



2013 SURVEY RESULTS

U.S. Construction Industry Talent Development Report





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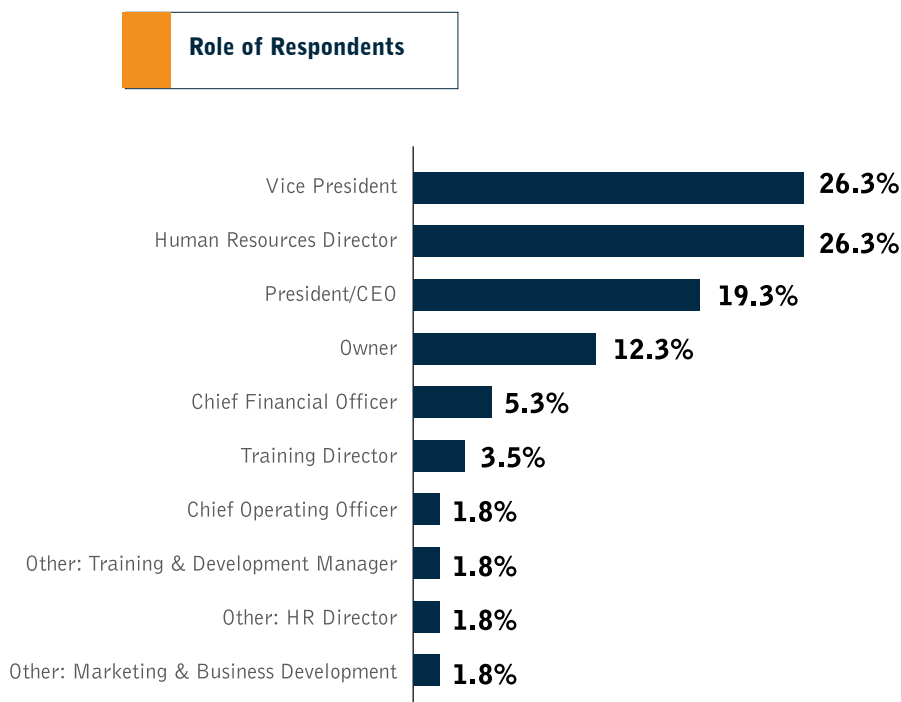
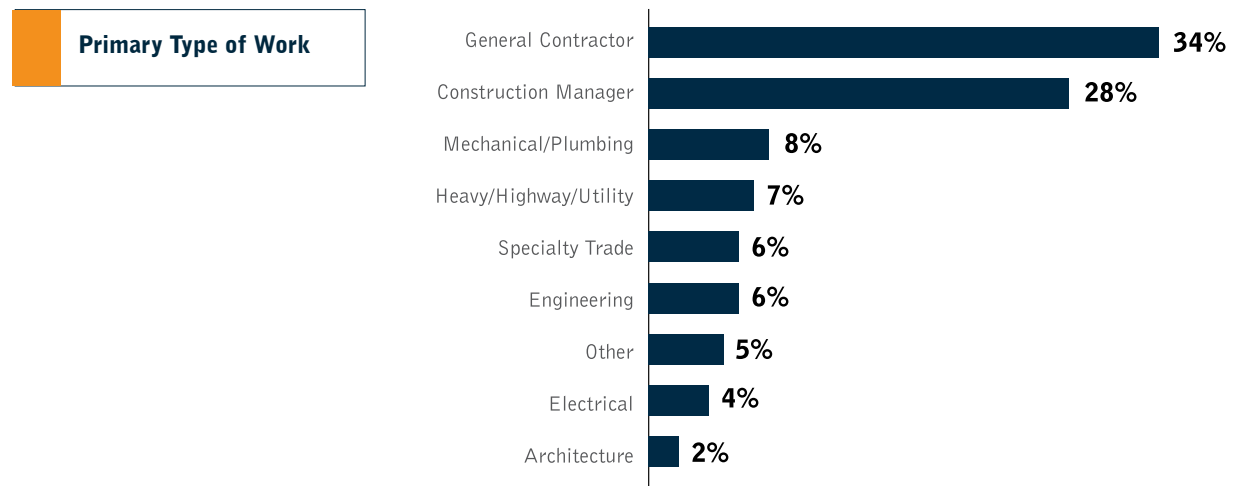
Introduction

