

Compassionate Leadership -

Leading with the Heart and the Head
in Turbulent Times

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Agenda

- Backdrop and company characteristics
- DOWL Profile 2016
- Our Charter
- Times of Plenty - 2002 to 2016
- Storm Clouds
- Who moved my cheese?
 - Awareness and education
 - Our plan, communicated
 - Coaching
 - Implementation
- DOWL Profile 2018
- The Head
- The Heart
- Looking Forward

Backdrop & Company Characteristics






- Stable
- Solid
- Consistent
- Conservative
- Profitable
- Humble

DOWL Profile 2016

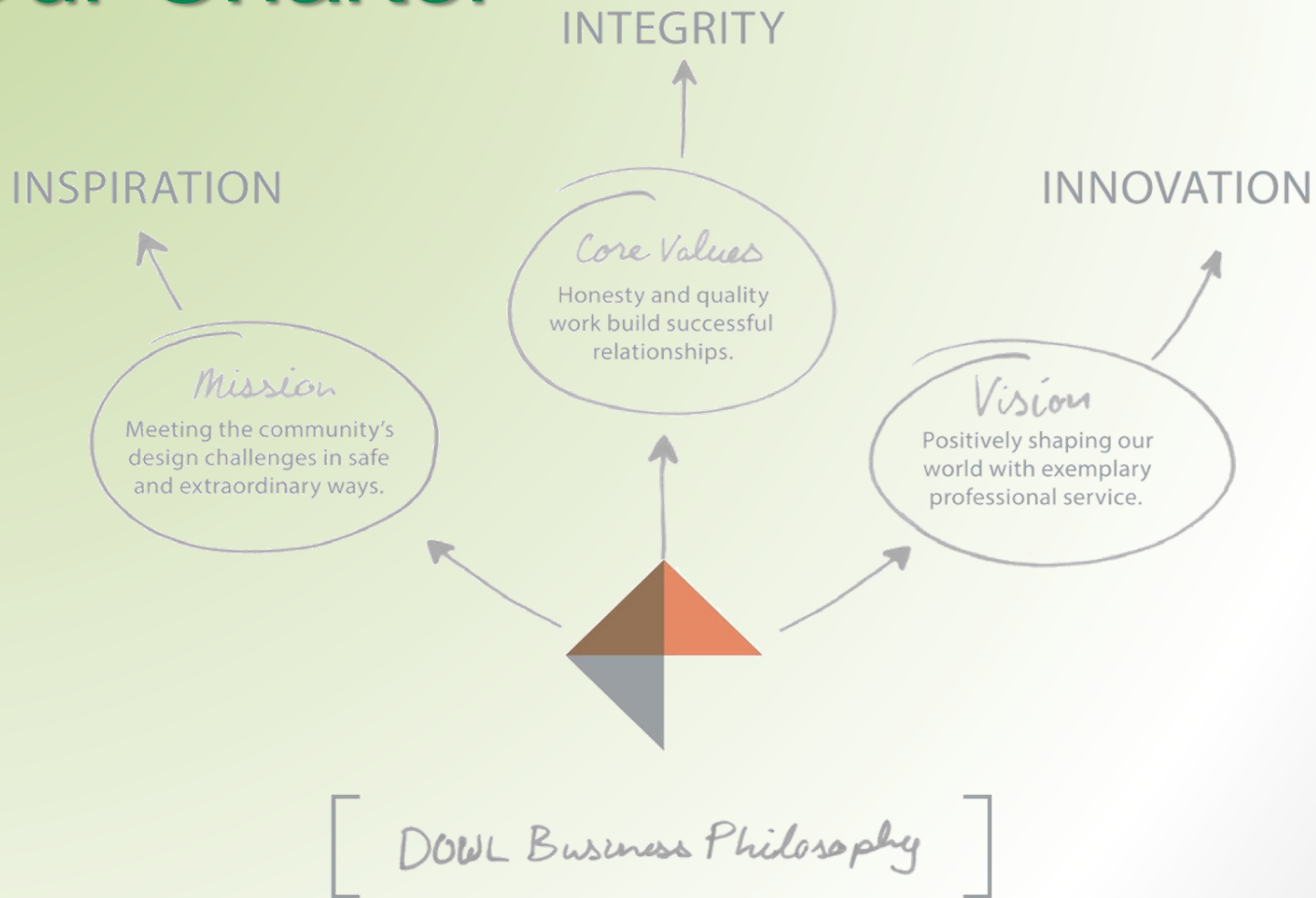
- 500 employees
- \$75M in revenue
- 26 offices, 8 western states
- Typically profitable in the 15 to 20 percent range
- LLC, with 40+ Owners/Managers
- Five practice areas
 - Environmental
 - Water
 - Transportation
 - Civil
 - Geo-Construction
- Most of our work with state and local government
- Most of our markets in energy and resource extraction states
- Most of our work in rural areas (AK, MT, WY, and ND)

