

Design, Build, Finance, Operate, and Maintain

An Interview with Richard Cavallaro,
President and Chief Executive Officer, Skanska USA

EDITORS' NOTE Richard Cavallaro most recently served as President and CEO of Skanska USA's civil infrastructure and power unit, a tenure marked by such accomplishments as leading an aggressive geographic expansion that resulted in Skanska USA Civil being able to execute a broad array of major projects anywhere in the country. Cavallaro joined Skanska in 1996 as a senior estimator. He began his career as an airport engineer for the Port Authority of New York and New Jersey. Since graduating with a bachelor's degree in mechanical engineering from City College of New York, Cavallaro has spent more than 30 years in the industry.



Richard Cavallaro

COMPANY BRIEF Skanska USA (usa.skanska.com) is one of the largest, most financially sound construction and development companies in the U.S., serving a broad range of clients including those in transportation, power, industrial, water/wastewater, healthcare, education, sports, data centers, government, aviation, and commercial. Headquartered in New York with offices in 34 metro areas, Skanska USA has more than 10,000 employees committed to being leaders in safety, project execution, sustainability, ethics, and people development. In 2014, the company's work in the U.S. generated \$7.3 billion in revenue. Global revenue of parent company Skanska AB, headquartered in Stockholm and listed on the Stockholm Stock Exchange, totaled \$21 billion in 2014. Skanska shares are publicly traded in the U.S. on the OTC market under the symbol SKBSY through a Level I American Depository Receipt program.

What were your key priorities in taking on this role and how has that evolved to today?

We have a very large presence in the U.S. with a lot of different pieces. To get us to work as one well-oiled machine was the first task and one that we'll continue to work on.

We now talk a lot about how we do business and not what we do. We develop and build high quality stuff, but the expectation, especially for a company our size, is how we do it ethically and safely.

It's also about how we deal with our own employees in terms of diversity and inclusion and how they change and, in many cases improve, who we are. We are very clear that having a diverse and inclusive organization will make us

better – we will get ideas and innovation from that.

In the 32 years I've been in construction, technology was always something that stood behind what we did. This is the first time that technology is in front of what we do – there is technology that exists that can operate machines unmanned.

How do we harness this advanced technology? Figuring out how to make that technology work in stride with our employees and partners is paramount for us as a business. It has accelerated at a pace I've never seen.

Is it possible to differentiate in this space? How challenging is it at this level?

It's not always easy to get customers to see something in a certain way, especially in the public arena where clients are pressured to take the lower price. The positive is that there are only a handful of companies that can do what we do and that are qualified to do projects of the size and complexity we take on.

Ultimately, we're a service organization and it comes down to our people – the best people build the best projects.

Where are the growth opportunities for each of Skanska's four U.S. business units?

Our civil and building construction units have outpaced the market. We probably want to slow that down some because our people have to catch up with the business. We need to hire and develop more managers. But there are still plenty of opportunities.

With our commercial development (CD) unit, there is much growth potential in the four cities that our CD group operates in – Boston, Houston, Seattle, and Washington, D.C.

The space where it's really interesting is in the public-private partnership (PPP) market. There is a healthy pipeline of projects we can count on, so we see PPPs as part of our growing portfolio.

PPPs are filling a void – U.S. infrastructure is a mess. There is plenty of private money on the sidelines with nowhere to go. It's hard to make money in any real investments, so what better place to put money than in U.S. infrastructure?

What kind of advantages does PPP offer?

When we design, build, finance, operate, and maintain a project, our view of the cost is the life-cycle of the project versus the low bid being the short-term capital. The lowest capital investment

one can make today might not be the cheapest over the long haul. We take a broader view on a project than a municipality might.

When one organization delivers the whole project, the belief is that there are synergies that happen, which create cost savings.

Is there much more you can do in the area of safety?

We can definitely do more. There are a lot of companies in other industries that deliver zero lost-time accidents, and we are not there yet – though we are close.

Where is the innovation occurring within the industry?

Some parts of construction are still completely archaic. Our industry isn't doing things that much differently – we could be more innovative as an industry. The good news is that there are steps being taken toward innovation. For example, virtual design and construction is becoming essential for planning and executing projects, especially larger projects.

How critical is community engagement, and is that part of business strategy?

It's even bigger than business strategy because it's who we need to be. Society expects more from big companies – it doesn't want them to be in business just to make money.

As a company, the "how" is the biggest step change in construction today. Nobody cared about safety 10 years ago, and now it's first on our minds.

In engaging with our communities, building something new sometimes causes temporary inconveniences, but we have to be good neighbors.

Is the talent coming into the industry and do they understand what it can offer?

No, we're not getting the talent in as we should. Because of Skanska's reputation, we get our share, but we work to get into high schools to show people that this is a great business. There's room for everyone: construction and development requires many different skill sets. The campaign we started this year is called Building What Matters.

Is there still strong opportunity in the New York market and are you surprised to see what this city has become?

No. I'm surprised at where the money is coming from. The transformation of the city has been wonderful. I give the Port Authority great credit for Ground Zero. They had to deal with a lot of stakeholders and we should be proud of what is getting built down there. ●