

2014 COMMERCIAL CONSTRUCTION & RENOVATION RETREAT

These are better days

Future workforce, project pipelines dominate industry conversations

In an industry on the rebound, one of the most pressing issues facing commercial construction executives across the board is finding the right person for the job, so to speak.





Clay Addison
Dir of Construction
Belk



Kelli Buhay
Dir of Bus Development
Retail Maintenance
Specialists



Sue Burke
Director, Project
Management
Hilton



Darrel Chaney
Construction Consultant
Prime Retail Construction



Brad Gaskins
Principal
The McIntosh Group



Pete Giger
Special Projects Manager
Sports Authority



John Griffiths
Director - Construction
Operations
Campus Crest



Rick Hall
President
The Beam Team



Carl Hren
Vice President Construction
& Capital Assets
Concord Hospitality



Kevin Little
Facilities Engineering
Grifols



Susan Lloyd
PM Estimator
Family Dollar



Jose Luis
VP Real Estate
Development
Family Dollar



John Monteith
National Strategic
Accounts
Tecta America



Chris Pierce
President
Design Team Sign



Jeff Roark
Principal/Partner
Little



Ron Stupi
President
QPM



Mike Wendel
Snr Construction Manager
Cici's Piizza



When the slumping economy threw the commercial construction industry into a tailspin, it suffered a huge defection in talent in a number of key areas, from project managers to various skilled labor positions. That void has changed the way companies approach their hiring practices, especially as construction pipelines continue to move forward in a revived economy.

This conversation took center stage in the second half of the roundtable discussions during the 2014 Commercial Construction & Renovation Retreat, held at the Aloft Hotel in downtown Charlotte this past October. The three-day event also featured a series of networking opportunities, including a NASCAR ride along at Charlotte Motor Speedway.

Following is the final installment of our Commercial Construction & Renovation Retreat coverage and Friday morning open forum. For more information on our CCR Retreats and events, visit us at www.ccr-mag.com.

We're at \$10 million in business right now, and our goal is to double our business. It's all about continuing to build relationships.

— Retail Maintenance Specialist's Kelli Buhay



CCR: How are you handling the entitled project managers that you're hiring today?

Campus Crest's John Griffiths: I've spent the last two years interviewing between 150 and 300 APMs, and between 75 and 150 project managers. When you hire an APM — assistant project manager — you lay out the path for them of what it's going to take to become a project manager or a senior project manager. And they understand that when you hire them, that it's a year and a half before they can even be considered a project manager. That it's going to be a lot of work and long hours, and that they're going to have to learn all of these skills. They know that they're going to have to perfect what they spent 20 minutes on in college getting to what you think is proficient. And so you hire them, and you hire them at a decent starting rate.

I think there's a bunch of people in this room who might be offering that person a PM job because they need bodies. A lot of that probably starts here. We can solve this problem and make sure we understand what the value of their skill set is so that they don't climb too fast and they're not unhirable later on. It's an interesting problem that we've faced.

QPM's Ron Stupi: We have a few things. One started just a few years ago. We have a pretty strict hiring process. Not that it's good, bad or indifferent in terms of the elements to it, but we have a process and we adhere to it every single time. There's a round robin interview and there's some skills testing, so it kind of hits from all angles. It helps ferret out a lot of the people who interviewed really well, but are maybe lacking skills, or people who have skills, but may not have interviewed really well. So, I think we attract, through that process, a well-rounded individual.

During that process, we set expectations very clearly. We say, "Look, this is what you're going to make. If you are driven 100 percent by your salary versus culture and variety, we are not the company for you." We set that expectation very clearly. By the same token, assuming they come on, we do a couple of things. Everybody gets assigned a mentor — somebody who is one or two levels up, depending on who he is and what his role is. They're the safe zone.

This new hire can say, "What am I doing right? What am I doing wrong? Why am I not getting recognized or why am I getting recognized?" Unfortunately, I would

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— QPM's Ron Stupi

suspect many of the service providers in this room are in the same boat – we can charge what we can charge. So we don't have the ability to overpay very often, because it's not a sustainable business model. We've lost more people to customers than our competitors, vendors, retailers or hospitality folks who say, "Hey, come work for me and I'll pay you more than you're making for the private vendor."

We're somewhat limited by our ability to do so. But I think it's about having a process to follow, setting expectations and having a mentor for good feedback. It's about having a process and sticking to it, and having clear expectations about what you're going to experience when you come to work for us. We'd rather continue to fight and find the right people than hire a warm body that kind of fits our need for the moment.



