

TALENT DEVELOPMENT in the Construction Industry

2017 FMI Industry Survey

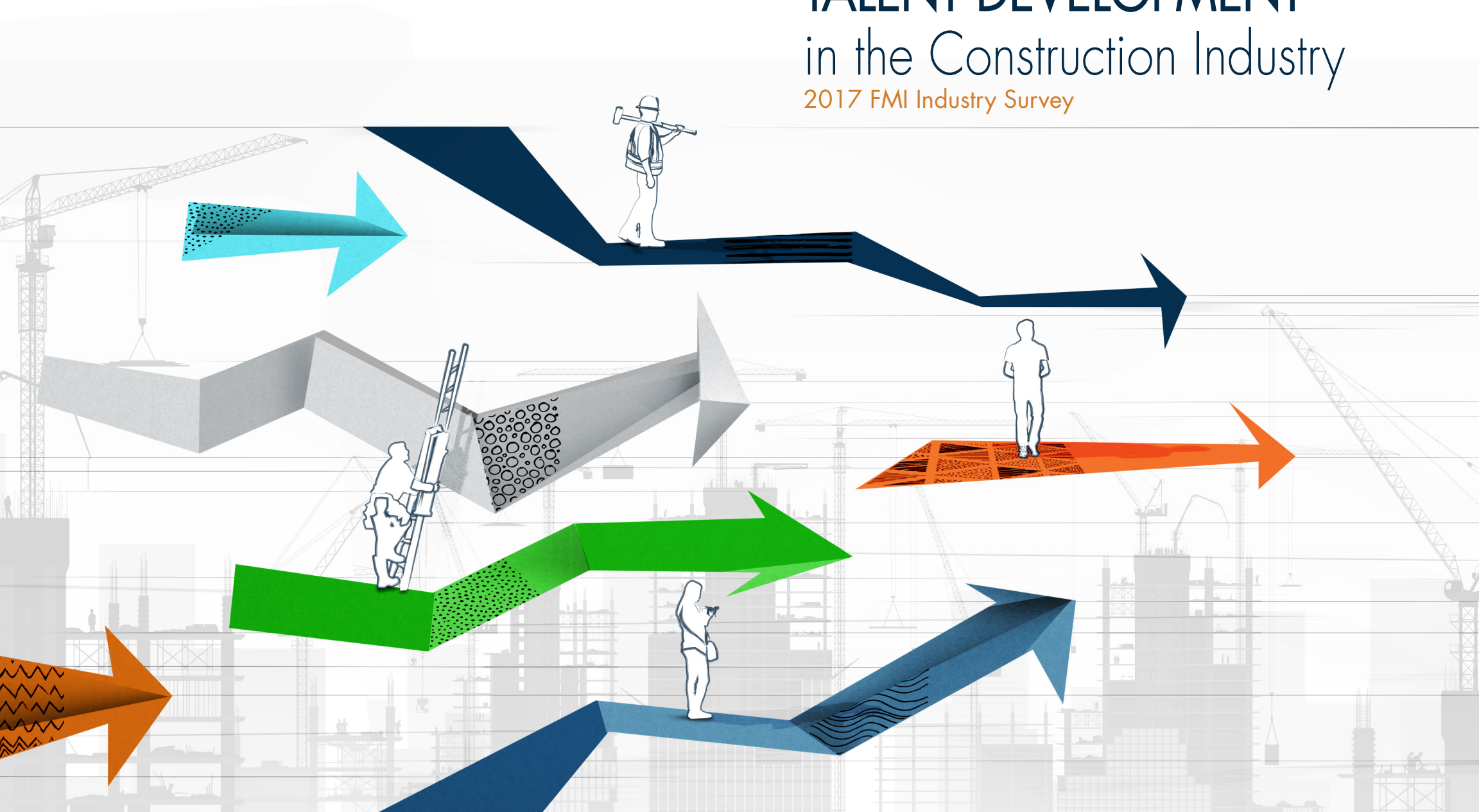


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WINNING THE RACE FOR TALENT

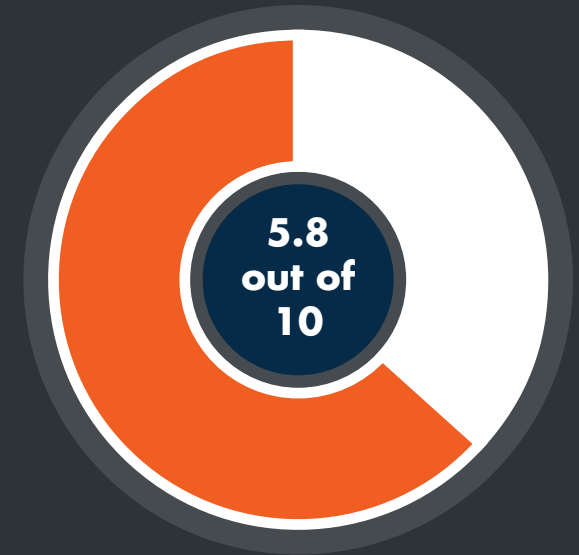
Failing to Address Talent Development As a Strategic Priority

Of the construction firms surveyed ...

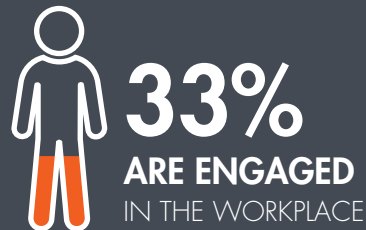


All information is based on the 2017 FMI Talent Development Study, except for the statistics for "Employee Engagement in the U.S. Workforce."

Training and development programs aren't very effective.



Employee Engagement in the U.S. Workforce



Source: Gallup

Employee Engagement in Construction



39%
FIRMS THAT MEASURE
EMPLOYEE ENGAGEMENT

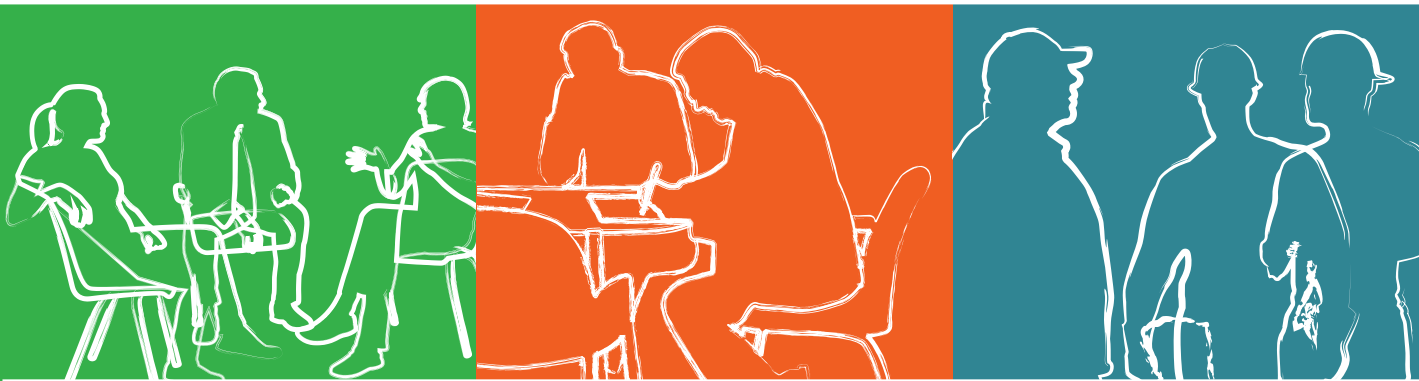
Measuring and Inspiring Performance

Firms that are good at retaining employees focus on the following three practices:

