More diversity, more complexity: Is your culture evolving fast enough?

Infrastructure builds hard assets—but rising complexity and diversity mean that the soft skills will matter more for future success, say infrastructure experts Greg Stanmore and Bruce Williamson.

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As infrastructure companies embrace more collaborative approaches to working with clients and one another, mind-sets, skill sets, and processes will need to evolve for organizations to become more nimble and creative. Getting the mix of culture, organizational structures, and talent right will be a top priority for most infrastructure leaders—and a thorny one. And diversity in each area will be crucial for successful and sustainable change.

In this Q&A, Greg Stanmore and Bruce Williamson, infrastructure experts at leadership advisory firm Spencer Stuart, discuss the cultural shifts happening within infrastructure organizations, the challenges involved, and the leadership qualities that will be most prized.

McKinsey: *Do infrastructure leaders need persuading to put culture at the top of the agenda? What barriers to culture change do they face?*

Greg Stanmore: With infrastructure projects becoming larger and ever more complex, most infrastructure leaders do recognize the need to transform their organization's culture. Yet there are several persistent barriers, including the fact that many large infrastructure companies are heavily siloed by function and geography. The typical command-and-control management style can inhibit employees at all levels of the organization from contributing ideas and collaborating effectively. Such silos increase both the chances that unit leaders don't have the information they need, and the potential for miscommunication with governments and communities.

Also, the makeup of infrastructure company teams doesn't yet reflect the makeup and diversity of the communities they ultimately serve. Especially given that an increasing number of urban regeneration projects are mixed-use developments, infrastructure firms risk missing important ideas when they don't bring together a diverse set of stakeholder perspectives. Until they have that diversity of thinking—by gender, age, career backgrounds, cultural backgrounds, and other angles—they won't find the sweet spot of delivering on the modern requirements for built environments and infrastructure assets.

Bruce Williamson: Infrastructure organizations need their business leaders to collaborate across functions and find solutions that are beneficial to the organization as a whole. Currently, a lack of such collaboration means that many companies are incapable of breaking free from doing what they've always done—embracing innovation—and having more proactive client conversations with a bias toward codesign.

Another barrier is that few infrastructure companies have the type of learning-oriented culture needed to deal with the rapid pace of change in their industry and really thrive. When organizations don't put a high priority on learning, it's difficult for them to engage with and understand their constituents' evolving needs. They fail to build empathy for their end users, and it's quite difficult to communicate long-term purpose and community benefits to a range of different stakeholders.

McKinsey: *What new skills and leadership traits are needed to meet these challenges?*

Greg Stanmore: Greater diversity is certainly one key. Our observation of global property group Lendlease, for example, is that they have hired or promoted executives with experience in disciplines such as risk management, strategy and business development, and investment management into senior line leadership roles. Previously, leaders

with traditional engineering and building backgrounds would have held all of these roles. And of course, organizations also benefit from increasing their geographic and gender diversity to more closely reflect infrastructure projects' end users.

Since technology plays a crucial role in enabling people from different functions to work together, leaders also must have the technical knowledge needed to manage dispersed teams and multistakeholder projects. Building information-management software, for example, provides a common language for design, and digital-twin technology helps multidisciplinary teams plan effectively, collaborate well, and manage risk.

Bruce Williamson: In a similar vein, the global engineering firm Aurecon created new roles to lead their digital, innovation, design-thinking, and advisory functions and adopted a new lens for hiring and promoting leaders. In assessing incoming leaders, passion for the work—especially for the impact that projects can have for people and society—and an individual's long-term potential were prioritized over past performance. Aurecon looked for traits such as client focus, intellectual curiosity, unconventional thinking, and courage. Although traditionally a very hierarchical organization, where senior—and mostly male—leaders dominated the debate, Aurecon began to prioritize gender, age, and geographic diversity in recruiting and hiring.

To aid in retention, Aurecon helped their engineers evolve from order takers to true partners in the design process. They did this by arming engineers with storytelling skills and new tools, such as additional training in design thinking, to improve their ability to articulate end-user needs. Engineers also were encouraged to embrace a new mind-set, recognizing their unique voice in the process and

their responsibility to speak up for the project's success.

McKinsey: *How can infrastructure organizations better promote diversity and inclusion?*

Bruce Williamson: The first step is for leaders to embrace the notion that diversity is a business-performance issue, not a compliance issue. The evidence continues to mount that diversity and inclusion not only unleash creativity and innovation, but also encourage strong learning cultures and position companies to outperform their peers.[1]

Many organizations are recognizing how much diversity matters and are making progress in hiring and promoting a more diverse workforce. They are adopting talent-evaluation approaches that focus on the traits and capabilities that will be required for the business going forward. However, the big pitfall at the moment is that these approaches often don't set new people up for success; most companies need to do a better job addressing the challenges that people from diverse backgrounds face. The organization that gets this right will win in the pursuit of diversity and all the benefits that follow.

McKinsey: *Where have you seen cultural transformations in infrastructure go wrong?*

Greg Stanmore: Many corporate leaders—in infrastructure and elsewhere—fail to articulate purpose. Ultimately, most people in the infrastructure business are driven by the desire to do meaningful work that has a positive societal impact. Organizations need to tap into that inspired purpose and invite everyone to participate in conversations about opportunities to innovate. This approach can build the confidence of people throughout the business whose voices are typically sidelined, encouraging them to be more engaged in problem solving.

Bruce Williamson: Another pitfall is failing to define the capabilities and styles that leaders need based on the target culture and business needs. For example, as firms expand further down the value chain into asset management, and further up the value chain into infrastructure policy and development advisory, it's common for them to simply enlist a high performer from the traditional business to lead these areas. If these leaders bring a hierarchical management style to the new ventures, their businesses fail to gain traction. The most successful organizations will be those that stay laser-focused on culture and establish processes for selecting and developing leaders with the capabilities and styles to thrive in these environments. ■

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[1] Sundiatu Dixon-Fyle, Vivian Hunt, Sara Prince, and Lareina Yee, *Delivering through diversity*, January 2018, McKinsey.com.