Top 5 Clients - 2016

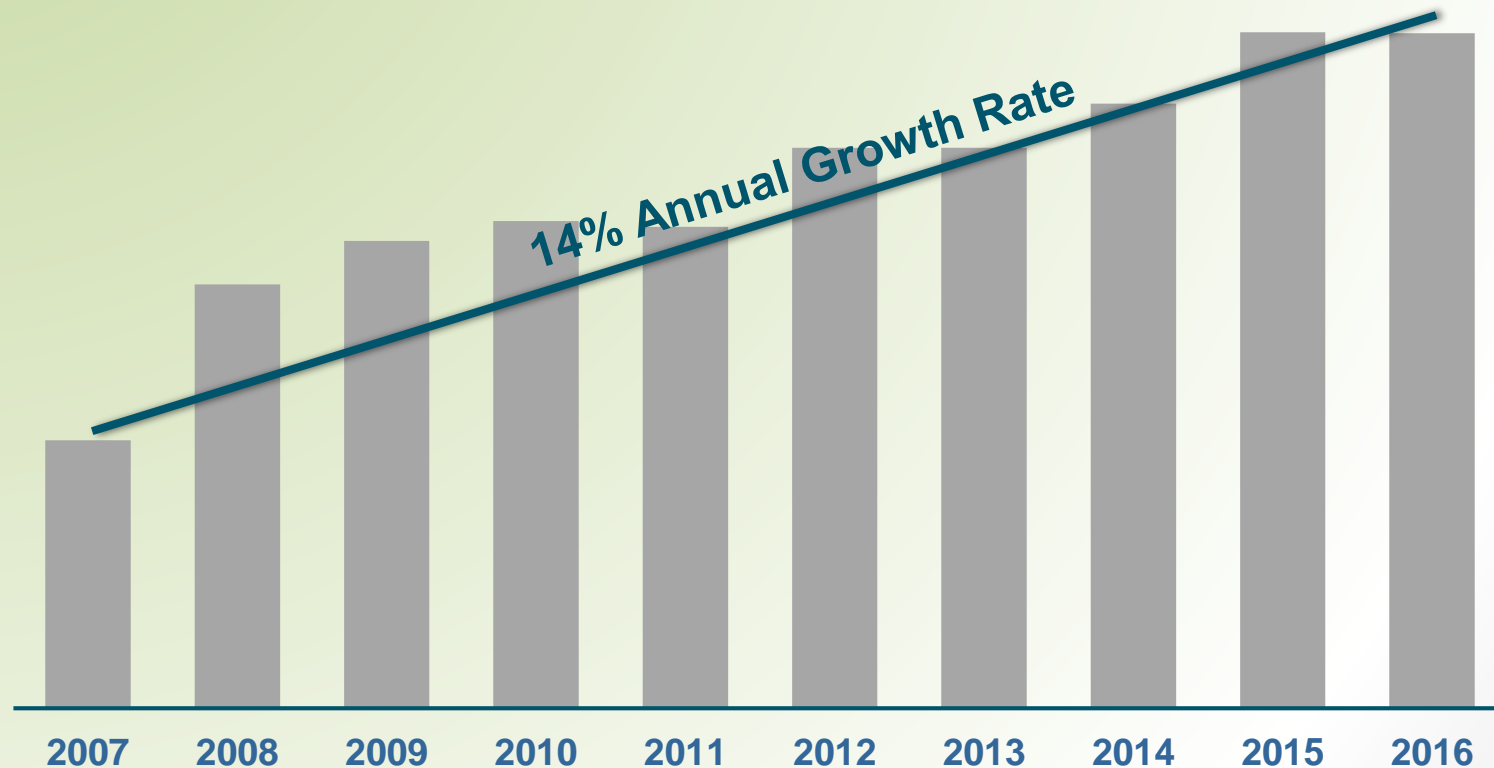
Client

| | | |
|---|---|---|
| 1 |  | State of Alaska, Department of Transportation |
| 2 |  | Montana Department of Transportation |
| 3 |  | North Dakota Department of Transportation |
| 4 |  | City & Borough of Juneau, Alaska |
| 5 |  | Armstrong Energy, LLC |