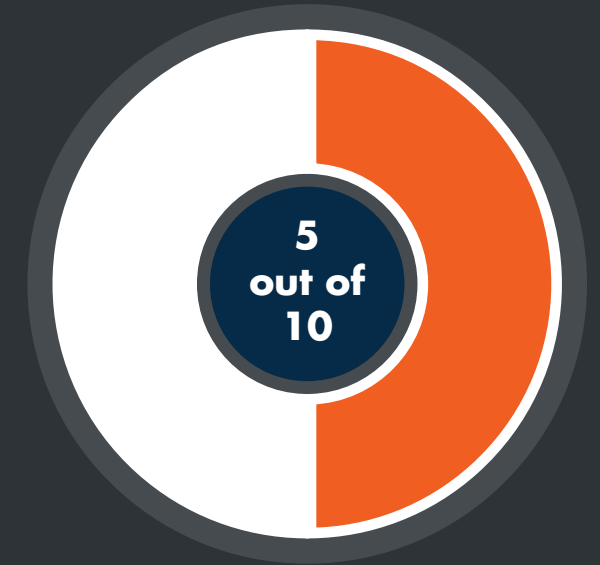
FREQUENT INFORMAL
FEEDBACK

FORMAL IN-HOUSE
CLASSROOM TRAINING

COACHING

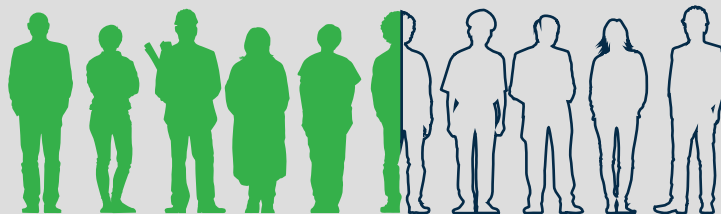


Effectiveness of performance management among construction firms is low.



Building Your Next Generation of Leaders

55% of survey respondents don't have any formal processes in place for identifying and developing high-potential employees.



MOST POPULAR

STRATEGIES FOR RETAINING HIGH-POTENTIAL INDIVIDUALS IN CONSTRUCTION INCLUDE:

- ✓ Challenging job assignments
- ✓ Competitive salaries
- ✓ Training opportunities
- ✓ Ongoing performance feedback



Executive Summary

Historically, many of our leaders have focused mainly on putting out fires and managing things, not really leading people. We are now trying to create an environment in which leaders are selected and rewarded based on how well they build teams and set goals, and how well their teams achieve goals (not just them personally). That is a huge culture change.

VP of HR
Talent Development Study Participant

In today's fast-changing and competitive business landscape, engineering and construction firms are vying to attract and retain the best people more than ever. And while most E&C organizations put some level of training in place to further their talent, simply investing in training dollars is not enough.

Findings from this year's talent development study paint a mixed picture of how construction firms are addressing people development. In many cases, the topics of human resources (HR) and talent development are still being tackled in a very tactical, piecemeal manner, at best. Leading firms, however, recognize the need for a systematic and strategic approach and are investing in the necessary people and resources to set up long-term talent management programs.

Key findings from our study include:

- **Key Finding 1.** Despite rising talent shortages and high levels of recruiting difficulty, many firms don't see talent development as a strategic priority.
- **Key Finding 2.** Many firms acknowledge the power of an attractive corporate culture, but few intentionally measure and build such cultures.

- **Key Finding 3.** Organizations with the highest employee retention have committed to rich professional development cultures and have effective performance management processes. But for most firms, performance management isn't always used effectively.
- **Key Finding 4.** Most respondents are not identifying and developing high-potential employees—a missed opportunity to push young people into leadership roles and create a sustainable leadership pipeline.

The fact that 43% of survey participants report that their firms don't prepare a formal annual budget for training and development underscores the stark reality that talent development is still not treated as a top strategic priority in our industry. Unfortunately, many HR departments are underfunded and tasked with mostly administrative functions—running decades-old operations and processes that haven't been updated and that are rarely linked to strategic business goals.

In today's tight labor market, HR and talent development are critical. Successful firms

must focus on creating cultures of learning, continuous development, teamwork and innovation—all of which are fundamental people matters. As such, progressive HR leaders and courageous CEOs should completely rethink talent development and treat it like a core business.

Looking ahead, the construction industry must redefine the role of human resources in a way that gives HR leaders a seat at the senior leadership table. Tomorrow's successful construction leaders will find ways to effectively blend the strategies, practices and processes needed to overcome people obstacles and create a sustainable competitive edge for their organizations.

From hire to retire, employees should be aligned with the organization's overall strategic goals; leaders need to make these goals a reality. Developing and engaging employees—as well as managing their performance and providing clear direction for their careers—are critical steps, especially for those employees who want to do more than just punch a clock and take home a paycheck.

By listening to their workforces (and recruits), and by factoring in their individual career aspirations and plans, talent leaders can help create personalized development programs that strengthen the entire organization and engage the whole workforce today and well into the future.



Key Findings

CFO asks CEO:

“ What happens if we invest in developing our people and then they leave us? ”

CEO:

“ What happens if we don't, and they stay? ”

The following key findings highlight various aspects of talent management in today's construction industry and are part of a long-term effort to identify big-picture talent trends since FMI began surveying the industry more than 10 years ago.

The information in this year's talent management study is based on 245 responses from a broad range of construction firms that collectively generate approximately \$55 billion in industry revenues each year (see Appendix for more details on survey demographics). These findings highlight key talent-related pain points that many companies face in today's competitive business environment. Results are grouped into the following three themes:

1. **Prioritizing talent development as a strategic imperative**
2. **Aligning corporate culture and talent efforts**
3. **Building your next generation of leaders**

THEME 1. PRIORITIZING TALENT DEVELOPMENT AS A STRATEGIC IMPERATIVE

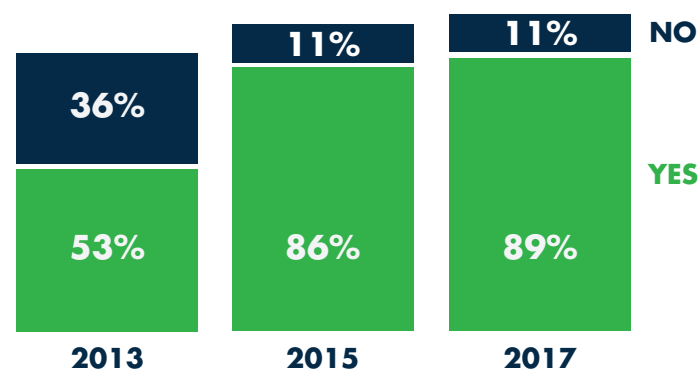
Key Finding 1. Despite rising talent shortages and high levels of recruiting difficulty, many firms fail to address talent development as a strategic priority.

Recruiting talent has long been a challenge for the construction industry, and it will only become more severe in the future—across a broad range of industry sectors. Since 2013, talent shortages across the U.S. construction industry have been worsening, with a record 89% of participants reporting talent shortages in this year's survey (Exhibit 1).

According to a recent [World Economic Forum report](#), these labor trends could prove troublesome in the future, thanks to volatility of workforce demand and composition, skilled labor scarcity and tech-related demand for new and broader skill sets at all levels.

