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The Top 100 Professional Service Firms

Some firms struggle as core markets falter

NEW FACE OLD PRO

Little-known
industry veteran
injects new life
into California
CM firm

LISA V. LARRABEE
President and CEO
Harris & Associates Inc.



Harris & Associates®

McGraw Hill
CONSTRUCTION

HARRIS CHANGES DIRECTION

New CEO Lisa Larrabee, a surprise choice, is leading California CM firm's turnaround

By Robert Carlsen, with Debra K. Rubin

Harris & Associates Inc. has had just two chief executives in its 36 years, and the departure, in 2010, of a designated heir apparent didn't help the California professional service firm in changing out its aging leaders. So, knowing it faced a tough market and tougher decisions ahead, the firm agreed to a new direction. "We couldn't just give lip service for succession planning," says outgoing President and CEO Guy Erickson. "Because of the economy, it was time to change the way we were doing business. It was time for a new wind to blow."

The change hit the firm with hurricane force. After an extensive search, Harris took the advice of its board consultants to bring in an outsider who was neither a professional engineer nor allowed to use the men's room. Lisa V. Larrabee—degreed in geology and a seasoned but not well-known industry manager—was initially referred to as "the chick," admits one company



Making a Difference *Since her arrival at Harris in late 2010, CEO Lisa V. Larrabee has set the firm on a new course*



75%

The rate of revenue growth for Harris from 2010 to 2011

4.0%

The rate that profits rose for the firm in 2011

12%

The proportion of professional staff the firm cut in 2011

30

The number of key managers who now meet quarterly

manager. Now, when referring to Larrabee and the corporate and cultural changes she has implemented, staffers use the phrase "breath of fresh air."

"We have a very veteran staff with long-standing careers here. I've been here 22 years," says Marie Shockley, the Concord-based firm's director of human resources and marketing. "There was no anger or angst at the decision, but there was surprise. But when staff saw her credentials and had the opportunity to meet her, they just knew that there was no issue and also saw what Lisa brought to the table."

With firm revenue and profit both on the rebound, Erickson and founder and Chairman L. Carl Harris, both still board members, agree the firm made the right choice. Larrabee came in with 21 years of experience at Sacramento, Calif.-based Jones & Stokes, a planning and resource management firm that was ac-

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S. AERATION BASINS



quired for \$50 million by ICF International, Fairfax, Va., in 2008. Previously chief operating officer at Jones & Stokes, she was named ICF's senior vice president of environment and planning division leader.

"I was reasonably happy with the way the merger went and was trying to figure out how things would work out," says Larrabee. However, one source close to the firm says the difficulty of reporting to an East Coast-based management team made her amenable to a recruiter's call. Larrabee says she was vetted for nearly five months. She even met with a consulting psychologist and participated in the online Hogan Personality Inventory program, which analyzes strengths and weaknesses, financial acumen, stressors and emotional intelligence, among other characteristics.

Despite her not being a professional engineer, Larrabee offered the firm critically needed expertise, ob-

ON THE JOB
Larrabee discusses construction progress with Kim Sloat, the firm's senior construction manager, on the Easterly wastewater treatment plant in Vacaville, Calif., for which Harris is first-phase PM. Environmental infrastructure is a new firm niche.

servers say. "Things were broken, and some hard decisions had to be made," says Christopher Dunne, the firm's vice president for program management.

Larrabee began to forge a new corporate philosophy and identity based on employee development and market diversification. Harris & Associates has about 230 employees in Concord, two other California offices in Irvine and San Diego as well as offices in Las Vegas and Bellevue, Wash. It has four primary public and institutional markets now—municipal, public works, water-wastewater and transportation—and has made inroads in health care, education and energy. The firm offers program management, construction management, architecture and engineering consulting.

Larrabee's transformative measures included providing to all Harris managers copies of "Silos, Politics and Turf Wars," a 2006 corporate manual on dealing with the silo problem. "Harris had traditionally operated as separate units under one umbrella," says Senior Vice President Neil McCosker, northern region manager and a 12-year veteran of the firm. "When Lisa came on board, she helped us recognize we were stronger together, a one-firm approach, with formidable resources at our disposal." Adds Vice President Brett Bartlett, "Our silo culture was gone within nine months. She did a lot of listening."