Our Charter



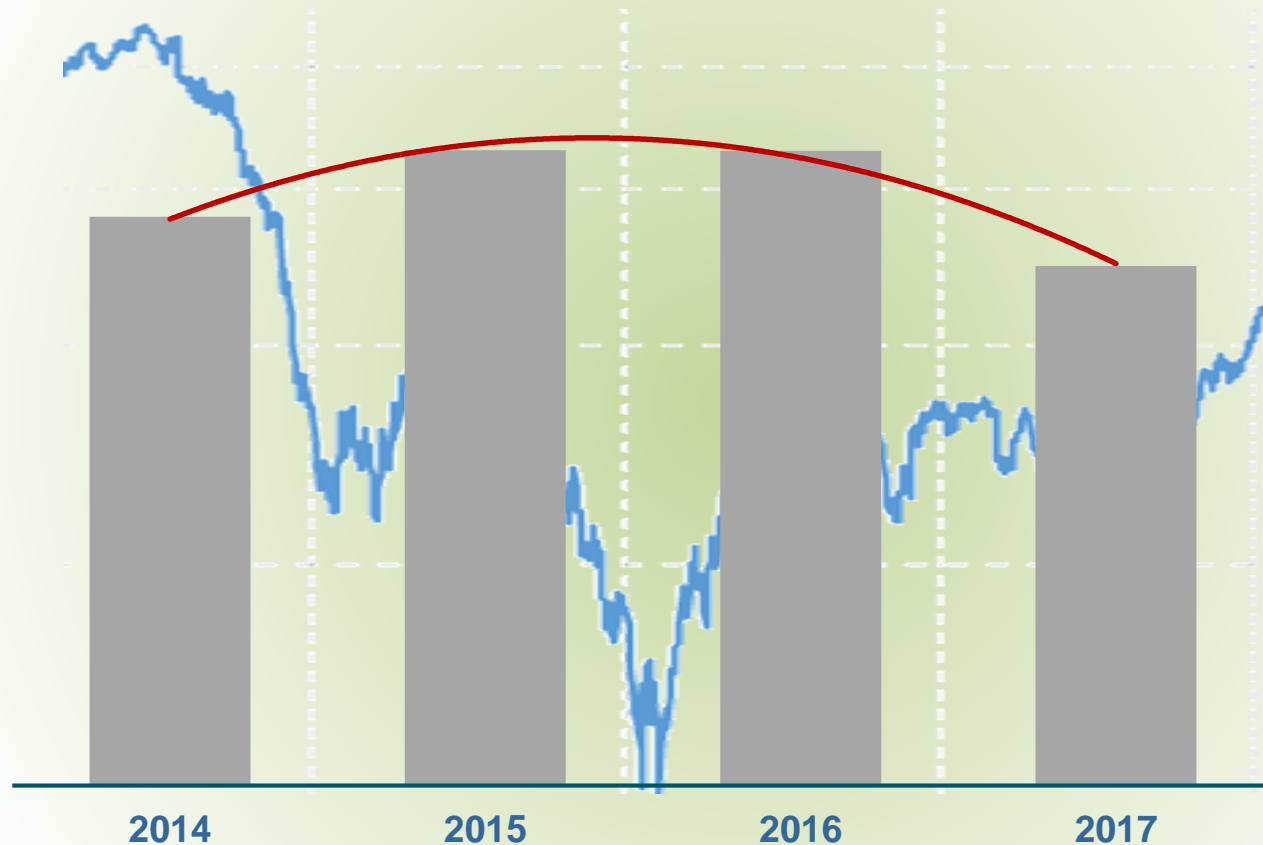
The Numbers Always Go Up



Storm Clouds – Oil & Commodity Prices Drop



Storm Clouds – Oil & Commodity Prices Drop



The Warning Signs

- Utilization drops as we burn through backlog
- Economies enter recession
- Less money for civil projects
- Increased competition
- Collections and A/R become a problem
- Write-offs increase
- We begin chasing more work that we were less likely to win
- We lower our G/NG standards
- We kept telling ourselves “this is temporary”, and “next quarter will be fine”