In light of these trends, engineering and construction (E&C) firms must take planning and prioritizing of talent development seriously. As an industry, we can no longer keep using the same talent-related strategies repeatedly and expect different results. While recruiting from a narrowing talent pool remains an issue, organizational leaders often underestimate the importance of retaining and growing talent internally.

Exhibit 1.
Are you facing talent shortages?



Source: 2017 FMI Talent Development Study

That said, there are signs of progress on the horizon: 75% of study participants have made changes to their learning and development programs in the last two years, including:

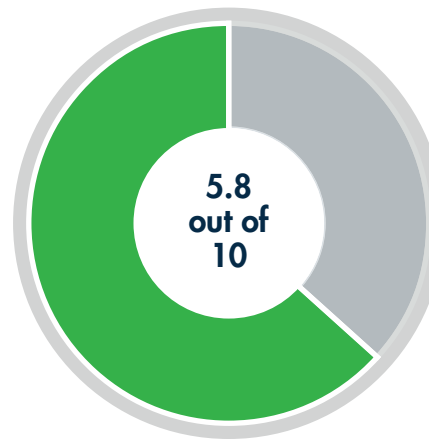
- Conducting more cross-training between the field and office.
- Implementing formal leadership development processes for high-potential employees.
- Hiring talent directors and managers as internal talent specialists.
- Linking structured career path planning with educational and development requirements.

Although these are steps in the right direction, results of overall learning and development programs remain mixed, and most firms struggle with the effectiveness of their programs (Exhibit 2). One of the main reasons for this trend is that many E&C firms still treat training as an opportunistic or one-off “skills problem” for an individual or group of professionals when in fact it should be tackled as a systems issue. Said differently, winning the war for talent requires a holistic, long-term planning approach, and, as such, learning and development must be integrated into a comprehensive talent management program that purposefully links the organization’s vision, strategy, key roles and skills needed to make progress on its business objectives. This approach requires leaders to think strategically about the company’s future and to ask questions like:

- What do I want my company to look like five or 10 years from now?
- What must our culture, talent processes and systems look like to achieve that vision?

- What skills and competencies will my people (and future hires) need to demonstrate to achieve my talent aspirations?
- Given my talent aspirations, am I investing in the right skills and competency development to create a pipeline of top-tier talent?
- Have I created a culture where feedback and learning are expectations and a part of everyday work?

Exhibit 2. Today’s training programs aren’t very effective.



Source: 2017 FMI Talent Development Study



Many E&C firms still treat training as an opportunistic or one-off “skills problem” for an individual or group of professionals when in fact it should be tackled as a systems issue.

Solving for such questions will help company executives and HR leaders systematically plan for retaining and developing future talent. Such planning is becoming particularly important, given some of today's demographic trends. For example, the average age of a construction worker in the U.S. is 43. Furthermore, our survey data shows that study participants expect to lose between 14% and 20% of certain employee groups, including executives, field managers, senior managers and project managers over the next five years due to attrition or retirement—the highest level of loss since our 2013 study (Exhibit 3).

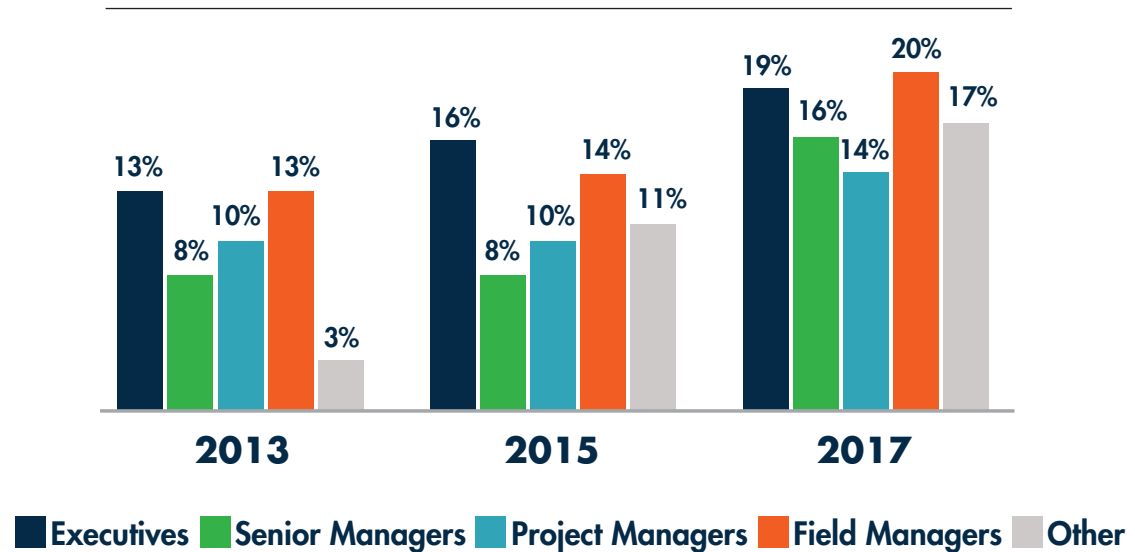
The Millennial Factor

Pressure on construction firms is increasing as younger employees challenge traditional career and learning paradigms. Findings from our 2015 millennials study (see [“Millennials in Construction: Learning to Engage a New Workforce”](#)) confirm this assumption. Of survey respondents indicating that they understood their career paths and opportunities within their firms, 81% expected to stay more than five years at their companies.

“What other industry turns over hundreds of millions of dollars of work to guys that they do not prepare adequately for the job? Only in construction. More importantly, how much longer can we fool ourselves around the crucial conclusion that field leaders in this critical profit leadership position need new skills, tools and strategies?”

Mark Breslin, CEO of United Contractors

Exhibit 3.
Average expected loss to attrition or retirement within the next five years.



Source: 2017 FMI Talent Development Study

Conversely, of those respondents not expecting to stay more than five years, one-third were unsure of their current roles, responsibilities and expectations.

Over the coming years, as the E&C industry continues to undergo a rapid digital transformation, leaders must continually assess their organization's talent needs and adapt their talent strategies. Not only is the industry competing over its own talent pool, but it is also going head-to-head with technology companies such as Google, Apple or Uber that attract data scientists and a broad range of IT specialists. In this context, knowing how important talent management is for millennials, it must also become a top priority for E&C firms.

RECOMMENDATIONS

Key steps in getting started with effective talent planning:

- Identify the organization's current resources, including skills and competencies across the organization and readiness to take on future roles (i.e., strong succession clarity).
- Forecast talent supply for a given role or in a specific market and/or geography.
- Create action plans based on the two bullet points listed above to recruit and select more effectively and beef up existing talent through performance management, feedback, training and stronger leadership.
- Monitor forecasting activities to adjust necessary resources.



THEME 2. ALIGNING CORPORATE CULTURE AND TALENT EFFORTS

Key Finding 2. Many firms acknowledge the power of an attractive corporate culture, but few intentionally measure and build it.

Given today's tremendous labor shortages in the E&C industry, retaining and investing in internal talent are critical for firms that want to remain competitive. Despite the numerous methods (e.g., training, performance management systems) that claim to support the retention of talent, these approaches often fail to do just that unless the underlying culture supports greater learning and development. Albeit sometimes a fuzzy or nebulous term, the simplest definition of culture is "the shared beliefs and values that drive behavior across an organization."

Our study confirmed that leaders we surveyed retain talent in part through pursuing an attractive organizational culture.

