



Four Ways to Optimize Talent in Uncertain Times

By Priya Kapila

Tips for effectively assessing your current labor pool, making the necessary adjustments and preparing for future success.

As the end of one of the most unusual years in recent history draws to a close, it is naturally a time for reflection and, even more importantly, a time of planning for the days ahead. Engineering and construction (E&C) companies are undoubtedly considering their 2021 forecasts, including examining backlogs and reviewing business development opportunities and bid prospects. Many are also considering discounts for subcontractor and supplier challenges as well as potential project delays and cancellations. Key among these projections for next year should be an assessment of workforce needs.

Four Labor Optimization Moves

In many markets, competition has remained high and margins have continued to be squeezed amid mounting health and economic concerns. During

the first half of 2020, one in three contractors acted quickly to reduce costs by decreasing headcount.

However, there was no pause in the demand for skilled talent. According to the U.S. Bureau of Labor Statistics (BLS), the construction industry saw monthly net gains in job creation, and the number has been rising through the [most recent data for October](#). While total industry employment is below pre-COVID levels, the unemployment rate remains relatively conservative at 6.8%, which is slightly less than the U.S. average across all industries. In other words, many workers have employment options.

This does not mean contractors cannot still take steps to improve efficiencies and, in doing so, streamline their organizational structures. It simply means they must

proceed with care and caution. Here are four steps companies can take now to ensure their labor forces are optimized for 2021.

Step 1: Determine Current and Future Staffing Needs

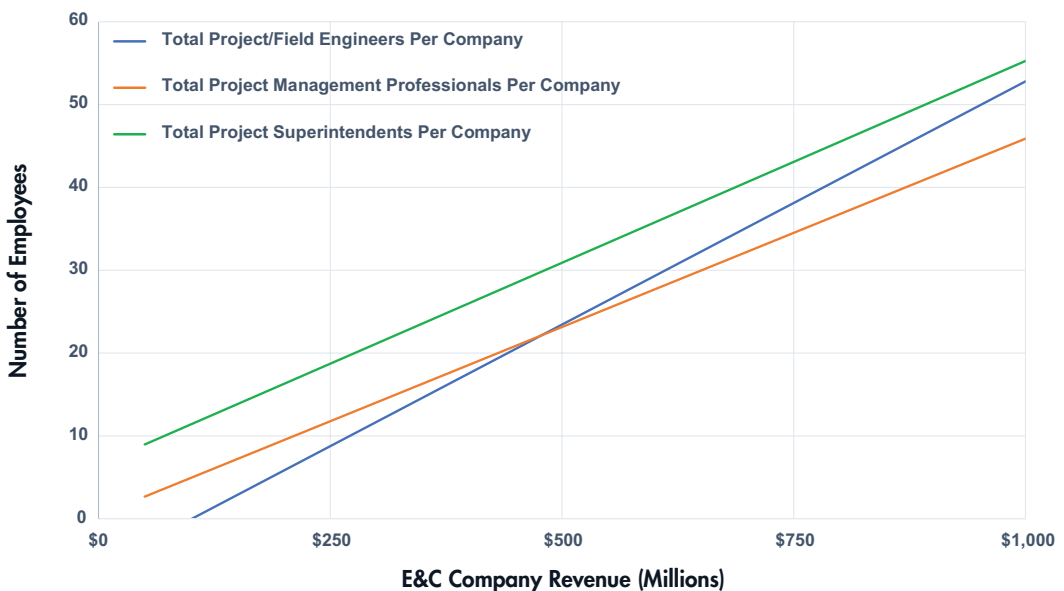
Before an executive team can create the preferred organizational structure, it must examine the company's financial position, business development plan, and operational capabilities and prospects. Nonfinancial factors must be considered too; a comprehensive overhaul of the company's strategic direction and activities may be ideal, but if employees perceive the changes as a cultural conflict, the possible gains may not outweigh the potential for turnover and disengagement.

The risk of reluctance or resistance to change is one reason that most companies would be well-served by creating a restructuring plan now. If there are deal


breakers, it is best to flag them as soon as possible. If there are unique people and processes that are believed to be integral to the company, it might be preferable to place these outside any restructuring efforts or ensure that the changes are gradual and clearly communicated. Not surprisingly, [executives who have worked to create and promote a positive view of leadership are often able to oversee changes best](#).

Industry benchmarks should not be the sole consideration for leaders in developing an optimal structure, but they can yield helpful insights on how similar companies are organizing their employee populations. For example, [FMI's 2020 Construction Professional Compensation Survey](#) reveals that among general contractors, most hire one project manager, superintendent and project engineer for approximately every \$18 million in revenue, on average (Exhibit 1).

Exhibit 1. Project/Field Employees by Company Revenue



Source: FMI's 2020 Construction Professional Compensation Survey



The broad review of the corporate outlook should be narrowed to determine the talent characteristics that are most important to the firm. For example, a general contractor that sees an opportunity to further break into the self-perform arena may focus its attention on establishing qualifications and expectations for field leadership and trade staff. Another contractor in a highly competitive environment may highlight the need for a best-in-class estimating department. The identification of critical areas does not negate the need to evaluate job roles throughout the organization, but leaders should prioritize those positions or teams that are most likely to support the company now and in the future (recognizing they may be different).