The Beam Team's Rick Hall: We have 10 or 12 project managers who work for us. Our goal is to create something more than just a job. Everybody wants to be a part of something bigger, so we work to get everyone involved.

Even the younger managers take an active role and give feedback. We let them be a part of the answer and solution. It's not about giving them orders and telling them how to do their jobs. We want them to participate in the development of the project and company.

This strategy works. We have little management turnover.

QPI's Stupi: I think this may be a generational thing. The more seasoned employees have a tendency to put down their heads and do a good job, knowing that they'll get recognized at some point. Whereas, you see a lot of the more junior employees seeking constant feedback. Like Rick said, they want to be a part of something. So, whether it's good, bad or indifferent, doing a review of how they are doing is the right thing. But it has to be monthly or every other month. Tell them what and how they are doing. Give them feedback. They have a real hunger to learn, at least the good ones do, but they want your feedback. They want to participate and feel like they're making a difference.

Prime Retail Construction's Darrel Chaney: I'll add another twist to it. In our company, after the interview process and all the expectations have been discussed, we send them up to meet our president and CEO, Donald Bloom. He sits down with them and helps them understand how much they matter to our organization. Forty-five percent of the people who leave their company, leave because they don't think they matter. So we try to help them understand that they do matter, no matter where they are on the pay scale or where they start with us, we remind them that they have an opportunity to grow, get promoted and move up. In whatever position they're hired at, they know that we can't succeed without people like them.

You can look at any business or any sports team – you can't win without that guy in the middle. You just can't. I worked

at a real estate company where we had high-end and low-end producers, but it was the people in the middle that we could count on every day to make a sale or two. Those were the people who helped pay the bills. They mattered, and they would leave if they didn't think so. I think that strategy works, at least it does in our company's culture.

Family Dollar's Jose Luis: If your employees are working for you solely for the money, and that's all they're interested in, they should find another place to work. Nonetheless, you still need to pay people based on the value they add. You have to understand what the market is and what value each person can add to your organization. That's what is most important to you and your customers. As we have been saying at Family Dollar, it's important to listen to what your employees are saying in an exit interview. It's not about checking a box. You have to really pay attention to what your people are saying. What do they care about? It is important to let them participate in their own destiny.

I was a real estate lawyer for Family Dollar before moving to our construction group.. I walked into this role without any preconceived notions of how things should be. I wanted to learn how

things would work most efficiently for this team and the business overall. We set up meetings where everyone brought up topics they wanted to discuss or get solutions to. It was a free-for-all. Whatever it was, we put it on the list and went through it. We set the agenda for a one-hour meeting. What we could finish, we did, and then the rest was held for the next meeting.

Family Dollar's Susan Lloyd: When you're dealing with the people, no matter whether they are at the junior or senior level, you have to understand what makes them tick. If you don't take the time to understand that, it won't work. Every person has to be dealt with differently. For example, if you tell me I do a good job, great. If you don't, I'm okay with that. But there are other people who have to have



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that constant reinforcement. And as a manager, you might have to change your management style to accommodate those you supervise. That's across the board. My boss, for example, has four people he supervises that are all different. He doesn't treat us all the same, but we don't all need to be treated the same.

To keep people, you have to understand that dynamic and how they work as a team. And even within that team, you have to keep everybody happy. Jose does a good job with this. He knows that it is not all about being down in the ditches working. He likes to make sure the group has fun, too.

Family Dollar's Luis: Additionally, I think you have to admit when you're wrong. We were talking earlier about taking responsibility for things. There are countless times when Susan's boss would

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— Grifols' Kevin Little



come in and say, “Jose, let’s work around this.” And I’ll say, “You know what, I see that point. I agree.” It’s recognizing that and saying, “You know what, it could be done differently. If that’s how it would work more efficiently, let’s do that.” We can’t have pre-conceived notions and we must be open to changing things – not being rigid in our own ideas.

I think that adds a huge amount of value. I think people look at that. And when they look at – going back to what you were saying – the actual work that you’re doing. At Family Dollar, there is a ton of work to do. There are plans and strategies and things that are always coming up. Retail is constantly changing, and there are different opportunities, not just for the cash, but also for the experience.

Retail Maintenance Specialist’s Kelli Buhay: So basically, what I got out of this is it’s really about making people feel like they make a difference and they’re part of the family.

Family Dollar’s Luis: It’s not making them feel like they’re making a difference – it’s helping them realize how they are making a difference. That’s the biggest takeaway from this. It has to be real. It has to be genuine. It’s not just about making somebody

feel a particular way, it’s actually doing something so that they are making a difference.

