

# Lendlease has a googol of global opportunity

**Exclusive** The Google mega deal is just one project among many.

Matthew Cranston

New York | As Lendlease's global chief operating officer and head of Americas, Denis Hickey controls an enviable global fiefdom, from building Google's new physical world, to skyscrapers in New York.

But a few months ago, among the entire Lendlease operation, there was not a single can of stainless-steel spray desperately needed to clean an awning before the opening of a new building.

"We couldn't get a can of stainless steel to clean the awning for four months. It was bizarre. All elements in the supply chain have been affected," Hickey tells *The Australian Financial Review* from a property overlooking the Manhattan skyline.

Hickey is still grappling with the vagaries of the global supply chain blow-up that has seen volatile costs in everything from timber to labour.

"Is it transitory? Or is it permanent? I tend to think the bulk of it is transitory," he says in a wide-ranging interview covering the 30-year high in inflation, Lendlease's growing partnership with Google, the working from home phenomenon and a new leadership structure that is set to save the company \$160 million.

"The real question to ask is if prices went up 10 per cent, then when demand and supply comes back into balance will they fall 10 per cent or will they just stay at the new norm?"

Hickey is watching this ever more closely after he was appointed chief operating officer in July.

Based in New York, he exudes confidence that the business will take advantage of the opportunities that arise from the crisis.

"You've got to have the ability to absorb these movements in your business. Whenever things are so visible that everyone can read the same numbers then it's hard to see where the opportunity is. So sometimes a bit of disruption creates an opportunity for you to see something that somebody else doesn't. It's not the worst thing in the world."

But competition is fierce. Using the weight of capital and sharply pricing projects is no longer an advantage with interest rates at record lows.

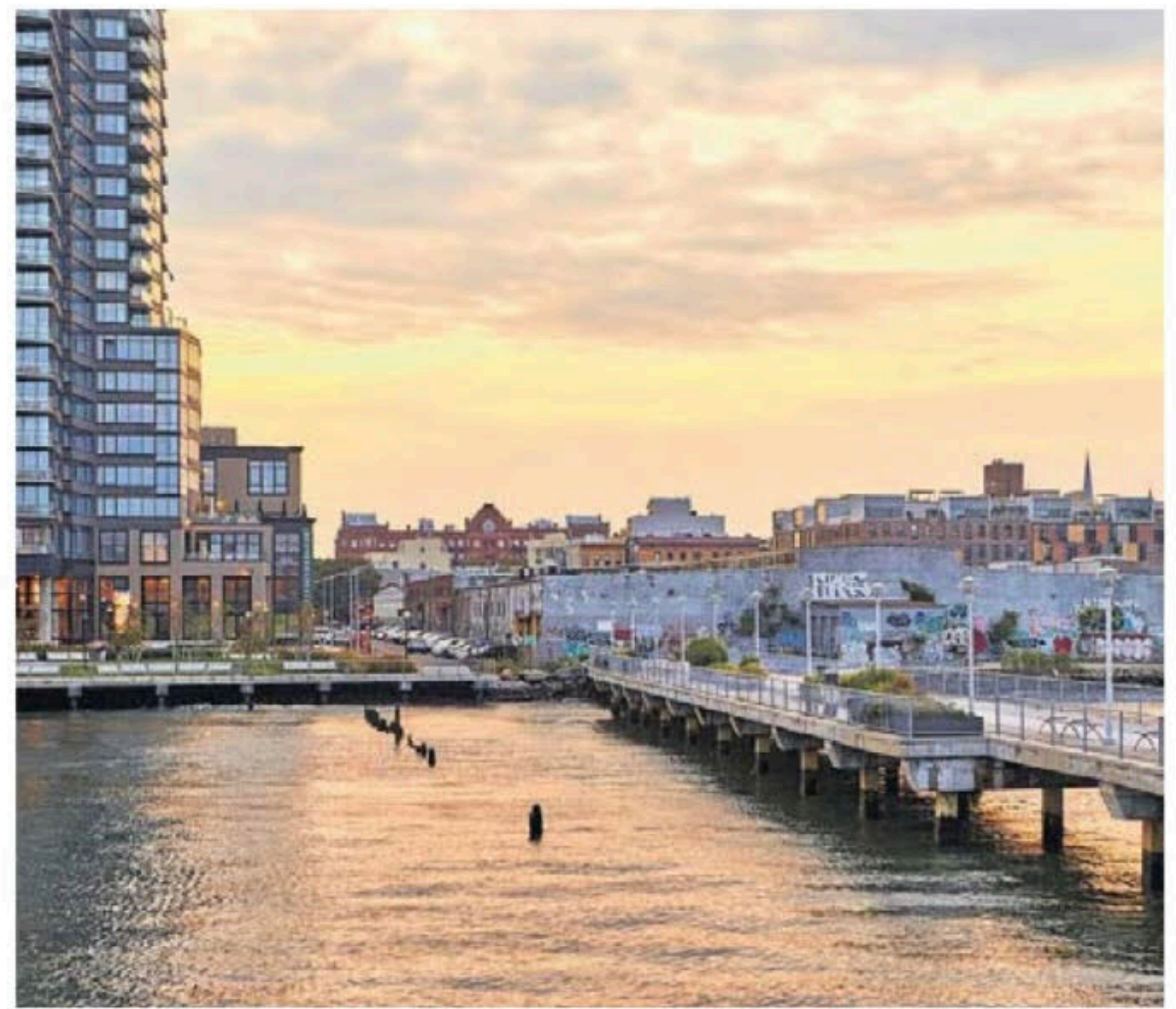
"The US doesn't need Lendlease's capital. There is so much capital around. And both development and construction are very local markets.

