



Image courtesy of Skender

# Pivoting to modular construction: An interview with Mark Skender

Achieving a fully integrated modular construction offering relies on pragmatic leadership and a people-first culture.



**Mark Skender**

Chief executive officer  
Skender

Chicago-based building company Skender was already long established when CEO Mark Skender presented a new vision for the organization: integrating design, manufacturing, and construction to move modular projects from concept to completion. Only two short years later, Skender offers factory-produced and steel-structured three-flats that can be erected in just 90 days. In addition, these buildings are constructed in Skender's 105,000-square-foot factory located on Chicago's predominantly underserved southwest side,<sup>1</sup> with the goal of promoting progress in both housing and the local workforce.

In this interview, Mark Skender talks about his company's vision for modular construction, the importance of assembling the right team, and how vertical integration can help reinvent the structure of the industry.

**McKinsey:** *The construction industry is grappling with a number of disruptive factors, such as innovations in technology. Do you think incumbents are too entrenched for change to happen?*

**Mark Skender:** I think a lot of the investment in construction technology is good, but it's still a Band-Aid on some of the industry's fundamental flaws. There are signs that we're heading toward this type of technological disruption, but companies that have gained recognition and made headlines are still in the very early stages. There's still a lot of "wait and see" happening as to whether integrating tech solutions into modular construction will be successful.

It's difficult to say what construction will look like ten years from now—the industry is so large and fragmented. Each project is treated as singular and bespoke, which creates inefficiencies and limits the scalability of research and development.

There will certainly be significant movements in some vertical markets, probably by newer, more agile players that will have the courage to ignore convention and find opportunities for growth. What our company has done is look beyond the single project and ask ourselves, "Well, how could we improve the whole model if we were to look at it from a longer-term perspective?" In many ways, that led us to where we are.

**McKinsey:** *When did you start to think about delving into modular construction? How did you initially go about it?*

**Skender:** We first embraced lean construction principles—namely eliminating waste and striving for continuous improvement—14 years ago. Not many people talked about lean construction then, and it took us years of commitment to adapt. That period gave us the confidence to tackle something we knew was important, even if our customers weren't asking for it. It also gave our leadership team the space to shift focus to the future without needing to fight fires in the present.

Then, probably five years ago, I started researching modular construction. There was no boilerplate or blueprint for how to do something like this, so we did the research on our own. We realized that the key elements to make a venture like this successful are leadership and culture.

**McKinsey:** *How did you decide to pivot the organization to a vertically integrated model, and how did you manage to do so in just two years?*

**Skender:** As we were aligning on a vision, I had actually just read McKinsey's 2017 report identifying seven levers for improving construction productivity.<sup>2</sup> We scheduled an off-site meeting, where I told the leadership

team, “Look, let’s go into this off-site. Let’s address each of the seven areas and come up with both a reasonable and a more ambitious idea for each.” As a result, in November of 2017, we had a bold and compelling vision for the future. And that vision immediately empowered us to move forward and make deliberate decisions.

The ability to move quickly was grounded by a culture that put people first, followed by lean principles triggered by a compelling vision of the future. A lot of things are exciting, in particular, about having a significant and positive impact on both affordable housing and the workforce. To that end, we put our factory on the southwest side of Chicago, and we’re recruiting a workforce from underserved areas of the city. Not only is the business strategy behind this decision compelling, but the social aspect of it is also very energizing. It taps into the deeper meaning of what we’re doing.

**McKinsey:** *Getting everyone aligned around a vision is sometimes easier said than done. How did you approach that?*

**Skender:** When I was drafting this vision document, I built a case with a series of “whereas” statements that essentially characterized our industry and our position in it. The goal was laying out some fundamental reasons for moving in this direction. One of those reasons was, “Whereas the industry has not improved productivity in decades.” The next was, “Whereas our position in the industry is a fee-based general contractor, we are facing tightening of fees without a corresponding decrease in risk.” The third was, “Whereas our culture of innovation and employee engagement allows us to be agile.” Laying out the rationale was important.

That approach helped us think differently, evolve, and align everyone. First, we brought in design—so

we could design the building. And then it became, “If we see a building as a product, we can totally flip our paradigm of how we think about ourselves and the industry.” There have been several iterations and improvements of that vision statement in the past two years that were informed by the new talent and leadership we’ve brought on.

One thing I’ve learned is that the two- to three-year strategic plan is dead. The industry is moving and changing much more rapidly than that. Our vision allowed us to have a long-term destination, but now we segment our strategies into six-to-nine-month periods because our ideas can change. We’re heading down a path that has no blueprint, so we’re creating as we go.

**McKinsey:** *Were there moments of doubt or days when you felt stuck? How did you handle those?*

**Skender:** We envisioned that engineering, design, construction, and manufacturing would all come from the same company. Tim Swanson came on as chief design officer, we bought a design firm, and we started a manufacturing company from scratch. We thought, “OK, then we’ll be able to solve all these industry problems.” But the reality is that the early stages weren’t easy. We got stuck a lot. Even when you’re committed to changing things, adjusting industry-ingrained behaviors and processes takes time.

So we said, “All right, if we’re thinking about a product, let’s reach outside our industry and look at how a company like Ford Motor Company would get its design, engineering, manufacturing, and sales and marketing teams together when they design their new products.” Reaching outside the industry to look at a process can help solve challenges in how these teams work together in this new business model. It’s still a work in progress, but we’re taking advantage of opportunities to learn.

**McKinsey:** *What do you think the construction industry will look like five years down the road if modular construction has the impact you think it will have?*

**Skender:** I would expect construction to reduce its fragmentation, maybe through strategic alliances with some existing players or through acquisitions. When we first studied the modular industry, fragmentation had already been in the conversation for a long time. The topic ebbs and flows, and highly fragmented companies would go out of business, which didn't make me very optimistic. So what's the difference between them and us? They were trying to place an unsophisticated modular manufacturer into a commercial, fragmented endeavor, so they encountered the same industry constraints.

If the modular industry is expected to take hold and be the growth opportunity it could be, then the players will need to take a holistic and vertically integrated approach. Otherwise you're applying a modular solution to a still dysfunctional structure. ■

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<sup>1</sup> Zach Mortice, "Can this Chicago apartment factory make new homes affordable?," *CityLab*, July 8, 2019, [citylab.com](https://citylab.com).

<sup>2</sup> For more, see "Reinventing construction through a productivity revolution," McKinsey Global Institute, February 2017, [McKinsey.com](https://mckinsey.com).

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