CCR: What kind of trends are you seeing out there?

Belk’s Clay Addison: Belk has never really been a trendsetter. We tend to be more conservative with our designs. This year we are experimenting with all LEDs in one store. I think this is a good idea since LEDs are the way of the future. We are also continuing to expand on our omni-channel experience for our customers.

Recently, we have been doing more takeover of empty space within an existing mall. We’ll move our men’s and kids business out of the main store and into the smaller space within the mall. We do this to expand our business, but it also helps keep the competition out.

In the past, we would make long range plans for larger quantities of fixtures in the hopes of getting better pricing for bidding larger quantities. Since our work load has slowed down, we are now doing more negotiating with our existing vendors to try and maintain our current pricing on smaller quantities. Some vendors are okay with this concept and some are not.

We continue to see better pricing on construction projects that bid in the spring and open the following spring. This schedule means



the contractors will have work through the winter months when they are normally slow.

Little's Jeff Roark: Just to add to Clay's comments regarding omni-channel, to Belk's credit, they have made investments in experimenting with how to attract Millennial customers. They did a test concept called Belle & Ty last year via a pop-up store in Pineville, N.C., during the holidays just to study Millennials, including how to integrate technology and social media into the store environment. They confirmed that Millennials like to travel in groups to the mall and try on outfits for critique by the group. So, Belk provided a photo station in the store where an associate could take photographs of the customer in their new outfit and post them to Instagram, and also to a large display screen in the store. Belk learned a lot from this test store in terms of how to deal with its Millennial customers, and they're doing things like that and spending money just to learn more. It really wasn't about sales dollars – it was just to learn how to attract younger customers into their stores, and to that degree, they were successful.

As we gear up to build more, we're going to be looking for more resources and contractors that we trust. We are looking for good partners. For us, trust is the key.

– Cici's Pizza's Mike Wendel



Cici's Pizza's Mike Wendel: We have a re-imaging program. We are a heavily franchised company, and as such, we can't always tell a franchisee you have to re-image your store at a certain point in time. They have deadlines in their franchise agreement when they have to do that. We our finding, as the economy improves a bit, that franchisees are more willing to re-image their stores when they're not required to, which is a good thing.

The new look will help increase sales, so they are wanting to re-image now. That's a good thing for us. Another trend is the general movement of dining as a necessity, not just an experience. People don't want to spend a long time sitting and eating dinner, but they still want quality and to do it quickly. That's why you see concepts Five Guys, Chipotle and Moe's getting so popular. People want to go in and get good food quickly.

We are looking at that with our test store in Dallas, which is in a community called The Colony. Right now, we're approaching the pizza concept differently. We have a restaurant where the guest walks to a table where the cooks are. The first thing the cook asks is, "Would you like a pizza made to order rather than the buffet?" We typically offer our pizza buffet style. So, the guest has an option right off the bat to get a 9-inch pizza made to order at a different price point. If they don't, the buffet is right next-door. It's not as

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– Design Team Sign's Chris Pierce

long as the buffet in a traditional Cici's, but the buffet is still there.

We offer a lot of different ala cart items that they can order at that restaurant. That's just one of our tests. Eventually, we will have a second prototype that incorporates a lot of those elements, maybe not all of them. I see two prototypes down the road – one being the traditional buffet prototype and the other being a quick-serve application. And in the demographics of the market, we'll take whichever restaurant worked better.

We also are leaning toward smaller restaurants. Traditionally, Cici's has been about 4,000 square feet, almost all of them. Now, we're targeting more in the area of 2,800- to 3,200-square-foot range. Rather than 160 seats, we're looking at 90-120. There are several reasons for this. Most times, you can go by a Cici's with 160 seats and it won't look full. So we're paying for real estate that we're not using. That's why we're downsizing the restaurant – to make it more affordable.

And we're really focusing on more corporate development. Currently, less than 5 percent of our stores are corporate stores, but we're targeting corporate growth in 2015 and 2016 to build a substantial number of corporate restaurants.

CCR: What types of opportunities do you see in 2015?

Cici's Pizza's Wendel: Because we haven't really built any new stores in a while, our contractor base has kind of dwindled. Like every end user, we've had a preferred list of contractors, but some of them have gone away. As we gear up to build more, we're going to be looking for more resources and contractors that we trust. We are looking for good partners. For us, trust is the key. We're also trying to develop systems for the franchise community to help them take care of their stores: give them resources that we can refer them to for ongoing maintenance, whether it's HVAC maintenance, whether it's help with the re-images.