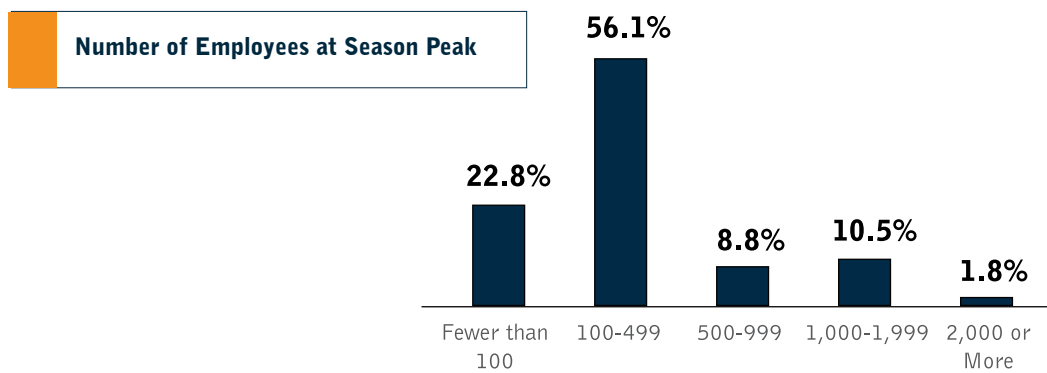
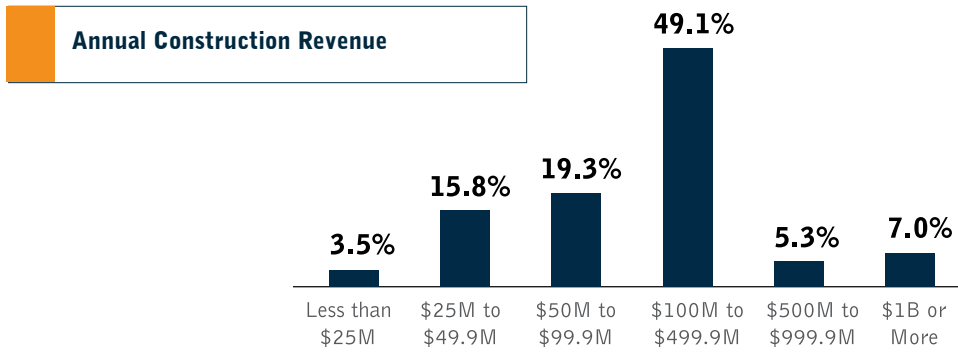
For more than 20 years, FMI has distributed surveys to construction firms nationwide in order to identify current training and development practices, challenges and trends that are influencing the construction industry. **FMI's 2013 U.S. Construction Industry Talent Development Report** examines the challenges, concerns and innovations affecting the construction industry in the past year. In addition to the data collected from our survey respondents, we have included articles featuring incentive compensation effectiveness, desirable workplace cultures, educational programming from associations, benefits of coaching, internships and attracting people to the industry. Companies should use the results of this survey as a guide when considering training and talent development practices. We hope the information contained herein will help you understand how your company compares to others and where it stands to improve on these important issues.

Survey Respondents

FMI sent surveys to more than 3,600 construction firms of all sizes and specialties nationwide. General contractors made up 49% of the respondents, followed by construction managers (40%), mechanical/plumbing (12%) and heavy/highway/civil (11%). Firms with revenues between \$100 million and \$499.9 million made up almost half of the respondents, which is consistent with our past surveys. Also consistent with previous surveys was the number of employees at season peak, with 57% of the respondents employing 100-499 workers.

Almost three-quarters of the respondents were presidents (21%), vice presidents (26%) or human resource directors (26%). These figures indicate that C-suite executives continue to be involved in the development of employees, which is consistent with our 2011 report.

