-range division planning

8. Long-range marketing/selling strategy

9. Training, developing, and managing the division project managers

10. Leading the division estimating staff

11. Participate in corporate matters

F. Division Manager

    1. Marketing

    2. Business development

    3. Select, train, develop, and manage his own division sales, estimating and project management teams

    4. Training, developing, and managing the division project managers

    5. Leading the division estimating staff

    6. Long-range division planning

    7. Long-range marketing/selling strategy

    8. Participate in corporate matters

    9. Help in the management of the Corporation through the Executive Committee

G. Regional Manager   (Responsible for Two or More Division)

    1. Long-range division planning

    2. Long-range marketing/selling strategy

    3. Participate in corporate matters

    4. Help in the management of the Corporation through the Executive Committee

    5. Select, train, develop, and manage division managers

As stated in other memos, the employee must have the right raw material (intelligence, behavior pattern, motivation/drive, and behavioral energy). The employee also must have an adequate formal education. It is my belief that, statistically speaking, the project manager will have a much better chance of success if he has a four- year engineering degree, preferably in civil engineering or building construction. With this raw material and this formal education, the person will have a very, very good chance of a very high level of performance in the steps of the training program itemized above. Not only does the formal education provide valuable knowledge, but it helps discipline the mind in a logical and analytical thought process. It is extremely important for the manager to be able to see the total picture, to think clearly, and to be able to solve problems. The same comments are true for our superintendents, but we do not feel that a degree is necessary.

Some people will be best suited to be estimators, some salesmen, some project managers, and some division managers. This same training program with some modification can be used as the steps to be taken for filling any of these positions.

McDevitt & Street Company System

The section below outlines everything about McDevitt & Street Company and its team members which the employee must know in order to really do his job properly.

A.   History
B.   Mission or purpose
C.   Philosophy
D.   Style
E.   Visual identification & public relations
F.   Strengths and weaknesses
G.   Construction environment
H.   Competition
I.   Long range plan
J.   Yearly plan
K.   Organization chart
L.   Key people

The new employee should meet the following key people and spend enough time with each of them to get to know the person and the functions and responsibilities of that particular person.

Office: Division personnel, Executive Committee, Controller, Equipment Manager

Field: The new employee should visit each division project and meet each superintendent. Depending upon the position of the new employee, it is suggested that he spend enough time with each superintendent to understand his job, how he accomplishes his job, and his personality. For example, if the new employee is a project manager, he should spend sufficient time with the superintendent with whom he will be working so that he can understand that superintendent and how he runs his job. A business developer should spend enough time with each superintendent and project manager in the division to get to know and understand him.

M.   Job descriptions & standards of performance
N.   Personnel Policy Manual
O.   Procedure Manuals
P.   Product/services provided to clients

The product/services provided by McDevitt & Street should be discussed in detail. These product/services include: construction management, negotiated contract, cost-plus work, design-build, fast track, value analysis, alternative products, budget control, time control, owner/architect relationships, etc. In other words, every aspect of our operations needs to be covered.

Q.   Marketing Strategy & Program

Again, the depth to which the following is discussed with the new employee is dependent upon his position with the Company.

1. Evaluation of our competition

2. Evaluation of projects

- type of project we desire

- risk factors on a project

- project sizes

- jobs in progress and completed projects

- people relationships (owner, architect/engineer, sub- contractors, subordinates, etc.)

3. Demographics

- geographic location of projects

- human resources

4. Contacts for New Business

- subcontractors

- suppliers

- architects

- economic/industrial developers

- developers

- real estate firms, etc.

5. Clients

- prior clients

- current clients

- activity

-       result relationship with clients

-       the need for a channel of communication with the client

R.   Services Provided to Division

1. Equipment

2. Bonding

3. Accounting

4. Safety

5. Banking

6. Data Processing

7. Financial

8. Investors

9. Insurance

10. Corporate consultation

S.   Subcontractors

T.   Suppliers

U.   Architects/Engineers

I strongly support the theory that the employee will do a much better job if he knows everything there is to know about McDevitt & Street Company. He truly is a member of a great team, and he should know all about the team. When hiring a new employee, I think it is very helpful to have him come into the office first in order to learn about the M&S system. Obviously, he cannot learn it all in a week or a month, but you should give him as much of an overview as possible.

This will help him know the total picture, where he fits in, where he is heading, and generally, allow him to get a flavor of who M&S really is. I would try to have the employee absorb as much as he possibly can about the M&s system as soon as he comes on board. For emphasis, I repeat that this section should be a major part of the short-range training program. As much of this should be fed to the employee as he possibly can absorb in the first month or two.

I particularly recommend that he be given the opportunity to talk to all key people in the Company for one-half to one hour to learn who they are, what they do, and also to allow them to help teach him the M&S system. Some of the M&S system will not be understood at first and must be reviewed with the employee at different times during his first five years of employment.