"You've got to know which side of the street is the better side of the street. You have to know where the bodies are buried, figuratively speaking. You can't be a fly-in, fly-out person. It's all about getting the right local people and getting the right talent locally."

In New York, Lendlease's head of development, Melissa Burch, has been leading the charge, winning bids on waterfront projects such as 1 Java Street, which she says will be helped by Lendlease 2020, an intelligence-sharing arrangement across the company's global businesses from design to development approvals.

Lendlease has also been winning on build to rent housing – known as multi-family housing in the US. The group's partnership with superannuation fund Aware has already deployed \$US2.5 billion in assets and development.

But the big competitive win for



Lendlease's New York projects include a waterfront development at 1 Java Street.

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Lendlease was the deal to develop Google's land in Silicon Valley into \$US15 billion worth of housing.

"They ran a process with all the big global houses and then they picked Lendlease as their joint venture part-

ner. Google explained it to us and to their people that the lion's share of that decision was because of Lendlease's culture and capability," Hickey says.

"It came down to, we've got to make sure we get the best people in the world working for Google, and working on Google's mission. And whoever it is, they have to have the right culture. If somebody comes in who's arrogant or not a cultural fit, then you'll never get anything done."

In the beginning, Lendlease actually said no to Google because the initial interest was on an advisory basis only.

"Google said: 'We need help, can you come in and just do some advisory work for us?' And we said, 'look, we're not an advisory company, we actually deploy our balance sheet and do projects'."

But Hickey was savvy enough to make an exception for Google. "We agreed to help them just on a fee-for-service basis. And we did that for probably 12 to 18 months."

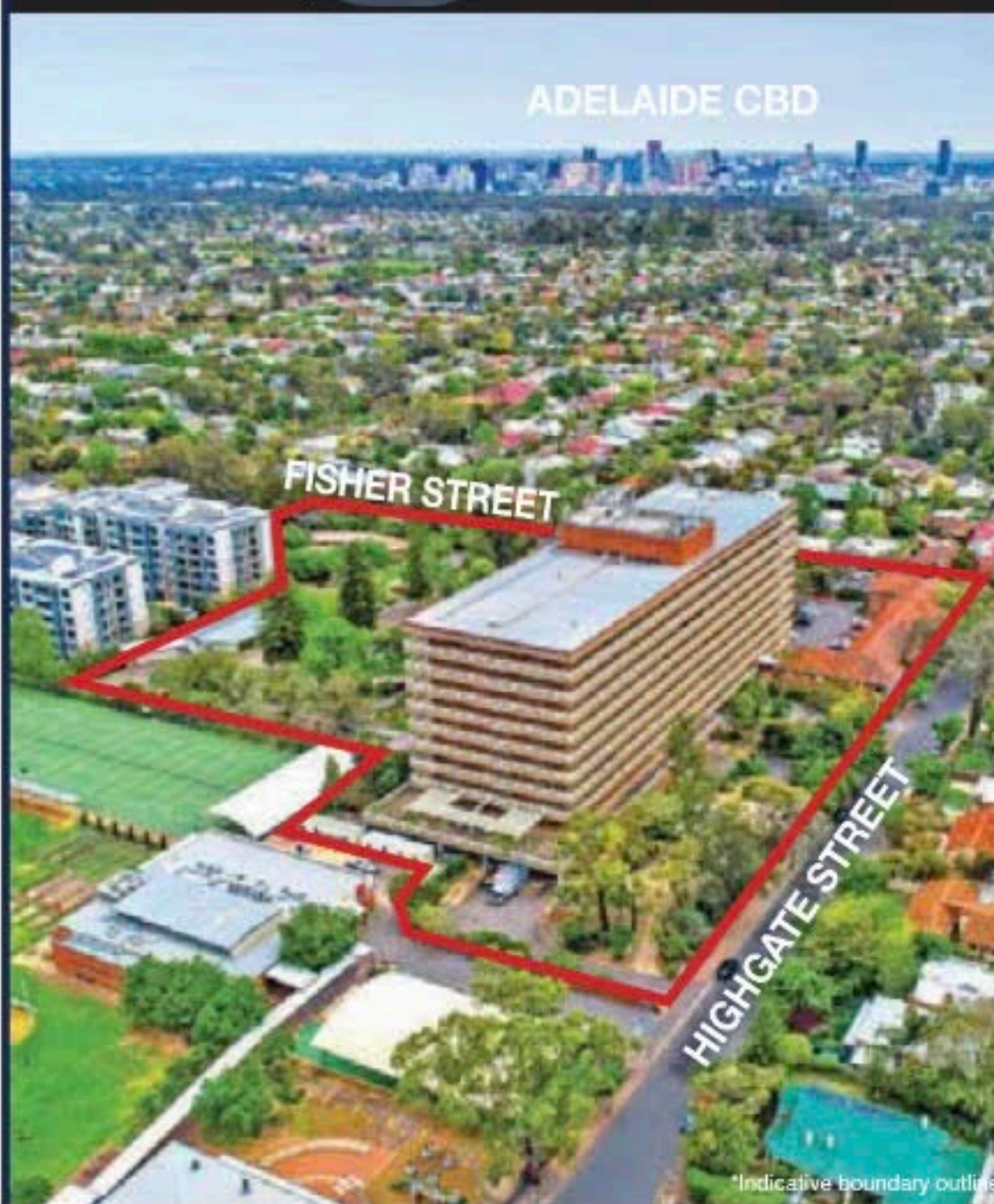
"They obviously wanted to have a look at us. Equally, we wanted to have a look at them because you know, they are a behemoth."