Step 2: Evaluate Employees' Skills, Interests and Potential

Employees are continuously assessed for competencies, asked for insights on their aptitudes, and questioned about their potential and desire for advancement. For many contractors, this is a utopian concept. While annual performance reviews have become common across the E&C industry, they are still fraught with inconsistency and incompleteness. And, unfortunately, one approach to improve the process—requiring a completed review for raises and bonuses—has few benefits other than ensuring most employees and managers speak at least once a year about performance.

Performance reviews primarily focused on behaviors versus results can cause problems. Often, executives and HR leaders are concerned that it causes undue stress and overfocus on tangible results rather than long-term contributions and employee development. What's more, in times like these, when companies are considering reining in salary increases and incentive awards, linked performance reviews lose nearly all value in the eyes of employees.

In the absence of a more robust training and development program, performance reviews can still be a good starting point. If used, they should offer clear, objective commentary of employees' current job performances and their reflections of company values. If employees are in the habit of developing customized goals with their managers, this feedback can also offer insights on what is important to each employee (i.e., where they want to excel or improve). In addition, the difficulty of the performance goals established can be an indicator of his or her manager's general views of capabilities. More detailed assessments can be conducted and, in some instances, should be. However, starting with available resources will lead to less disruption to the employee base while leaders contemplate new structures.

Step 3: Align Jobs With People

Discussing the future potential of team members – and how it aligns with the future goals of the firm – is a sensitive topic; therefore, it is ideal that functional needs are



determined independent of the assessment of people at first. The act of reconciling necessary and desired staffing with the current workforce is likely to result in some conflicts. In other words, there will be vacancies for key positions as well as employees who do not necessarily fit in the ideal organizational structure.

Companies should also focus on managing job gaps. Even contractors seeking cost savings and an overall reduction in the workforce may find that there are new or modified jobs needed for future business improvements. Therefore, once these unfilled jobs are identified, leaders must make an action plan to place the right individuals in them.

Finally, there should be a clear understanding of the characteristics and skill sets desired after analyzing staffing needs. Filling the gaps might be achieved through retraining current employees or recruiting new, experienced team members.

In both instances, the time and cost of getting workers up to speed must be evaluated carefully. Cultural and compliance factors may have an impact also; in particular, when a significant reduction in force occurs, who is left standing takes on great significance. Companies may also consider engaging independent contractors or consultants, but, generally, this should be done to satisfy interim needs or accomplish short-term initiatives.

The more sensitive side of the alignment equation includes the methods required to effectively transition employees who will no longer have a clear role within the company. First, the approach for identifying those likely to be terminated must be reviewed to ensure fairness and compliance:

- Employees must be evaluated according to consistent criteria that reflect the company's values and strategies.
- The best practice is to assess all employees, even those in jobs that will be eliminated.
- The process should represent a top-down hierarchical structure, but not neglect critical input from team members across the organization.
- Employee evaluations must be undertaken quickly and quietly. Rumors will begin circulating rapidly, and the sooner they can be quelled with guidance from leadership, the better.
- Leadership must determine what type of consideration is required and if the company will offer additional severance benefits (e.g., salary continuation, paid leave payouts, ongoing health care premium coverage, outplacement services, etc.).

Step 4: Develop the Restructuring Plan

A contractor's communication plan has momentous impact on the success of the restructuring process. While there are schedules to put in place, training and onboarding programs to develop, and overall strategic alignment to confirm, the way changes are managed and conveyed will have lasting effects.

Leaders may exercise discretion in how transparent they are when communicating workforce adjustments. If reorganization is seen as necessary to take on significant new opportunities, then a reasonable level of optimism should be messaged. On the other hand, if the talent shifts are needed for dramatic course correction, it may be best that leadership communicates a new future to prepare for a turnaround.

In any scenario, the suggestion that a reduction in force is simply a cost-cutting endeavor will not be met well. Feedback following a restructure is nearly always challenging, but a forward-looking perspective will be the best mitigator of anger, sadness and frustration.

Employees in roles that are eliminated should be informed promptly and be given all appropriate details related to their departures. Shortly thereafter, as the message gets out, further explanation should be shared internally and among key external stakeholders.

Not surprisingly, the views of employees who remain have much more influence on the long-term performance of the company than those let go. One survey from the Great Recession era showed that [nearly all employees are less likely to recommend their company as a great place to work, and 3 of 5 employees think their organizations' prospects have worsened after a layoff.](#) There is further evidence suggesting that employees are more likely to voluntarily leave a company when future job satisfaction and security are increasingly uncertain and are [usually the top performers leave first.](#)

Navigating Uncharted Territory

Given the difficulty of 2020 and the outlook for 2021, contractors should consider the caliber of current talent and future wants and needs to bolster potential. This is even more important after a decade of continued growth, where there was a common perception that anybody would be a good fit for an open position.

The need to rein in spending and create an organization that is structured for success means it is now time to take a hard look at optimal job roles and current employee characteristics. Using the strategies outlined in this article, companies can effectively assess their current labor pools, make the necessary adjustments and build for future success.

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