U.S. Construction Industry Talent Development Report
Agenda

• Survey Respondent Data
• Preparing for a Changing Workforce
• Finding and Retaining the Best Talent
• Ethical Compliance
• Training Budgets and Expenditures
• Measuring Training Results
• Talent Development Practices
• Developing High Potentials
• Succession Planning
Survey Respondents: Primary Type of Work

- General Contractor, 71%
- Construction Manager, 14%
- Engineering, 6%
- Heavy/Highway/Utility, 3%
- Specialty Trade, 1%
- Other, 4%
- Architecture, 2%
Survey Respondents: Role

- Vice President, 32%
- President/CEO, 25%
- Human Resources Director, 15%
- Owner, 8%
- Chief Operating Officer, 5%
- Chief Financial Officer, 5%
- General Manager, 2%
- Training Director, 2%
- Other, 4%
- Other, 4%
Annual Construction Revenues

- Less than $25 million, 5%
- $25 to $49.9 million, 15%
- $50 to $99.9 million, 21%
- $100 to $499.9 million, 44%
- $500 million or more, 15%
- Total: 100%
Number of Employees (At Peak Season)

- Fewer than 100, 28%
- 100-499, 49%
- 500-999, 11%
- 1,000-1,999, 8%
- 2,000 or more, 5%
- Fewer than 100, 28%
• 20% of management or supervisory positions are held by Hispanic decent employees
• 10% of management or supervisory positions are held by women
• The percentage of women working in the construction industry has risen from 5% to 8%
What are the current percentages of the following race/ethnic groups in management/supervisory and technical/craft positions?

- African American or Black: 5%
- Asian or Pacific Islander: 2%
- Hispanic or Latino: 11%
- White, not of Hispanic origin: 80%
- Other: 2%
A Changing Workforce...

What percentage of your company's workforce falls into the following generational categories?

- **Veterans (born before 1946)**: 5.2%
- **Baby Boomers (born 1946-1964)**: 37%
- **Gen-Xers (born 1965-1980)**: 38%
- **Millenials (born 1981-1999)**: 19%
Which of the following is your company doing to prepare for a changing workforce?

- Promote internally to key positions: 84%
- Train to improve performance in specific competencies: 78%
- Provide internship/co-op programs: 72%
- Employ "best practices" to retain key talent: 70%
- Network with community and industry groups: 64%
- Establish core competencies by position: 61%
- Increase recruiting efforts at schools, colleges, and/or universities: 58%
- Identify current gaps in core competencies: 53%
- Increase recruiting for experienced industry talent: 50%
- Develop project competencies needed in the next 5-10 years: 45%
- "Poach" employees from other firms: 21%
- Recruit in non-traditional labor pools: 21%
- Offer phased retirement or contract work for retiring employees: 15%
- Other: 1%
### Finding and Retaining The Best Talent

#### Which of the following is your company using to recruit the best talent?

<table>
<thead>
<tr>
<th>Method</th>
<th>% of Total Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internships/co-ops</td>
<td>77%</td>
</tr>
<tr>
<td>Job postings on your company's website</td>
<td>68%</td>
</tr>
<tr>
<td>Internal employee referral program with incentives</td>
<td>63%</td>
</tr>
<tr>
<td>Online recruiting tools (e.g., Monster.com, Careerbuilder.com)</td>
<td>59%</td>
</tr>
<tr>
<td>Professional recruiters</td>
<td>59%</td>
</tr>
<tr>
<td>External referrals</td>
<td>44%</td>
</tr>
<tr>
<td>Association job boards</td>
<td>28%</td>
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<tr>
<td>Job postings in professional journals</td>
<td>24%</td>
</tr>
<tr>
<td>Other</td>
<td>9%</td>
</tr>
</tbody>
</table>
Internships and Co-Ops

• National Association of Colleges and Employers’ 2011 Internship and Co-Op Survey
  – Increase internship hiring by 7% this year; Co-ops 9%
  – Full time offers to interns 67% of the time
  – After one year, retained at 75.8%; new hires recruited without internship/co-op experience retained at 60.7%

• Benefits
  – Increased retention rate
  – Reduced training periods
  – Improved personnel selection
The top three strategies companies focus on to attract and retain talent:

- Being an employer of choice: 79%
- Providing comprehensive benefits and rewards: 59%
- Training/learning opportunities: 56%
- Market-competitive compensation: 55%
- Clearly defined career paths: 24%
- Maintaining a diverse culture: 15%
- Building the position/hiring practices: 11%
- Strategic onboarding practices: 0%

Does your company offer career paths?