Now Lendlease has at least 100 people, led by Claire Johnson, working on Google's project over three suburbs – San Jose, North Bay Shore and Moffett Park.

Hickey is also regularly involved and a few days before this interview he had just returned from San Francisco, where he met with the head of Google's global real estate business, David Radcliffe, and others to iron out issues.

The possibilities with Google are endless. Lendlease uses Google Cloud for its operations but is yet to develop data centres for Google. That may now be on the cards.

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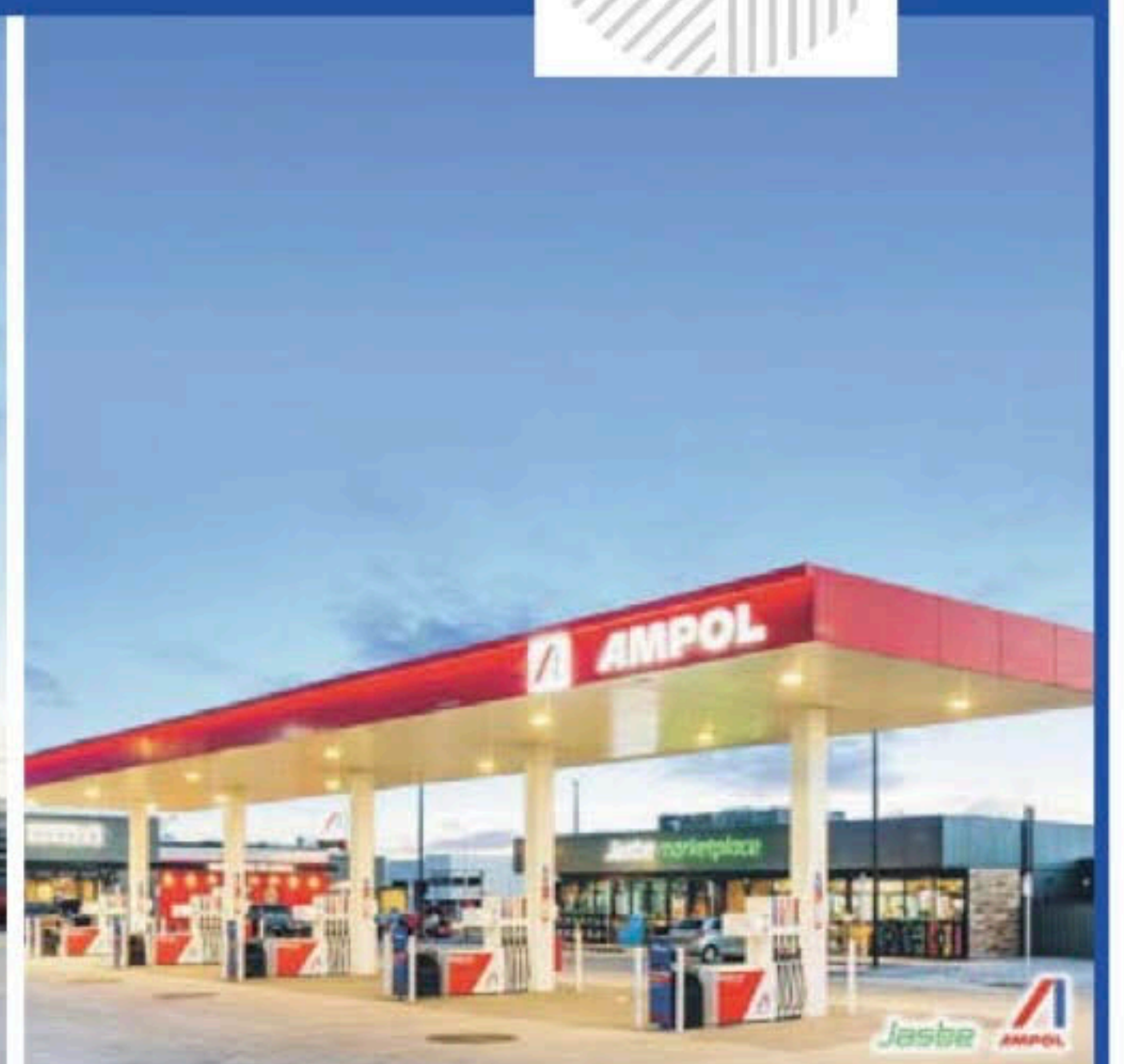
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"When you get up to the apex of global leadership you need an element of, being able to block out the noise": Denis Hickey