The most highly ranked methods that construction firms in this study use to retain talent include:

- Market-competitive pay and benefits
- Employer reputation and image
- Attractive organizational culture

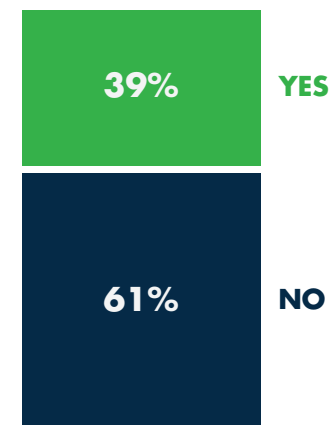
Given that an attractive culture is so critical to solving the existing talent crisis (and is no secret to study respondents as a powerful retention tool), senior leaders continue to ask: What makes an attractive organizational culture, and how do you build one?

A thorough evaluation is a good starting point. Ask yourself questions like:

- How is the organization's culture operating from the employees' perspective?
- Is the organization's culture healthy and supportive of practices likely to engage and retain individuals?
- Does the culture help or hinder the organization's goals?

Despite the vast majority of study respondents highlighting an attractive organizational culture as key to retention, few construction firms remain diligent about assessing important indicators of cultural health such as employee engagement (Exhibit 4).

Exhibit 4. Do you measure employee engagement?



Source: 2017 FMI Talent Development Study

It is well-known that employee engagement is a good predictor of organizational performance. In fact, according to Gallup, firms with high engagement are 20% more profitable compared to low-engagement organizations. In other words, passionate, engaged employees drive a company's value, and they are also more likely to stick around long term.

While an engagement survey tool alone does not increase employee engagement or improve culture overnight, it does allow leaders and managers to gauge how employees are doing and assess any performance barriers. In short, it allows leaders to learn how they can inspire their employees and reward their efforts; it also provides an important benchmark for measuring the results of leaders' actions.

Leigh Branham, a nationally renowned expert and author of three best-selling books on the subject of employee engagement, explains, "Whether company leaders know how to derive better value from the employer-employee relationship or not, they at least fundamentally understand that different levels of 'buy-in' create different results—some better than others. There are hard elements to employee engagement; it's not just a 'feel good' thing. Those

basic elements are: Do employees know how to do their jobs effectively? Do they have the right resources to be effective? Are they surrounded by people that they like and respect? Do their managers care about them? And do they feel that they are advancing their career and skill sets? You can actually measure those things. They are easy to say and hard to do... and it takes a lot of management and leadership attention to move the needle." (For more information on employee engagement, please read "[Building a Culture of Engagement: Why It Matters](#)").

In an age where talent is scarce and difficult to retain, it is absolutely critical for leaders and HR managers to know how passionate and engaged their employees are and to look for new ways to attract and hold onto them long term.

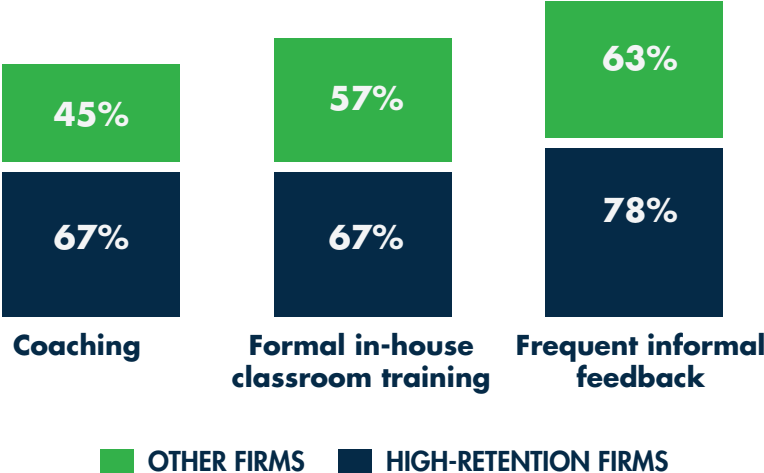
9 Key Findings



Key Finding 3. Organizations with the highest employee retention have committed to rich professional development cultures and have effective performance management processes. But for most firms, performance management isn't always used effectively. Could culture misalignment be to blame?

In analyzing the talent development practices of study participants, those who made significant commitments to professional development and learning—and who incorporated both into their cultures—had greater retention. Firms that are more effective at retaining employees are more committed to increasing informal feedback in the future (78% for high-retention firms vs. 63% for other firms). These firms also plan to use coaching (67% vs. 45%) and formal in-house classroom training (67% vs. 57%) as tools for managing and improving performance (Exhibit 5).

Exhibit 5.
Practices to be used next year.



Source: 2017 FMI Talent Development Study

“ In a landscape where there isn't enough talent to meet market demands, competitive pay is simply not enough. People want to see that their companies are truly invested in their own growth and development. And while most organizations in the industry put some training in place to further their talent, investing in training on an ad hoc basis is not enough. It's those organizations that live, breathe and eat continuous development that are able to retain top talent. ”

Emily Livorsi, Ph.D., FMI Consultant

In comparing firms that reported low, medium and high staff retention,¹ the firms that were better at retention had processes, such as effective performance management methods and more formal company training programs, to support strategic talent management (Exhibit 6). The firms reporting higher retention also showed higher satisfaction with their corporate training programs' return on investment.

On the flip side, however, most construction firms surveyed are missing out on the opportunity to maximize talent performance, leverage its potential and improve employee retention. On average, respondents rate the effectiveness of their performance management process as 5 out of 10 (Exhibit 7).

Often, executives and HR and talent leaders apply the latest thinking, program or tool without thinking more strategically about what will work best in the context of a given

¹ Low-retention firms fell 1 standard deviation below the mean for retention or below. High-retention firms had retention levels of 1 standard deviation above the mean or above. The remainder of the firms were classed as medium retention.

Exhibit 6.
Firms with formal strategic talent development processes see better results.

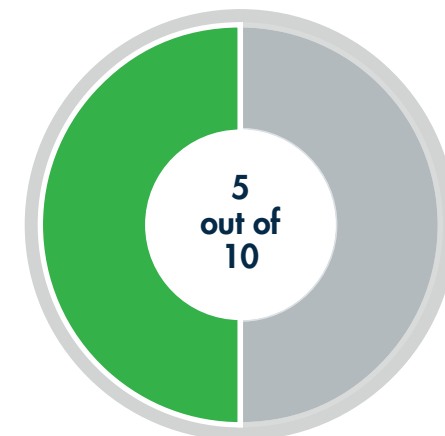
Effectiveness of performance management process



Effectiveness of overall company training program



Exhibit 7.
Performance management is not working.



Source: 2017 FMI Talent Development Study

culture, or what strategic issues they are trying to address. To maximize the effectiveness of performance management systems and training programs and reap the benefits of these programs, executives and strategic HR and talent leaders must start with the following questions:

1. What strategic business issues are we trying to solve for with performance management and learning and development?
2. What standards of performance can we set for individuals so that they know what to shoot for?
3. What methods are appropriate for our culture?

Of the study participants implementing processes to manage or improve employee performance, almost 70% are using “employee involvement in training and development” and “frequent informal feedback,” despite the many other ways to address performance challenges (Exhibit 8). Other successful techniques, such as coaching and mentoring, structured professional development discussions, and career path and action planning,

are being used by fewer than half of the firms engaged in managing or improving performance.