Yes, 70%
No, 30%
Best Practices to Attract and Retain

• “There are so few of us left after the last three years that we are all cross-trained into all other jobs. In order for the company to succeed, everyone must perform. In order to keep the benefits employees like, the company must succeed.”
• “Accessibility of upper management mentoring and having fun in a not so fun industry.”
• “Clearly indicating that we promote from within and that it’s talent, not seniority that gets you there.”
• “Hire the right people, pay them well. Recognize their achievements and allow them to grow and make mistakes they can learn from.”
• “We encourage our employees to rotate through positions – project management, field supervisions, estimating, etc. Broad exposure increases their knowledge of the business and keeps things interesting and challenging for them.”
• “Work with each employee individually and give them an opportunity to be what they want to be; helping them get there.”
Establishing an Ethics Culture

- FMI’s 2004 Ethics Survey
  - 61% of survey respondents thought that the industry was “tainted” by unethical acts.
  - 84% reported that they had experienced, encountered or observed construction industry-related acts or transactions that they would consider unethical in the past year.

- The economic downturn has made it worse.
- More companies are living in the “gray.”
  - Potential for financial loss or gain is a strong incentive for companies, and the individuals within them, to take a detour from the ethical straight and narrow way.
Make Ethics Tangible

• FMI interviewed 20 CEOs and compliance managers
  – Ethics starts at the top – the leader must champion ethics policies, practices and attitude.
  – Keep your ethics policy simple, and tie it back to key values.
  – Get buy in from everyone in the company.
  – An ethical culture starts with hiring the right people.
  – Ethics can be taught.
  – Review, monitor and report ethics behavior.
  – Take action on ethical violations.
• Establishing standards and procedures to prevent and discover wrongdoing.
• Providing for periodic risk assessments.
• Ensuring corrective measures are carried out.
• Promoting periodic communication and awareness of the ethics code.
• Providing an effective training program for ethics education.
• Providing and advertising an anonymous hotline for reporting breaches of conduct.
Ethical Compliance

Does your company have a formal code of conduct in place?

<table>
<thead>
<tr>
<th>% of Total Response</th>
<th>Yes</th>
<th>No</th>
<th>This is being considered.</th>
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</thead>
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<tr>
<td></td>
<td>81%</td>
<td>12%</td>
<td>7%</td>
</tr>
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Does your company have a formal ethical compliance program in place?

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<td>67%</td>
<td>20%</td>
<td>12%</td>
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</table>
We have seen an improvement

FMI’s 2013 Talent Survey

• We asked “Does your company have a formal code of conduct in place?”
  – 82% said yes, 11% said no, and 7% said it was being considered.

We also asked if companies had formal ethical compliance programs in place?
  – 69% said yes, 19% said no, and 12% said it was being considered.
81% of the survey participants indicated they prepare a yearly training budget.

Percentage of payroll spent on training is higher in the construction industry than what other companies are spending at 3.3%.

73% of companies have decreased their budget since the recession.

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**Pie Chart:**

- **Yes, 81%**
- **No, 19%**
How much does your company spend annually PER PERSON on training for each of the following employee groups?

- **Trade/Craft Personnel**: $7,040
- **Field Management Personnel**: $7,252
- **Project Management Personnel**: $11,333
- **Senior Executives/Business Development Personnel**: $12,098
On average, how many hours of leadership training do the following positions get per year?

- Project Management Personnel: 75.6 hours
- Field Management Personnel: 76.3 hours
- Trade/Craft Personnel: 31.9 hours
How does your company determine individual training and development needs?

- Through performance appraisal discussions: 76%
- Managers identify training needs after observing job performance: 75%
- As a result of individual requests: 72%
- Through informal discussions with managers: 61%
- As part of the overall business planning process: 44%
- Results of 360 degree feedback: 28%
- Through review of learning needs following organizational change: 22%
- Through data analysis from performance appraisals: 16%
- Formal written or electronic surveys: 11%
- Other: 1%
Which of the following practices does your company plan to use in the next year to increase employee performance and development?

- Annual performance reviews: 83%
- Formal in-house classroom training: 54%
- Formal classroom training by outside vendors: 53%
- Personal development plans: 51%
- Web-based training: 50%
- Coaching: 46%
- Regular meetings of the entire workforce: 44%
- Mentoring Programs: 44%
- Teambuilding activities: 44%
- Continuous professional education (CPE): 38%
- Profit-sharing for non-managerial employees: 33%
- Peer review/360 degree feedback: 30%
- Professional/Executive coaching: 29%
- Job rotation/cross training: 28%
- Staff attitude/climate surveys: 27%
- Train-the-trainer training: 25%
- Action planning (individual): 24%
- Developmental work assignments: 22%
- Action planning (team): 15%
- Knowledge or skill-based pay: 12%
- Self-directed teams: 10%
- Group or team-based compensation: 6%
- Other: 1%
• Annual Performance Reviews
  – 83% of respondents continue to perform an annual review.