"We've had discussions with their data centre team asking them: 'Where do you want to put your data centres? What does that look like?' And they are interested in looking at cross-laminated timber for their data centres."

Google is the perfect example of why Lendlease changed its structure this year, moving away from the Australian group "mothership" controlling the regions, to one where each region makes its own decisions. The restructure is expected to save the company \$160 million.

"We can't have all decisions being run out of Barangaroo any more," Hickey says.

"When we've got so much investment in other regions, we need to move from being an Australian business that has international operations, to becoming a global business that has Australian heritage."

"It's about putting more empowerment back into the four regions to say, right, you're accountable now for a lot of the decisions in your region."

The previous base for power was important for the earlier strategy adop-

ted by long-serving chief executive Steve McCann known as "restore, build, lead".

"Save the engineering business, I think the bulk of the restore, build, lead strategy was well executed. But we did that last decade."

Under new Lendlease chief executive Tony Lombardo the strategy has now changed to one of regional empowerment.

Hickey doesn't show any annoyance about missing out on the top job after working at Lendlease for almost a decade. "It was just a part of the process.

There were a lot of considerations, both for me and for the board about what's the right fit. And you know, I really enjoy being in the northern hemisphere."

Hickey enjoys surrounding himself with successful, ambitious people and their ideas.

When he played in Australia's under-19 cricket team on a tour of India, South Africa and Sri Lanka his teammates were Mark and Steve Waugh, Mark Taylor and Craig McDermott, all of whom broke numerous

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Denis Hickey, Lendlease COO

records and two ended up in the second most important leadership role in Australia – captain of the Test team.

"There was never any doubt for them. There was always a self belief that 'yeah, I'll get there'."

"When you get up to the apex of global leadership, whether it's in an elite organisation, or whether it's in a public company you need an element of being able to block out the noise and just be self-resilient. If you're in the area that lets all the doubters come in, it's easy to fall."

Leadership of any sort inevitably involves hierarchy. In the case of working from home, there is also a hierarchy of sorts surrounding who is needed in the office more than others and for what reason.

There are so many restrictions on bringing people back to the office and forcing people back to the office that employers are still unable to assess whether they're going to demand people come back.

"Pre-COVID, there was a culture that the office dominated everything. That paradigm has been challenged. And I think that's a great thing. We will never go back to the way it was before."

"But the question now is, what will it look like moving forward? I think the micro teams will figure it out. My personal view is it's going to take two years to figure that out. It's going to take probably two years of various organisations trying various things to figure out what the right solution is."

"As we're thinking about a return to the office, there is an order of importance to making a decision."

"What we're thinking is that there is a hierarchy in that decision. First hierarchy is what's best for our customers, clients or partners. Second hierarchy is what's best for the team and the company. The third half hierarchy is what's best for me and the individual."

People who are doing less interactive jobs are more likely to be able to work from home more. Project managers on the other hand are likely to have to interact more frequently and office time will be needed for what Hickey calls "spontaneous collisions".

"If most of my days are doing individual data processing then the decision on flexibility is largely generated around me the individual, and if what works for me is that I want to come in one day a week and work from home for four, then that makes logical sense, as you move through that hierarchy."

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