

**FMI**  
QUARTERLY  
ISSUE THREE  
**2018**



## Five Critical Pitfalls to Avoid When Developing Your High Potentials

By Paige Kelly and Matt Kennedy

### How to get the most value out of your leadership development investment.

A worldwide research study<sup>1</sup> assessing leadership found that only 14% of CEOs have the leadership talent needed to be able to execute on their strategies. Because of both the high number of individuals exiting construction due to retirement and the shortage of skilled talent, focusing on intentional talent development strategies is at the forefront of engineering and construction executives' minds. From multibillion-dollar firms to start-ups and from executive succession development to ensuring your front-line leaders are prepared, leader development is recognized as a key factor in the formula for continued organizational success.

With estimates of over \$50 billion being spent in the U.S. on training and development annually (and growing at an annual rate of 30% over the next five years), the emphasis on developing skill sets internally is undeniable. With a shortage of labor and talent, companies recognize the need to accelerate their own leader development to fuel growth and success in our booming economy.<sup>2</sup>

Although profitability in the engineering and construction (E&C) industry is measured in financial terms—percentage of profit on a project, hours billed, forecasts versus actuals—people ultimately drive the profits. The intangible assets, from the ability to build relationships with current or pro-

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<sup>1</sup> "Global Leadership Forecast." DDI. 2018.

<sup>2</sup> "2017 Training Industry Report." Trainingmag.com. November/December 2017.

spective clients to motivating individuals on a team to perform at their best, can move a company's financial needle dramatically. The stakes are even higher at the executive level and in key leadership roles, with the cost of a key leader jumping to another company (or a mis-hire) equal to two to three times the annual salary of that individual.<sup>3</sup> Successful high-potential development programs not only accelerate the development of leaders but also build increased goodwill and loyalty to a company.

How the E&C industry approaches leadership development varies when looking at size, total investment and sophistication of processes, but we see critical patterns that determine whether a company will maximize its investment. As we analyze pitfalls of implementing talent development programs, we see the impacts to companies and leaders who went through a broad range of experiences on their leader development path.

## Five Critical Pitfalls to Avoid

Companies that want to get the most out of their high-potential programs face challenges like:

- 1. Paralysis by Perfection.** One of the greatest barriers we see for high-potential development programs is executives' anxiety of getting it wrong. Instead of moving forward with leader development, companies can get caught up in making the program perfect rather than moving forward and adjusting along the way. It's important to simply take a first step! The No. 1 response we hear from individuals (at all levels—from the field leaders to company executives) when we ask how they are doing is “we're busy.” If we want *different* and *better* results from individuals who work with us or from ourselves, we must act differently. Even if your company's talent management system has not been fully fleshed out, taking an initial step toward development is critical. Postponing the inevitable further jeopardizes and delays advancing the abilities and capabilities of your key talent. The consequences of delaying leader development include:

- Retention challenges
- Burnout
- Unsatisfactory options and results for succession plans
- Inability to make adequate progress on strategies

Because knowing where to start with designing a long-term leadership development program can be intimidating, consider these first two steps:

- **Identify key individuals to develop (or start with the executive team).** A midsized general contractor recognized gaps in the company's intentional development of leaders. Before sending its next generation of leaders to the [Leadership Institute](#), all key executives attended (six total over the course of a year). Once those individuals had attended, the team had a common leadership language that it used among its members and with others in the company. Although the firm is now determining the appropriate leadership development for each level of the company, this initial step gave the company a springboard to exemplify the importance of taking time out for professional growth and development.

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<sup>3</sup> “The costs of Executive mis-hires: Getting it wrong costs a company millions.” Hunt Executive Search, Inc.

- **Start small.** Choose one area to develop and then build up to a comprehensive program. One company recognized that it didn't have adequate resources to implement a complete talent program from the start. So, for the first year, executives focused on sharing feedback around how leaders lived the company's values. In year two, the company added goals for specific competencies in project management that needed developing.
2. **Disconnect Between Programs and Organizational Goals or Strategies.** An organization that was losing talent to competitors used its leader development program to address a specific industry challenge: how to give individuals an opportunity to work remotely. What we term "Action Leadership Challenges" (ALC) are a component of many high-potential programs to connect development to organizational goals. These ALCs give high-potential leaders the opportunity to tackle a strategic challenge that the organization faces that otherwise might get lost in everyday work and life. Identifying ALC opportunities can increase companies' return of investment on their high-potential development program in two ways:

- It addresses a key organizational goal in an intentional and dedicated way, accelerating progress on key initiatives.
- It fast-tracks the application of development skills that leaders are learning.