• Performance Culture: one in which employees are motivated to perform at the highest levels of their ability, with resulting excellence in organizational outcomes.
  – Set clear, realistic expectations.
  – Provide feedback regarding how effectively people are meeting those expectations.
  – Ensure appropriate consequences for behaviors and/or outcomes.
• Training
  – According ASTD’s 2010 State of the Industry Report”
    • U.S. organizations spent $125.88 billion on employee learning and development.
    • Nearly two-thirds of that total was spent on internal learning while the remaining amount was allocated to external services.
• Personal Development Plans
  – Extension of performance review process that allows manager and employee to identify and advance towards reasonable developmental goals.
  – Advantages include: improving performance and enhancing knowledge by promoting a climate of continuous learning and professional growth.
  – Gives employees the responsibility for their own personal and professional development.
• Web-based Training
  – Increasingly popular over the past few years.
  – Benefits include reduced travel expenses, less time away from the job and just-in-time.
  – Certain topics are more conducive to learning through this type of delivery format.
Does your company have a formal process to develop high potential employees?

- Yes, 38%
- No, 62%

Is it part of a structured management succession process?

- Yes, 29%
- No, 71%

What are you doing to develop your high potential employees?
Developing High Potentials

- Identify the employees worth keeping.
- Create development plans.
- Determine current employee engagement level.
- Stretch employee development.
- Make learning a priority.
- Have informal and regular conversations with your keepers.
- Allow boomerangs.
Best Practices in Developing High Potential Employees

• “Identify high potential people, tell them and then carefully select various work experiences with development in mind and promote and increase salary at a faster pace.”

• “Our Talent Management process includes a talent review whereby all employees are ranked and their strengths and weaknesses discussed, with a development plan then prepared for each individual. This process identifies high performers and they are included in a leadership mentoring program, whereby each individual is assigned to a company leader to be mentored for one year with quarterly reporting on results, things learned, etc.”

• “We have a leadership development program that targets high potential employees who are part of the succession process. More than 50% of our current senior management of the company has participated in (or is currently participating) in this program.”
Succession Planning

76% of owners 50 or older plan to retire in the next 10 years

48% of those owners are currently working on succession plans

Baby boomers make up 40% of today’s work force
What percentage of the following groups will you lose to attrition or retirement in the next 5 and 10 years?

<table>
<thead>
<tr>
<th>Group</th>
<th>5 Years</th>
<th>10 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executives</td>
<td>12%</td>
<td>26%</td>
</tr>
<tr>
<td>Senior Managers</td>
<td>9%</td>
<td>18%</td>
</tr>
<tr>
<td>Project Managers</td>
<td>9%</td>
<td>18%</td>
</tr>
<tr>
<td>Field Managers</td>
<td>11%</td>
<td>20%</td>
</tr>
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New Challenge and Opportunities

• Transferring ownership to a new generation of leaders.
• Capturing and embedding the cumulative knowledge of outgoing employees.
• Developing intentional, purposeful succession plans.
• Growing high-potential employees' ability to lead versus manage and think strategically versus operationally.
• Preserving organizational culture so it can be propagated for future generations.
• Shaping business models to meet the demands of a volatile and uncertain market.
Succession Planning Process

- Commit to the plan from the very top and link it to your vision and values and your strategic plan.
- Identify future leadership requirements.
- Assess the organization and internal candidates.
- Generate a list of essential competencies.
- Provide development opportunities.
- Evaluate progress.
- Develop and implement the succession plan.

1. Develop vision and values
2. Develop strategies and objectives
3. Identify the leadership requirements
4. Assess the organization and the candidates
5. Identify potential candidates
6. Identify gaps in performance capabilities
7. Create a development process
8. Start the development plan
9. Assess progress
10. Develop and implement the transition plan
Recommended Reading

• Managing the Millennials: Discover the Core Competencies for Managing...
  by Chip Espinoza

• Not Everyone Gets A Trophy: How to Manage Generation Y
  by Bruce Tulgan

• Y in the Workplace: Managing the "Me First" Generation
  by Nicole A. Lipkin
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