QPI's Stupi: For us, 2015 is no different from whether you're selling project management services, contracting services, etc.,



you want to be able to say yes to more of your customers, help them more with their needs. The way we're going to try to accomplish that is by trying to bring a focus of scalable expertise. Lots of people provide the services we provide, so we want to be able to provide that as a scalable, consistent result for those customers, but at the same time provide expertise and guidance along the way.

So, it's with more resources and a little more scale, but a very consistent result. I think we would all be happy in our lives, regardless of our business, if we knew we were going to get the same results every time in the expectations that we have. That would make all of our lives infinitely better, right? Because we spend a lot of our time running around checking on this, checking on that, we're behind, or whatever the case may be. So I think we need to have kind of a

laser focus on scaled consistency with some expertise to it.

Hilton's Sue Burke: In 2015, Hilton is going to continue to move forward with guest room, public space and meeting room renovations. Hilton is focused on getting the products up to the standards we have set and where we need to be in the market place. We are still pushing forward to get the owned asset completed but it takes time. It's a yearly push, as we have a lot of hotels to get completed and they are all on the CapEx five-year plan.

Design Team Sign's Chris Pierce: We probably had 750 projects this year (2014), and we are looking at probably 850 (in 2015). I think what you all spoke about on the clean, fresh, new approach is one of the things we're seeing. What I've noticed over the last 10 years or so is that a lot of restaurant chains are remodeling. It used to be that they'd do it every 10-12 years. Now it has been cut down to probably seven. They're really consistently remodeling and changing things up, some of them are even quicker than that. Some are doing the interiors in four years.

The biggest thing I've seen in the last year (2014), and looking forward to this (2015) is new store growth. Some 65-70 percent of

our restaurant business has been in remodeling. But in 2015, we will see a lot on the books. Hardees has 140 new projects on the books and Arby's has 60. When we came out of the recession in 2007 and 2008, all those chains went down to five to eight new stores for those years. They are just barely starting to grow them now. Today, we're starting to see double the stores that are new builds from what 2007 and 2008. I see a lot of promising things for the next two to three years out. I see still a lot of remodels.

Campus Crest's Griffiths: In 2015, there will be more value engineering and companies working closely with their subcontractor base. You will see more streamlining of the processes to make sure everything is poised for 2017 through 2020. We have a big growth spurt planned. So, it's making sure we're going back to the basics, getting all our processes right, and being prepared to come out of the chute in a big way. We want to put some growth on the table.

We want to help execute the merger of digital and brick-and-mortar retailing. That's where we see a lot of the change happening.

Prime Retail Construction's Chaney: Being on the construction side, we're excited about everything that you're excited about. We're looking forward to continued growth in 2015, too. One of major focuses is going to be interviewing project managers. Our goal is to continue to matter as a company. We're looking forward to seeing what opportunities are out there.

Belk's Addison: We have a couple projects that are going out to bid for 2015. Hopefully, we will get them approved, and then get more in 2016. We are also focusing on improving our IT capabilities. I'm looking for us to improve on our change management, too. We plan to make a lot of changes. It's nothing for us to have 12 to 15 different revisions on a project with major revisions. So, hopefully we'll improve on that over this year and try to cut that down. We also will try to get our arms around the cost management of those changes.

We're starting to use Google docs, which is an online sharing document. It's free and has been very useful and productive for us. It's a great process. We use it for our punch lists. Our architects and engineers, and internal teams create a punch list out, and then our contractors just have to read it. Anybody with a Gmail account can go

out and pull it out on their phone. I can see somebody add something live. It really, truly has been something.

Little's Roark: As I mentioned earlier regarding online retailing, we're continuing to see the convergence of online retailing and in-store, brick-and-mortar retailing. For example, it's been interesting to see what some online retailers are doing with gaming technology, which is all about virtual reality. Previously, most of the retailers' online sites basically served as catalogs – just 2D pages on the internet. You simply picked out what you wanted and ordered it, so the integration of 3D applications has been a significant change.

With virtual reality and gaming technology, there will be more interactive-type experiences both online and in-store. There is one home center retailer that is already using a large scale, 3D simulation within its stores. You can go in a room, pick out your bathroom fixtures, your paint colors and flooring materials, your light fixtures, whatever. You can put it all together into a virtual simulation to see exactly what your new bathroom is going to look and feel like, and then quickly change doors, colors, light fixtures, hardware, etc. But what if you could do that while sitting at home in your pajamas at 2:00 AM? Maybe you start the process at home, and then finish it in the store with more detailed advice and cost options from the sales associate.