But the new CEO also embarked on a financial cleanup operation that replaced, earlier this year, a long-term chief financial officer with Gary Wohl, who was formerly in that role at DPR Construction. Last year, Harris cut staff by about 12% and saw its backlog drop 2%. But the firm also reported construction management revenue increased 7.5% last year over 2010 and profitability was up 4%. "The balance sheet had gotten stressed over the years, to put it mildly," she says. "I think the psyche of the staff was in a post-traumatic recession syndrome mode." One staffer says employees had gone without raises or bonuses for a "couple years, and some folks had to take cuts."

McCosker says Larrabee brought a leadership philosophy that effectively blended vision and goal setting with practical execution and accountability. "She caused us to focus on very specific, concrete achievements, like meeting utilization targets, and then let each region determine how to carry this out," he says. "This led to a sense of common purpose with enough autonomy to instill real ownership of the outcome."

CFO Wohl agrees that accountability was a key change. "When I came aboard, we were working on a 2012 budget, and I needed input from the regional managers," he says. "But I told them this is your budget and you're accountable. I'm not sure that existed before." Wohl says the firm, through April, is 50%

Harris Pushes for Project Diversity



TRANSIT CENTER, ANAHEIM

Harris is part of a program-management joint venture, with STV and Tishman Construction, for a \$184-million intermodal transit hub in Southern California.



COMMUNITY COLLEGE, L.A.

Harris is CM/PM for the Los Angeles Community College District for a \$323-million bond-funded building program at one of its nine colleges.



ROAD, BRIDGE WORK, NEVADA

The Nevada Dept. of Transportation has hired Harris for program management and staff support on several major bridge and highway renovations and expansions.



DUMP-SITE REHAB, E. PALO ALTO

Harris is managing phase one of a project to turn a nine-acre former industrial pier and toxic-waste burn site on San Francisco Bay into a public-access nature park.

ahead of plan. Larrabee “challenges and stretches the board and senior management,” says outside board member Robert Wilson, a former design firm CFO.

Because of her past experience with environmental projects, Larrabee says the firm is now concentrating on expanding its presence in the water-wastewater segment, including a role as program manager for the \$23-million first phase of a wastewater treatment plant upgrade in Vacaville, Calif. “The seeds of diversification are being sowed right now.” She also is overseeing an increased emphasis on financial and assessment engineering projects, which helps clients set up and implement assessment districts for capital models. “It’s all brainy work,” she says.

Larrabee also focused on corporate transparency. Because of the distances between offices, she set up a webcast system to keep the staff updated on “the numbers, what the numbers mean and what to focus on,” she says. Larrabee also updated the company’s intranet, embedding a centralized web-based system that enables employees to communicate with each other on client service issues. One new initiative is a schedule of quarterly meetings for 30 key leaders from across the firm. “We have a lot more interaction now with people we were not used to talking with,” says Dunne.

Harris’ shared accountability goal motivated the whole staff, from the board directors and corporate management to the regional offices and individual project teams, says McCosker.

“We can look at each decision and measure it against the strategic priorities and judge if it will move us forward or not,” McCosker says. “At the same time, we have developed definitive measurements for continually tracking our progress. This is very different from how we operated in the past, which was more reactive. Many of our fellow firms that may have survived the worst of the recession are finding themselves



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unable to sustain current operations in a slowly improving economy. We are past that and getting stronger every day.” While Erickson and Harris remain board members, company observers say they have avoided involvement in challenges to Larrabee’s authority brought by employees.

Dunne gives credit to Larrabee’s communication with clients, including a major one, the Los Angeles Community College District. It is executing a 14-year, \$6-billion building program funded mostly by taxpayer-approved bonds. Harris is providing CM-PM services at one of the district’s nine colleges, Los Angeles City College, which has an ambitious \$323-million program under way. “The contract touches every single building on campus,” says Dunne.

At first, the demanding schedule concerned college President Jamillah Moore, who arrived on campus four years ago. “Working with Harris & Associates has been a seamless process,” she says. “Constructing four brand-new buildings in two years is extraordinary.” She credits the new space for expanded curriculum and enrollment increases. Harris also has PM roles in high-profile transportation projects, such as the Anaheim Regional Transportation Intermodal Center. The firm also is PM on phase one of the Cooley Landing Park project that will convert a former dump site into a waterside nature preserve in East Palo Alto. The job is small, but John Doughty, the city’s community development director, says nearly 20 regulatory agencies were involved and that Harris was diligent “to ensure that this complicated project proceeded seamlessly.”

Larrabee says it’s “foolish” to predict the firm will soon go back to double-digit growth—although she’s hopeful. “There’s a fair share of the marketplace available to us,” says Larrabee. Winning it “has to do with [our] passion and commitment and making sure that we leverage that inspiration to every opportunity.” ■

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