In today’s marketplace, employees are eager to know what is expected of them, how they are doing, and what they need to do to receive greater responsibilities and rewards. Employers are also eager to implement feedback tools and systems so that they can determine how

they are doing in the eyes of their customers and employees. To make feedback meaningful and impactful though, it should be part of a program that is set up for goals that can be adjusted on an ongoing basis. The most effective evaluations are continuing, take place in real time, and involve coaching and mentoring (versus those assessments based solely on rankings).

Exhibit 8.
Which of the following is your company using to manage or improve employee performance?



Source: 2017 FMI Talent Development Study

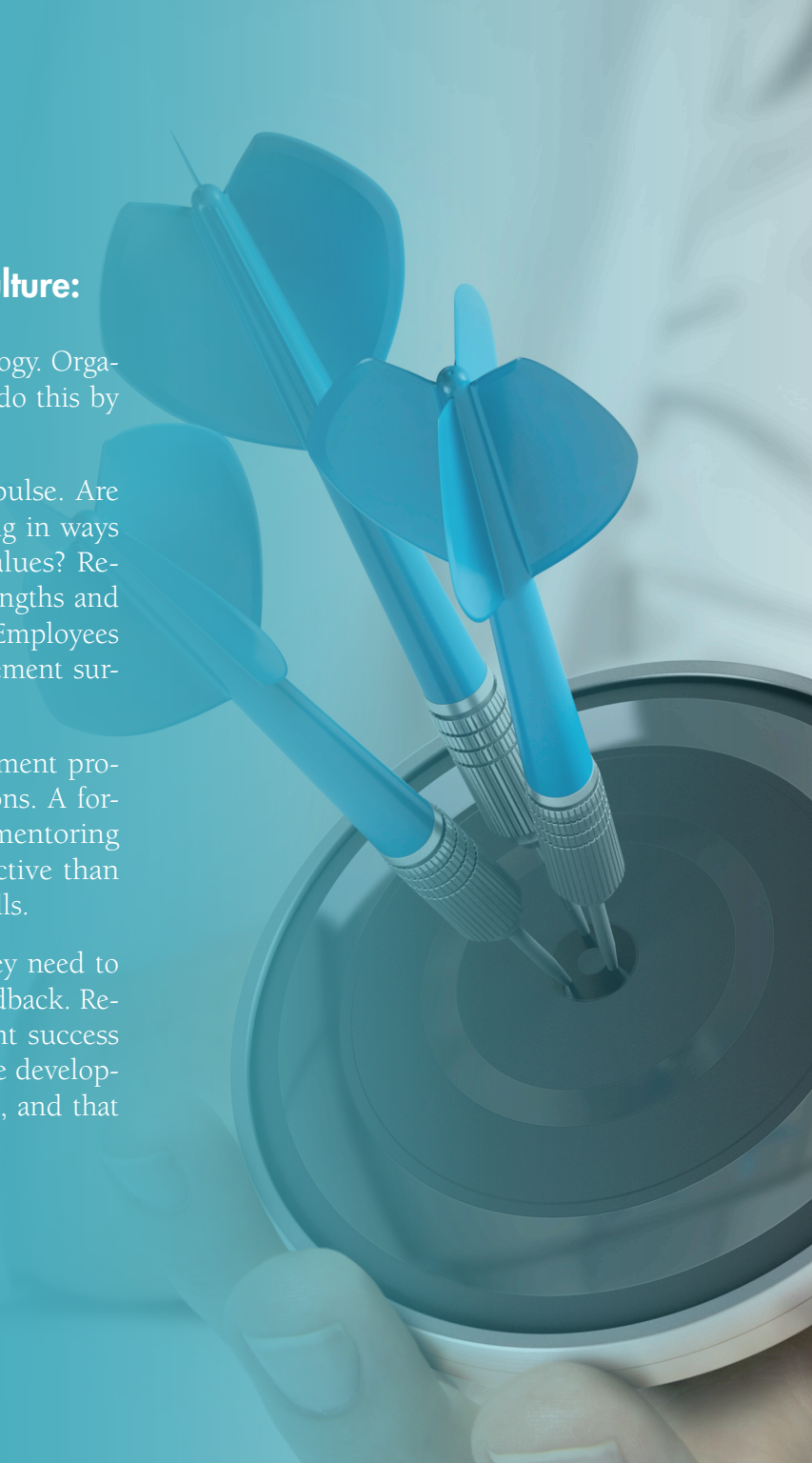
Branham confirms, “The real meat and potatoes of what it takes to be an employer that engages your workers is providing clear, consistent feedback. There is an art to (performance) feedback. Routine, purposeful check-ins are gradually replacing the arduous, time-consuming and less impactful annual reviews. This type of feedback about individual progress and company objectives is much more meaningful to your employees than putting a pingpong table in the break room or holding a company picnic.... Invest the time and energy into training your managers to give candid feedback and getting to know your employees personally and understand what makes them tick.”

Finally, when the performance measures employed align with cultural norms, organizational success and high retention rates are far more likely. In other words, a lack of effectiveness in talent efforts may indicate misalignment in an organization’s culture. If the methods do not align well with “who we are” and “how we behave,” the tactics will be poorly executed (if at all).

RECOMMENDATIONS

Key steps in leveraging corporate culture:

- Get clear on your culture and core ideology. Organizations that codify their cultures can do this by defining their purpose and values.
- Get diligent on taking your culture’s pulse. Are your people engaged? Or are they acting in ways that are misaligned with your core values? Respond quickly and directly, sharing strengths and weaknesses along with an action plan. Employees quickly become disheartened by engagement surveys with little follow-through.
- Build an effective performance management process that aligns with cultural expectations. A formal training process for an informal mentoring culture, for example, may be less effective than simply enhancing mentors’ feedback skills.
- Develop leaders who have the skills they need to mentor, coach and provide informal feedback. Remember that performance management success often rests on a group’s ability to provide developmental guidance, support and feedback, and that helps employees set and achieve goals.



THEME 3. BUILDING YOUR NEXT GENERATION OF LEADERS

Key Finding 4. Most respondents are not identifying and developing high-potential employees—a missed opportunity to push young people into leadership roles and create a sustainable leadership pipeline.

To succeed over the next decade, organizations must balance attracting great people with retaining existing, high-potential employees. This requires an intentional effort to address two key areas that high-potential employees pursue:

1. To be recognized and rewarded for their contributions.
2. To receive continuous opportunities to grow and develop.

Many organizations tend to focus mostly on the first bullet point and reward high potentials through raises or bonuses. While this may generate short-term motivation, a monetary-based strategy won't help retain your employees if your competitors can offer more. To build long-term loyalty and deep levels of motivation, organizations must go beyond simply offering monetary rewards for good work. Helping high-potential employees grow and develop requires a deliberate, focused effort and can be very effective in retaining top talent and maximizing their potential in the long term.

Exhibit 9.

Does your company have a formal process for identifying and developing high-potential employees?



Source: 2017 FMI Talent Development Study

Our survey indicates that most organizations (55%) lack formal processes for identifying and developing high-potential employees (Exhibit 9). This is a missed opportunity to identify, assess and develop a new generation of leaders that is willing to build long-term careers at their companies.

This trend was also confirmed by other recent research, in which the authors stated, “Many large companies continue to lag in their investments in new leaders. Most millennials believe that they are not getting the development they need, and only 15% of companies believe they have a strong millennial-focused leadership program.”²

² “Predictions for 2017. Everything Is Becoming Digital.” Research Report. Bersin by Deloitte. 2016.