In this case, the remote-work example resulted in a change of company policy. This policy sent a strong message to employees about the value of work/life balance and encouraged employees and managers to think creatively about the type of work arrangements that would benefit both employees and the company. An internal team of high-potential leaders researched, tested and refined the policy as part of its development, equipping its members with new insights to lead differently in the future.

For a company that was focused on being innovative and leading in its market, the recommendation to the executive team from the ALC group was to hire a chief technology officer. The out-of-the-box thinking from these groups often resulted in approaches for the company that would not have been addressed had leader development not been connected to strategic initiatives.

3. **Lack of Involvement From Senior Leaders.** The third pitfall is excluding senior leaders from the high-potential development experience. Future leaders want to have exposure to current leaders. Without this involvement, senior leaders are missing out on the opportunity to:

- Demonstrate a culture of leader development.
- Engrain company culture in the next generation of leaders.
- Share their deep expertise and understanding of the business.
- Connect with leaders at a personal level.

Companies that engage in company-sponsored mentoring experience a 25% increase in retention, but involvement by senior leaders must go beyond coaching or mentoring individuals.<sup>4</sup> Senior leaders can help with action planning, building individual development goals, kicking off development sessions with company news or emphasis on vision or strategy, among other areas of support.

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<sup>4</sup> Deloitte Research Brief. 2012.

- 4. Missing Follow-up or Measurement of Impact.** Leader development is a large investment, but if focused and intentional, organizations will reap company returns that equate to multiples of the original investment. When defining the scope of the leader development programs, be sure to include specific outcomes or milestones. The ability to measure growth isn't just for the organization's benefit; it also allows the individual to see his or her progress. Without the follow-up and measurement of impact, the return of the investment might not be recognized, thus downgrading the true value.

One general contractor that measured the success of its high-potential program found that 14 of 21 individuals who completed the program were promoted during the program. Two individuals received two promotions during that time (two-year program meeting quarterly with the majority of year 2 focused on Action Leadership Challenges). Consequently, ongoing measurements confirmed that investing in leader development produced accelerated growth opportunities.

- 5. The Fear of Excluding or Offending.** A frequent concern when implementing leader development programs is a fear of excluding individuals or offending someone. We encourage great care in communication, and when done appropriately, individuals will get excited and want to know how to get involved in the next group. Then, individuals who aren't in a "first wave" of development will step up and surpass the expectations that you've set forth.

## Developing Next-Gen Leaders

The majority (64%) of global leaders cite "developing next-gen leaders" as their top challenge right now.<sup>5</sup> With next-gen leaders occupying a large portion of executive seats in today's E&C companies, there are myriad reasons for organizations to pause their leadership development efforts. But imagine if your company was truly a learning organization, where everyone was getting 5% better every year. What would that mean for your company's results? How much would you have to invest to make that happen?

In short, leader development is an investment, but the returns for companies that put the time and effort into avoiding the five pitfalls outlined in this article can pay multiple dividends.

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<sup>5</sup> Global Leadership Forecast. DDI. 2018.



**Paige Kelly** is a consultant with FMI's Center for Strategic Leadership. Paige works with a wide range of firms across the construction industry to impact their overall leadership effectiveness through targeted development and training. She can be reached via email at [pkelly@fminet.com](mailto:pkelly@fminet.com).



**Matt Kennedy** is a senior consultant with FMI's Center for Strategic Leadership. Matt works with clients to build enduring organizations through establishing a foundation of strong leadership performance and depth of talent. He can be reached at [mkenedy@fminet.com](mailto:mkenedy@fminet.com).



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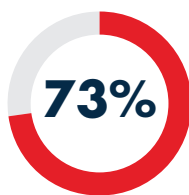
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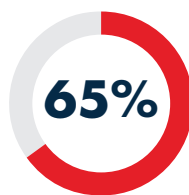
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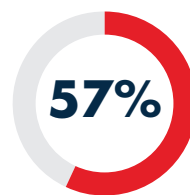
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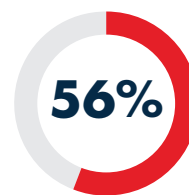
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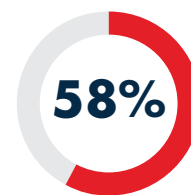
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Houston, TX 77010  
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**Phoenix**

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