So again, there's this convergence of online retailing and brick-and-mortar retailing, and it's not just coming – it's here.

– The Beam Team's Rick Hall

Concord Hotel's Cal Hren: For us, 2015 will be one of the biggest years in develop-

ment that we have ever had. Piling on what you are hearing here, the trick is going to be to find the right people, expand our project management department, do a larger volume of work, and maintain the excellence that we've been able to deliver in the past. But it's definitely going to take finding the right leaders. That will be the key, but it also is what makes what we do so enjoyable.

The McIntosh Group's Brad Gaskins: What we're going to focus on in 2015 is continuing to find ways to add more value to services for our clients. Add more value at less cost, and find ways they can do things with less effort and less money. One of the things we're looking at – and that we're hearing from some of our clients – is turnkey services. From an ADA standpoint, we go out and we work together with the contractors on barrier removal plans. It's not just us doing it; it's a team approach. The customer or client doesn't have to worry about the identification of the issues; it's all done.

The Beam Team's Hall: We're really all over the online retail to brick-and-mortar, an omni-channel trend that Jeff was talking about. I've attended many seminars and done a lot of reading on this. We are very fortunate that we've been able to do business with one of

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— Campus Crest's John Griffiths

the largest electronic retailers in the country, so we've seen a lot of this taking place already. There's this beacon technology that is coming out. It's getting widespread acceptance. The whole omni-channel experience is going to happen, and retail stores are going to change. We think this is going to be our best avenue going forward, and we want to be the experts in that category.

We want to help execute the merger of digital and brick-and-mortar retailing. That's where we see a lot of the change happening. So, we've got to be able to handle TVs and all of these electronics. We have to be able to make sure we can install these things properly so they do what they need to do.

We also are trying to bring on at least two major customers every year. We have a very rigid, onboarding process, so we'll be looking to do that for 2015.

Grifols' Kevin Little: Our industry is kind of closed and real competitive, so our plan for 2015 has not been communicated within the company. Our group will be tasked with managing the contractors as a partnership: the vendors and the electronic side. We're taking on more of the IT functions. So, for us, it's going to be how to you streamline the process and improve our management of those projects.

Tecta America's John Monteith:

We've always been about investing in our people, as we grow our business. As the economy started to shift, not only were we investing in our people, but we were also focusing on organic and acquisition growth. Now that the economy is growing again, we have aligned ourselves into markets that brings us closer to our clients, allowing us to service them better while covering more geography.

Another really big thing for our company is our safety record. We put a lot of time and effort into this. Every year, for the last number of years, we have continually lowered EMR. We're at 0.54 now, which is the best in the industry. This investment is not only best for our employees, but for our customers as well.

Family Dollar's Luis: This year at Family Dollar, we're opening approximately 375 new stores, relocating and expanding 150 more, and completing 600 renovations. In addition to that, we're adding LED lights in our stores, particularly because of California. So, we're testing that right now and looking to see what it's going to look like across the chain.

We're also looking at our flooring. Right now, our new stores that are ground up are going to polished concrete. There's a question as to whether we should go to polished concrete or burnished floors. How many times are we going to go over the polish to get that right shine? So we're looking at that.

We're also looking at strategic prototypes in landscaping plans. We're focused on what our landscape and our buildings look like in the Northeast compared to the Southwest, or the Southeast, like Florida, compared to the Southeast, like Georgia. Your vegetation and requirements could be very different in each of those areas. We're also looking at things from a jurisdiction-specific perspective. So, what is a building going to look like per the local codes in Miami, as opposed to Atlanta or California? So you start looking at those specific jurisdictions and try to narrow down the strategy so that you have a plan you can move forward with.

The last thing is team member engagement. You have to make sure your people have the opportunities they need, and they see the benefit they can get from Family Dollar.

Retail Maintenance Specialist's

Buhay: I'm in the process of rebuilding our website, which will now have a portal so that our customers can login to review project status and to approve projects on the fly. We have the ability to build reports based on our client's needs, by spend, trade, per store, region, etc. That's something that will be incorporated into our onboarding process.

We've also hired two new project managers to pick up the drive for the projects that we have on going and for the new clientele brought aboard; 2015 will represent growth. We're at \$10 million in business right now, and our goal is to double our business. It's all about continuing to build relationships. **CCR**