Even though most of our study participants lack formal processes for developing high potentials, there are still many firms that are using specific strategies to retain high-potential employees. The most important of these, as rated by study participants, are:

- Challenging job assignments
- Competitive salaries
- Training opportunities
- Ongoing performance feedback

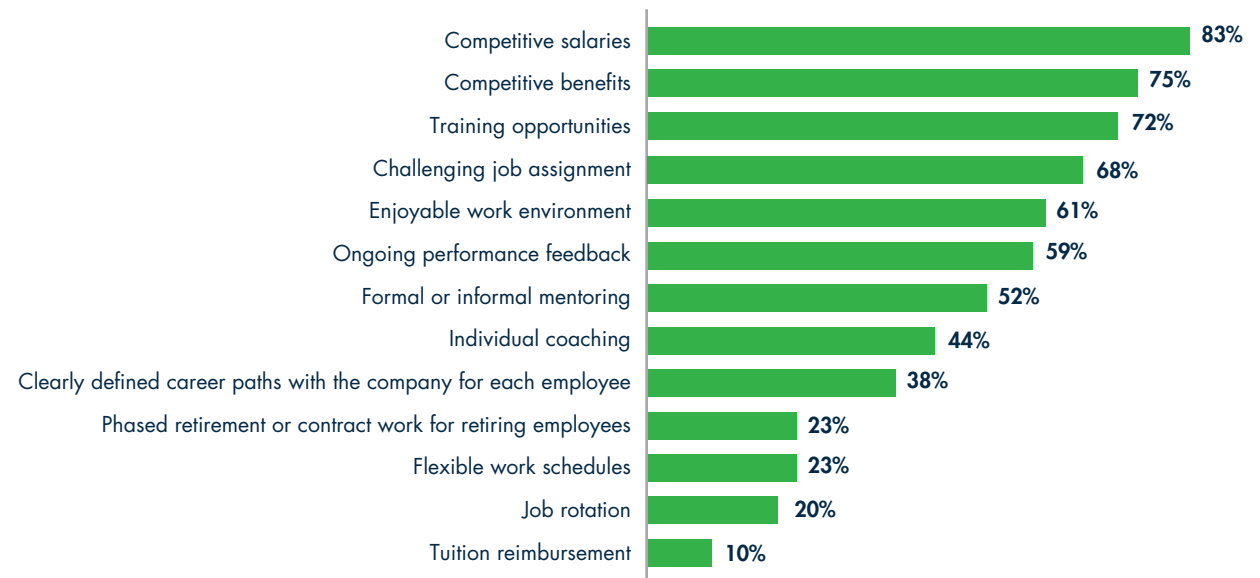
Most construction firms rarely implement learning tools, such as formal and informal mentoring, individual coaching, clearly defined career paths or ongoing performance feedback, that are particularly critical for developing high potentials. Instead, they're using traditional tools that can be applied to any employee group, including competitive salaries and benefits, training opportunities and an enjoyable work environment (Exhibits 10 and 11).

The importance of mentoring and coaching for high potentials, for example, has been confirmed by many studies. Harvard researchers explained, "The development of high po-

tentials needs to go beyond formal education programs and include self-directed learning and other types of training. On-the-job development is also key. Changing underlying motives and traits is hard, but a combination of targeted mentoring, coaching, education and

job experiences can achieve considerable impact. The best companies in our study look for experiences that will both challenge and motivate people and strongly encourage senior leaders' involvement in key activities like mentoring."³

Exhibit 10. Which of the following is your company using to retain its high-potential talent?

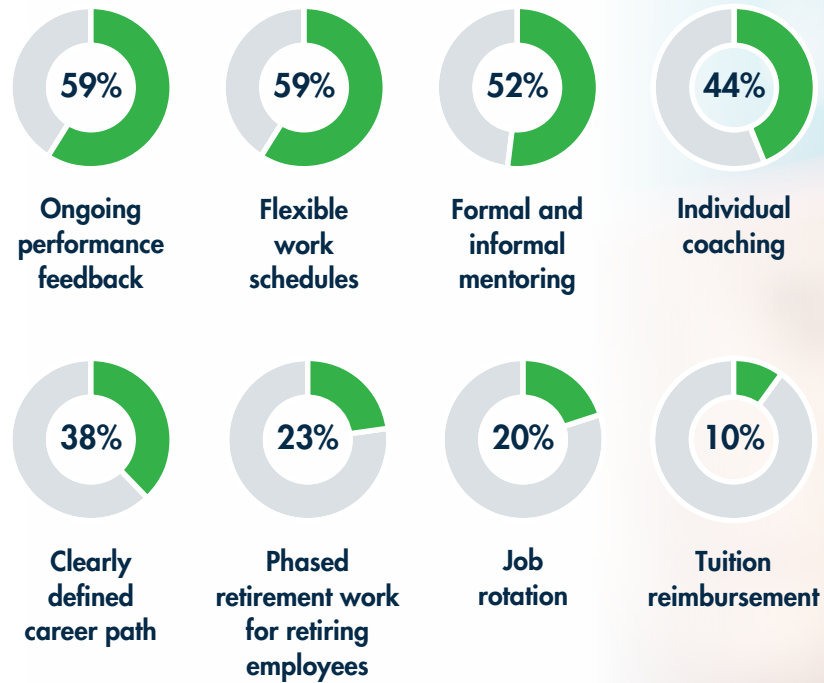


Source: 2017 FMI Talent Development Study

³ Claudio Fernández-Arcoz, Boris Groysberg and Nitin Nohria. "How to Hang on to Your High Potentials." HBR. October 2011.

Exhibit 11.

Some practices for retaining high-potential talent are underutilized even by firms that focus on this group.



Source: 2017 FMI Talent Development Study

Best-in-class firms focus on building internal systems and structures that ensure that their next generation of leaders is continually developing its skills. This greatly contributes to long-term employee loyalty, because high potentials who see the company investing in their long-term potential have a greater sense of commitment to their organizations. By helping high potentials clarify their short- and long-term developmental goals, executives are sending a strong signal that they are interested in their next generation's career growth and potential to take on additional challenges and roles. This type of proactive development is an intentional, focused and purposeful process that takes time and energy, but the pay-offs are great.

There are three main steps in building a high-potential program:

1. **Clarify competencies.** When building a high-potential program, organizations must first identify the specific competencies required for successful leadership. Competencies are different from the basic job duties that you might find in a job description. The most effective competency framework identifies the

specific skills and traits that separate the highest performers from average performers. While it may seem like an easy step to skip, establishing clear criteria for success informs the overall high-potential program. Once competencies have been identified, organizations can develop these competencies in their high potentials (through executive coaching or training, for example). Achieving these competencies should define success in one's role and future career trajectory.

2. **Identify high potentials.** Knowing that not every employee is a high potential, how can you identify these individuals? Start by assessing the candidate's performance and potential objectively—a critical step because subjectivity and favoritism tend to creep in when there's no objective process with clearly identified criteria. An objective identification process allows firms to separate out current performance levels from future potential. Current high performers may be great contributors to the organization, for example, but they may have relatively low potential for future growth. Likewise, current midlevel performers may have great potential for

future growth with the proper training and development. Without a close examination of different candidates, we could invest in developing the wrong people or miss an opportunity to develop a future star player. Indicators for potential include learning agility, a passion for increased responsibility and self-motivation.

3. **Align development to strategy.** Once the organization clearly identifies the required competencies for each leadership position and identifies its high-potential leader group, the next step is to build a compelling and skill-enriching high-potential program. This program should be designed to move the participants from their current states to desired, future states.