Typical Responses

- This is just a bump in the road, be patient
- Turn down the heat/AC
- No more conferences
- Lock the supply cabinet
- It'll turn around next month
- It'll turn around next quarter
- Put the receptionist on part time status
- Hold our computers for an extra year
- Chase every RFP we can find, regardless of our chances or the cost of the pursuit
- We have cash to bridge us over the downturn
- DOWL doesn't do layoffs

Time to Lead – Not Panic

- Guided Discovery
 - We have a problem
 - We are not immune from economic gravity
 - We are in this together
 - The company is going to the gym
- Coaching
 - Young managers never experienced a downturn
 - Typical naïve ideas and mistakes
 - Lead them to water, show them how to drink
- Our plan, communicated
 - Invoke austerity measures
 - Reduce discretionary expenses
 - Invest in larger markets (Portland, Seattle, Bend, Phoenix, Tucson)
 - Invest in quality program and enhanced client experience
- Implementation

Through Coaching

- Not a temporary rough spot
- Need to act now to preserve cash
- 70% of our cost is labor related
- Staff adjustments at all levels, starting at the top
- Less patience with under-performing assets
 - Offices
 - Practice areas
 - Clients
 - Employees
 - Partners

The Head

Getting in Shape Hurts

- Downsized our staff by more than 100 (20%)
- Placed another 20 to 30 on reduced work weeks (temporary)
- Closed two struggling offices
- Divested of unprofitable or stagnant practice areas
- Terminated four Partners
- Nudged four others into early retirement
- Partners took a 10 percent pay cut
- Stopped accruing bonuses
- Suspended discretionary contributions to our 401K
- Adjusted DOWL's contribution to health insurance and passed more to the employees
- Deferred spending on all non-essential capital items
- Put a big push on reducing write-offs and uncompensated work
- Emphasized utilization and a back-to-basics business

The Heart

- Significant time to bring young leaders along
- Every decision was implemented “too late”
- All marginal employees/partners given multiple opportunities to “up their game”
- Vendors and business partners always received timely payment
- Severance pay
- Transitional health care coverage
- Accelerated buyout for departing Owners
- Made employees whole with 401K contribution
- Paid bonuses, albeit smaller
- Paid distributions, albeit smaller
- Stock price increased

DOWL Profile 2018

- 400 employees (-100)
- \$60M in revenue (down \$13M, but trending up)
- 12% of A/R > 60 days (down from 20%)
- Cash for growth
- 24 offices, 7 western states (minus 2)
- Profitability in the 10 to 20 percent range (not 5%)
- LLC, with 40+ Owners/managers (no change)
- Average owners age is 47 (down 4)
- Average share age is 48.6 (down 3.5)
- Diversified client base
 - More urban
 - More commercial
 - More PNW
 - Integrated upstream and downstream
 - Talent mobility
- Confidence has returned and the company is fit
- DOWL's spirit and soul is intact

The Business/Culture Paradox

All Business



Country Club



1 2 3 4 5 6 7 8 9 10

Difficult Decisions – Under Pressure

- Long time employee caught forging clients name on a pay request
- Blue Chip recruit caught lying on an employment application
- Talented employee mistakenly sends Linked-In message to DOWL with disparaging comments/commercial treason
- Partners walking across the finish line
- Partner with ill wife needs sabbatical
- Partner develops an illness and is unreliable as a manager
- Employees want to bow out of working on controversial project
- Office romances and nepotism

There is no manual for these situations. You must be guided by your culture and your principles.

Summary

- Choose your culture (heart vs. head)
- Simplify everything
- Remain true to yourself
- You don't lead alone
- Compassionate leadership does not mean soft leadership
- Make the tough choices (with your head), and implement compassionately (with your heart)

"Nearly all men can stand adversity, but if you want to test a man's character, give him power"

~ Abe Lincoln