The employee's boss should specifically discuss A through G, I through 0, and 8 through U of the McDevitt & Street Company System with him. .The division salesman or corporate marketing man should discuss H, P, and Q. The Equipment Manager should discuss the Equipment Division. The Financial Executive Vice President should discuss R, 2, 5, 7, and 8. The Controller should discuss all aspects of Accounting. The Corporate Secretary should discuss safety, office management, contracts, and insurance. The Data Processing Manager should discuss data processing. The Chief Estimator should discuss subcontractors, suppliers, architects, engineers, and other team members.

By this process, the employee gets to know the key people at the same time he learns what M&S does. The entire process of initially learning the M&S system and setting up the meetings with the people should be quarterbacked by the employee's boss.

TECHNICAL AREAS OF SPECIALIZATION

The section below relates to technical areas that the employee must learn about and which simply cannot be taught in schools.

A.   Estimating and quantity survey, pricing general conditions, subcontractors and suppliers

B.   Scheduling/planning

C.   Buy out

D.   Selling

E.   Construction contract law

F.   Construction claims

G.   Risk analysis

These areas of specialization involve judgment, and the learning process will continue as long as the employee is actively involved in operations, for example, the process of "Risk Analysis" is truly understanding the total picture of M&S Company and will probably not be understood by the employee until he becomes a Division Manager.

Many of the technical areas can be best taught in part by consultants such as Fails, AMA, Luther Cochrane seminars, AGC Marketing Course, CPM Scheduling Courses, IBM Computer Courses, etc. I strongly recommend these types of courses when the employee starts his training in the office. These courses are always good to take later as refresher courses.

The section below is one of the most critical and important areas that we must learn, especially in order to be successful at the level of Division Manager.

A.   Recruit

B.   Select

C.   Train/Develop

D.   Opportunity

E.   Environment/Climate

F.   Motivate

G.   Guide

H.   Assist

Our Company has been very, very weak in providing any formal training in the area of "People Business." I believe this is an area that we can improve in drastically, and I am personally spending a lot of time on this.

Recruiting and selecting simply means bringing on board the very best raw material possible for the job. They may or may not have progressed very far up the chain of command in the construction business.

Much more must be done to truly get us in high gear on training and development, but most of the work will be each of us as managers understanding and practicing the professional process of training our own team members.

The areas of opportunity, environment/climate, motivate, guide and assist simply involves dealing with each of your team members and each person involved in accomplishing your plans in such a manner as to have him tick at +10. This is an ongoing and continuous process that involves communication, understanding, true care and concern on your part, consultative discussions and all of the other elements of the M&S style. This is also an area that is so very important, and one that we need to

work on and improve in very badly. These areas require a great deal of one-on-one interaction. You must have a substantial amount of personal contact with each team member in order to train and manage them. I am personally working on this area. One of the most important first steps in order to improve in this area is to really understand the behavioral Science. There are many good practical business courses on this subject.

It is extremely important to provide the proper environment, climate, and opportunity for your team members so they will in fact learn, grow, and develop as fast as they possibly can to become the best that they can. This environment must start with the management style of M&S Company. Let the person run his show. Let him plan his work, organize his department, hire his people, train and develop his people, compensate his people, measure his performance by his results, not by his actions, tell him everything, be consultative and truly care about his success, be professional, let him be his own individual and use the methods that work best for him, be fair and yet demand the very best that he can give. This style and philosophy must be utilized in order to have the employee tick at +10 and really grow and develop to his fullest potential.

As you follow the various positions from the field assignments to Division Manager, you will be able to determine when the employee can best be taught the information that is covered in McDevitt & Street Company System, Technical Areas of Specialization, and People Business. For example, he really becomes heavily involved in the people business when he is Assistant Project Manager. He must at that time start learning all we an teach him about the people business.

This briefly defines what I believe to be the very best training and development program for operations people of McDevitt & Street Company, and I request your very careful review and study of this.

Respectfully,

ERS:djp

This book is an inside look into McDevitt and Street Company, the most successful general contractor of the 20th Century.

The majority of baby boomers entered the workforce during the 1980's, and the commercial building boom that accompanied this offered an unprecedented opportunity for the building industry. McDevitt and Street Company jumped from a small regional contactor to become the third largest general building contractor in the United States during this decade. This book provides a very rare inside look at this remarkable Company and its leader, Bob Street.

Bob Street

The late E.R. "Bob" Street, was the chairman of McDevitt & Street Co. He started his career at the age of 14 when he performed various summer jobs. A graduate of Davidson College and the Georgia Institute of Technology, he joined McDevitt & Street as a field engineer in 1962. Street succeeded his father, the late C.P. Street, as president and chief executive officer in 1972 and became chairman and sole owner when his father died in 1984.

Mike Vallez

Mike Vallez is a construction industry executive and consultant. He is an engineering graduate of Michigan Technological University and an MBA graduate of the University of Utah. Vallez started working for McDevitt and Street in 1984 as a project manager, and was assigned some of the Company's toughest and largest projects before becoming a group manager, and business developer with the firm. He later rose in the industry to Vice President and President.

For additional copies of this book, contact Mike Vallez.

Phone; 801-502-0951
Email: mvallez@mikevallez.com