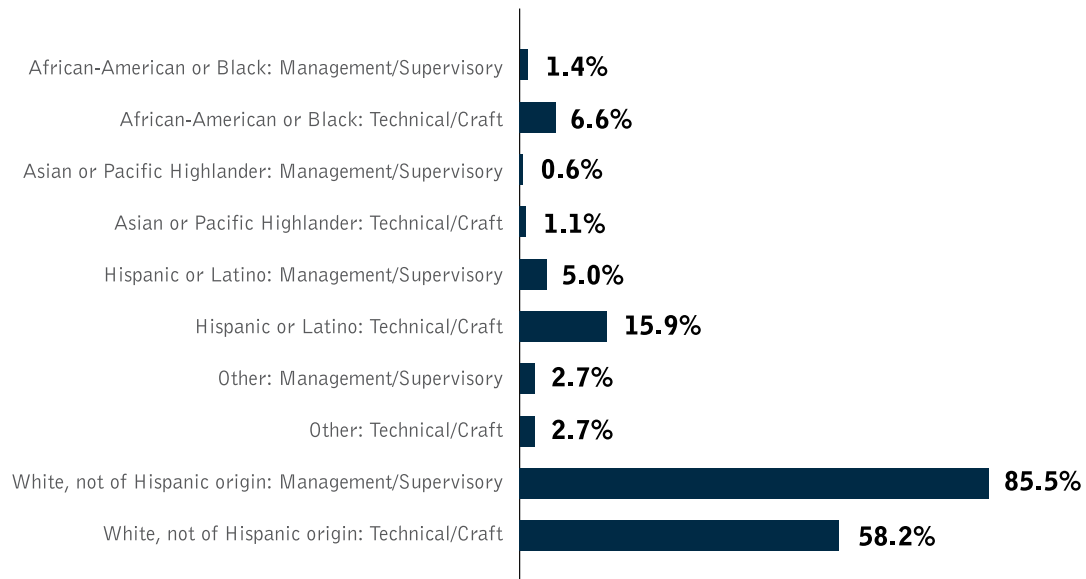




Workforce Demographics/Trends

Eighty-five percent of survey respondents in management or supervisory positions indicated that they were white, not of Hispanic origin. This is an increase from our last survey, where 80% were in this demographic.

Percentages of Racial/Ethnic Groups in Management/Supervisory and Technical/Craft Positions



In 2007, women held 10% of management/supervisory positions in construction. That percentage has not changed in the past six years. The number of women working in the trades decreased from 8% in our 2011 survey to 5.9%.



Preparing for a Changing Workforce

The Great Recession is behind us, as the economy slowly starts to rebound. The war for talent, which never really went away, is now back in the forefront. Baby boomers are starting to think about retiring again, with Gen X and Y taking their places. As the boomers leave the industry, taking with them valuable experience, business contacts and years of knowledge that is difficult to replace, companies must start preparing for a changing workforce.

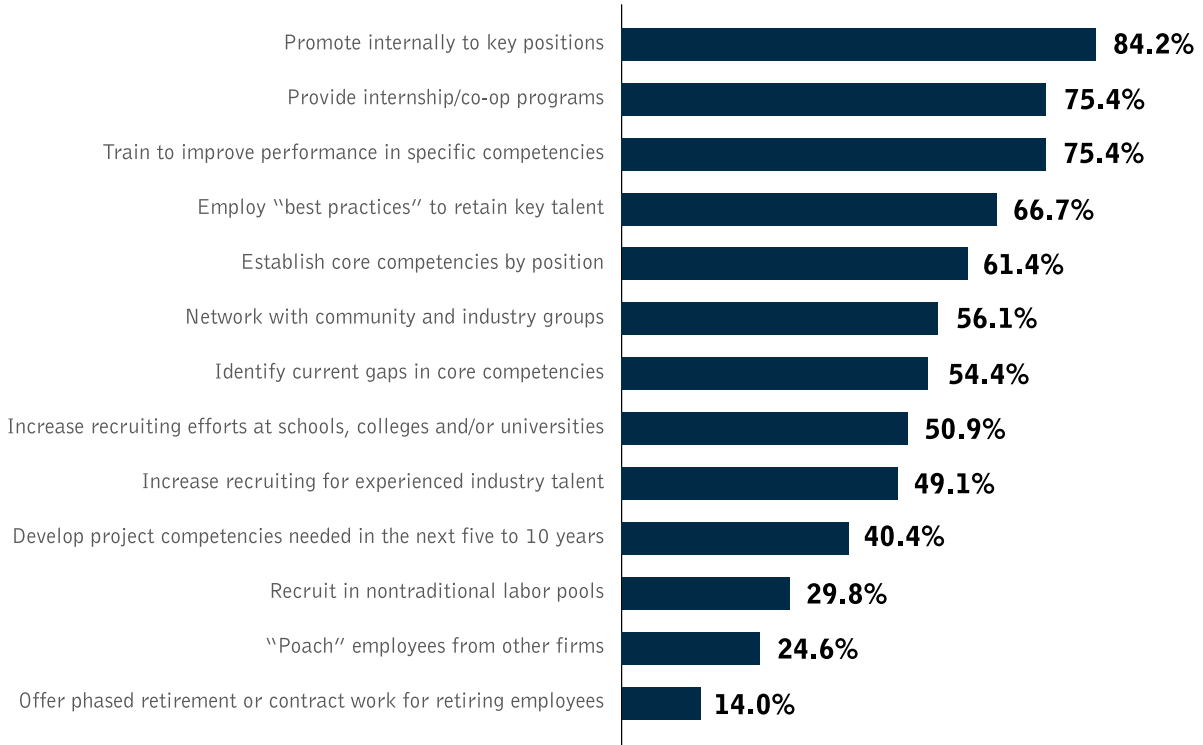
We asked how organizations are preparing for a changing workforce, and at least three-quarters of those who responded indicated they were:

- Promoting internally to key positions (84%)
- Training to improve performance in specific competencies (78%)
- Providing internship/co-op programs (76%)

More than half of the respondents indicated they were preparing for a changing workforce by:

- Employing “best practices” to retain key talent (67%)
- Establishing core competencies by position (61%)
- Networking with community and industry groups (56%)
- Identifying current gaps in core competencies (54%)
- Increasing recruiting efforts at schools, colleges and/or universities (51%)

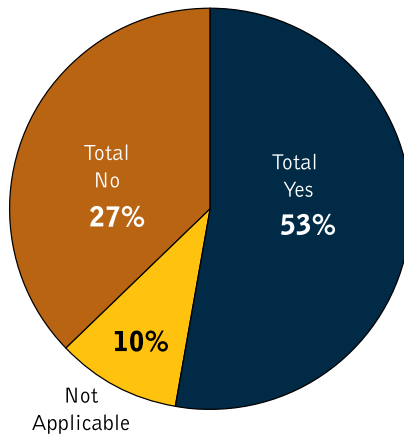
How Is Your Company Preparing for a Changing Workforce?



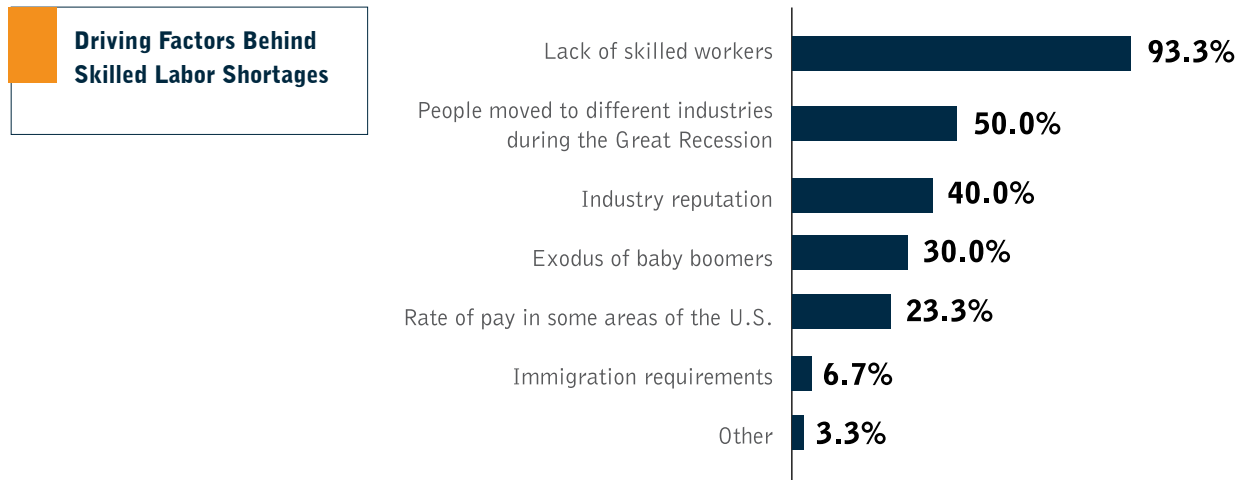
Skilled Labor

Skilled labor is a new section to our survey. We asked if companies were facing shortages in terms of skilled labor, and 53% responded that they were, 27% reported they were not, and 10% answered "not applicable."