Many organizations create unnecessary issues for themselves by cloaking their high-potential programs in secrecy. Instead, the program should be fully transparent across the company, including information about the participants and the selection process. When organizations invest a great deal of time clarifying competencies for success and identifying leaders based on clear and objective criteria, those who are (or aren't) included in a

high-potential development program appreciate the rigor of the approach and tend to agree with participants' decisions. Greater transparency can also motivate more individuals interested in doing what they need to do to be included in the high-potential group. This may inspire them to take a deeper look at their own performance levels.

This systematic approach to identifying and developing high-potential employees is key to linking leadership development to a broader corporate succession management program that closely aligns with the company's vision and strategy. In fact, our talent management study shows that, of the firms that do have a high-potential program, 69% are linking those programs to structured succession management strategies (Exhibit 12). This is a positive sign that firms are connecting talent development to broader strategic goals to sustain company growth and success well into the future.

Specific tactics for more powerful talent development in the context of succession are referenced in FMI's Quarterly article "[The Growth Mindset: Developing Your Successors With Intention, Purpose and Personal Focus](#)" and FMI's recent [Ownership Transfer and Succession Management study](#).

Exhibit 12.
Is your high-potential employee development process part of a structured succession management strategy?



Source: 2017 FMI Talent Development Study

RECOMMENDATIONS

Key steps in building your best people:

- Get out of the shadows with your high-potential development. A transparent high-potential program will attract and motivate high performers to their maximum potential.
- Get specific about who you are going to develop. With clearly outlined competencies and definitions of what makes a high performer, the selection will be much easier. Do we know who the high performers are? Do we really understand why their performance is at high levels? If it is clear to you, and if you can make it clear to the organization, then more people can strive to become high performers.
- Connect your best people across the organization. Spend time developing them together as a group, learning from each other and challenging everyone to be better. This will build connections across the group of top performers and make them more loyal. Always remember that “A players” can work anywhere...we want them to keep working for you.
- Build the systems and processes and drive accountability. An extremely effective strategy and execution that builds high performers doesn't just happen. The organization must build the necessary systems and processes and then drive accountability to ensure continued success.



How often do we check in with the top talent? What do we discuss in our talent review meetings? Are we progressing our top talent at an appropriate pace for their development and retention?

Without a systematic way to review your program and its effectiveness, that program will never live up to its promised expectations.



Looking Ahead

Today's engineering and construction firms are operating in the context of a tight labor market, with higher employee attrition rates and pressing talent shortages. Furthermore, improvements in technology are generating opportunities for industry innovation, and firms need leadership and people with the right mindsets to drive learning and embrace change at a rapid pace. To succeed, company leaders and HR managers must prioritize talent development as strategic imperatives and fundamentally change the way they think about training and talent development. As part of this shift, executives and HR professionals must get a deep understanding of their corporate cultures and align employee performance with organizational strategy to ensure that staff behaviors are consistent with the company's overall mission and vision. This will ultimately drive employee performance, improve retention and increase profitability over time.

Right now, E&C firms are also confronted with the challenge of both acquiring and developing talent while simultaneously transferring leadership to a new generation. Many firms have met this challenge head-on, while others continue to defer the issue into later years.

Unfortunately, for those who wait, the complexity and difficulty of leadership succession only increase with time. Our study confirms that many construction firms are not identifying and developing high potentials—a missed opportunity to push young people into leadership roles and create a sustainable leadership pipeline.

Taking a strategic talent development approach will help ensure that the right people are ready at the right time to both enter leadership roles and possibly become the future owners of the business. Too often, though, development plans lack clarity and focus as to what specific competencies need development; this can have a real impact on organizational health. To best accelerate business performance, HR professionals and leaders must focus on linking strategy with personalized development plans and define competencies and goals required by individuals who are assuming key positions. Having the best talent in the most strategic positions—and the bench strength to fill those key roles when the time comes—drives enduring organizations.

Finally, designing and executing a compelling and successful talent development (and succes-

sion) strategy are truly a team effort. While key executives and HR experts provide strategic leadership and oversight, the actual execution is carried out by the entire organization. Leaders must demonstrate the value of developing talent and show individuals across the company how to contribute to building the people and teams, and they will deliver in a way that brings value to the entire organization.

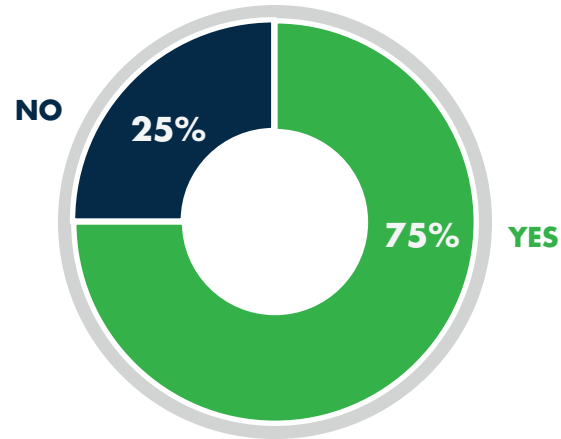
“ Our industry is telling us where we should focus our efforts, and these indicators should be a catalyst for action. While these are not new ideas, the current market and industry demographics are making them more important than ever. ”

Andy Patron, Principal with FMI



Appendix

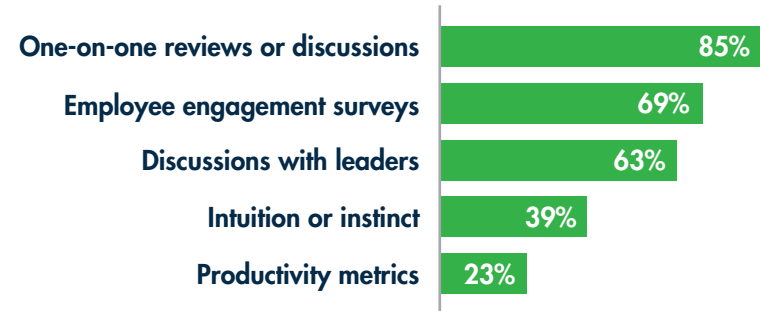
Have you made changes to your training and development program in the last two years?



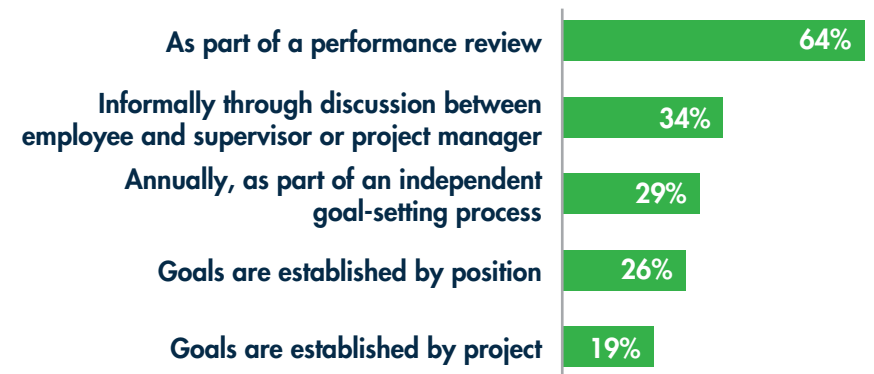
Widely used practices for retaining high-potential talent.



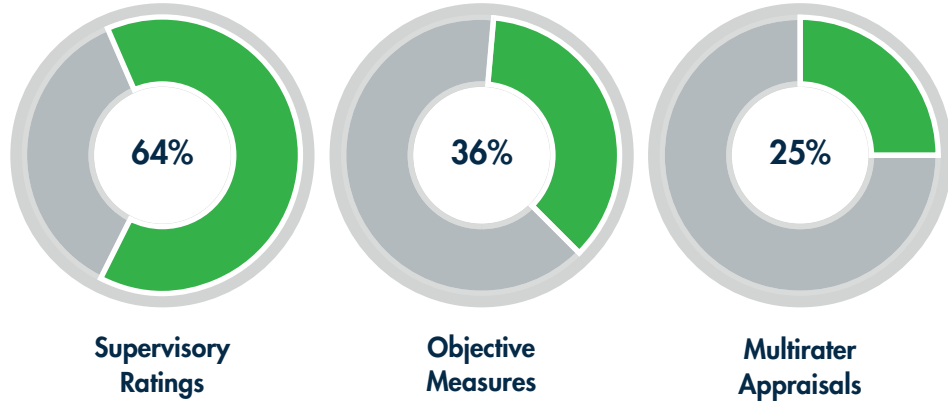
How do you keep a pulse on your organization's employee engagement?



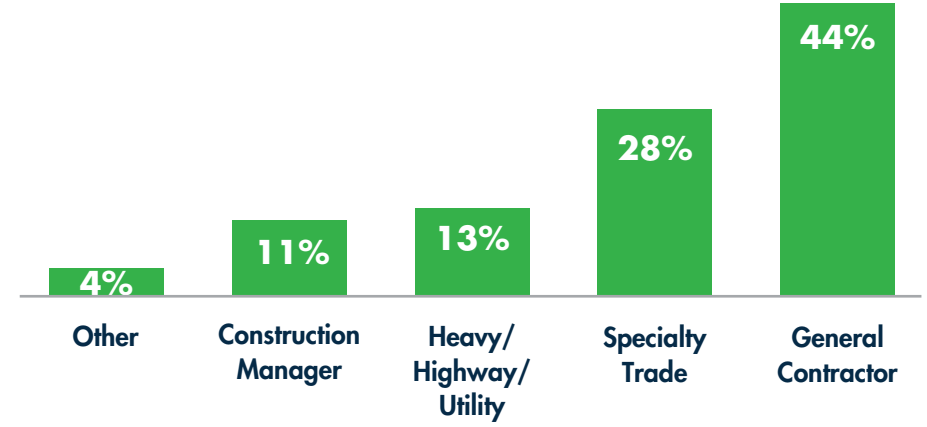
How do you measure performance expectations for individual employees?



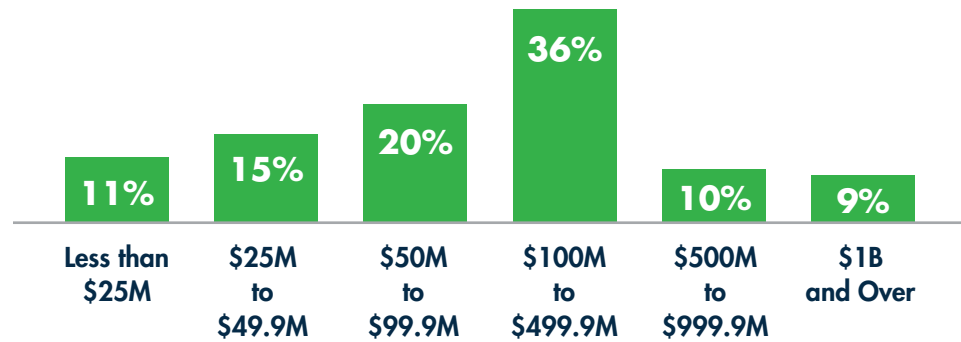
Formal tools for performance measurement are not being widely used.



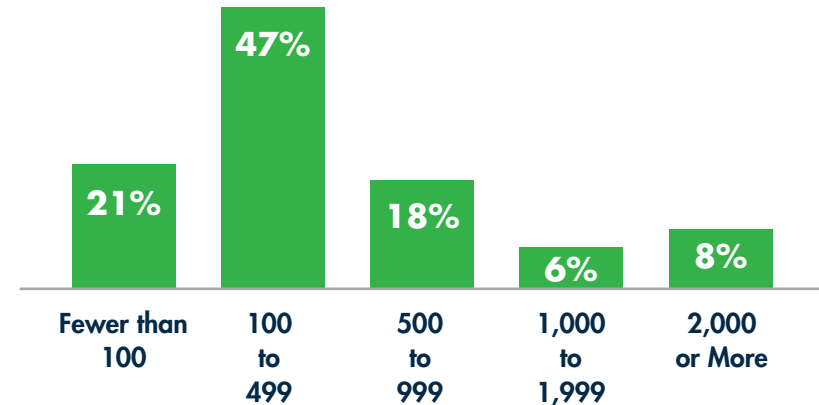
Primary type of work



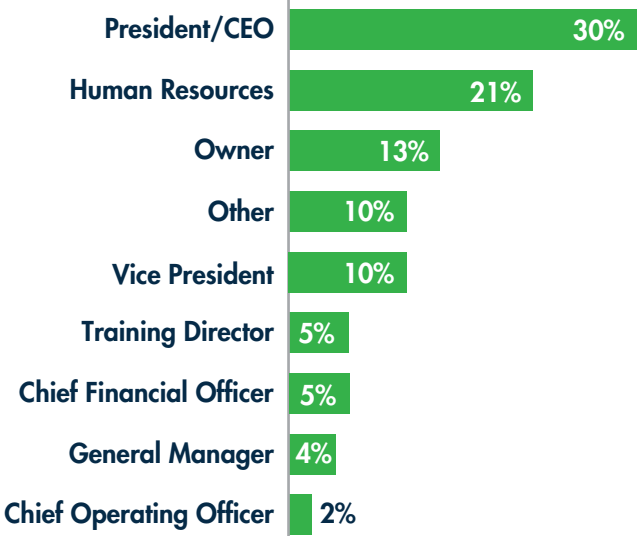
Annual construction revenue by respondent.



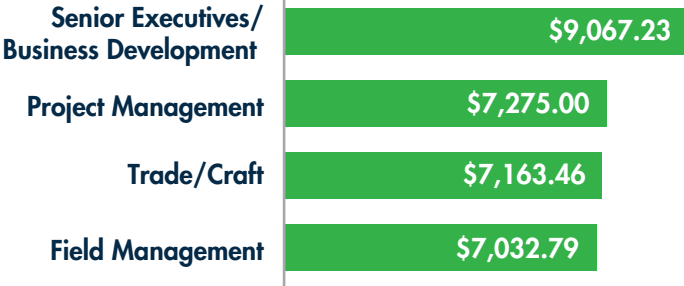
Number of employees at peak season.



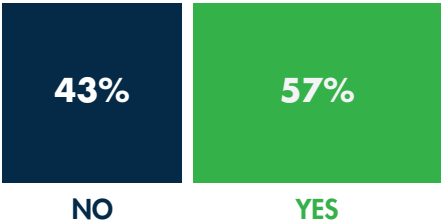
Role of respondent



Annual per person spent on training.



Does your company prepare a formal yearly budget for training and development activities?





About the Authors

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About FMI

For over 65 years, FMI has been the leading management consulting and investment banking firm dedicated exclusively to engineering and construction, infrastructure and the built environment.

FMI serves all sectors of the industry as a trusted advisor. More than six decades of context, connections and insights lead to transformational outcomes for clients and the industry.

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