Is Your Company Facing Skilled Labor Shortages?



For those who responded that they were facing labor shortages, we wanted to learn what the top-three drivers were in not being able to find qualified workers. By far, 93% felt that the actual number of skilled workers was the reason for the shortage. This was followed by 50% who thought people moved to different industries during the Great Recession, and 40% who felt the shortages were caused by the industry's poor reputation.



Attracting People to the Industry

We asked what your firm is doing to attract people to the industry and received a variety of direct responses that included:

- Building great projects and maintaining diverse relationships.
- Maintaining an ethical, positive and energetic culture and encouraging our current employees to share their experiences with people in their personal networks [who] they feel may be successful at our organization.
- Outreach at schools and community events to spark early interest in our industry.
- Meaningful internship opportunities for students.
- Building relationships with vocational instructors.
- Participation with union apprentice training boards.
- Provide scholarships through industry associations.
- Participation in CURT and other associations to increase the awareness of rewarding career opportunities in construction.
- College co-op and internship programs give candidates a very good sense of our business. It is imperative that all candidates have a positive experience during their term.
- Provide a wide range of training programs including tuition support.



Changing Our Image: Attracting People to the Construction Industry

by: Kelley Chisholm

The construction industry has long battled an inconsistent image. Many people perceive the construction-related work as dirty, difficult, dangerous, low-paying, unethical and discriminatory to women. In addition, many people lost their jobs over the past several years and turned to other industries for work. How will the construction industry ensure that it can attract the best and the brightest as soon as the economy rebounds and the war for talent reignites? How do we get people interested in the industry now? Here are a few strategies for the industry as well as individual companies.

Make construction careers more attractive to women and minorities

According to our survey, women working in the trades made up approximately 6% of the workforce. In addition, women hold only 10% of management/supervisory positions in construction, a number that has held steady for more than six years. But times may be changing, especially as older generations leave the workforce, taking with them their preconceived (and often sexist) stereotypes that construction is not for women.

How can a company attract and support women?

- Promote the industry in high schools, universities and technical schools and at career fairs
- Provide opportunities to balance work and personal life
- Offer child care assistance, flexible scheduling or part-time work
- Ensure that the work environment is supportive and nondiscriminatory
- Establish structured mentoring programs
- Actively recruit female apprentices
- Support professional organizations, such as NAWIC, by sponsoring female employees
- Provide a competitive salary and benefits package
- Participate in ACE Mentor Program
- Offer meaningful internships to women who are thinking about pursuing a construction career

As women move into leadership roles within an organization, they should be proactive in recruiting and mentoring new women into the industry.

Some of these strategies will also help to attract minorities to construction jobs. For employees who have language barriers, pair them with bilingual mentors, offer ESL (English as a Second Language) classes, and teach them common safety and construction terms.

Appeal to today's youth

One of the best ways to start attracting people to the industry is to make school-aged children and teens aware of the different types of opportunities in the built environment. This is not an easy task, but some programs do exist to attract young people to the construction world. One of the most prominent is the ACE Mentor Program of America, Inc., which strives to ensure that young people consider careers in architecture, construction and engineering.

The principals of leading design and construction firms founded the ACE Mentor Program in 1994 as an innovative way to introduce high school students to career opportunities in the industry. Today, it is the construction industry's fastest-growing high school mentoring program, reaching more than 8,000 students annually. ACE's goal is to introduce students to career possibilities as well as to teach business skills, such as effective communication, presentation skills, meeting deadlines, working as team members, etc. In addition, since 1994, ACE has awarded more than \$12 million in scholarships to promising participants.

Students learn about the various industry professions and the role of each in planning, designing and constructing a project. Project teams are formed within a local ACE affiliate and usually include an owner firm, a design firm, an engineering firm and a construction manager or general contractor as well as participants from a local college or university with programs in architecture, engineering or construction management. Each team mentors approximately 20 to 30 students for part of the school year and meets at least 15 times. Students select a project and experience the entire design process with help from the mentoring firms. The school year ends with a formal event, where the teams present their projects.

The ACE Mentor Program has a presence in more than 200 American cities and is still growing. Thanks to the dedication of ACE's mentors and staff, and the support of local schools, more than 60,000 students have had the opportunity to explore the building, design and construction industry and consider it as a career choice. To learn more about ACE, please visit its website: <http://www.acementor.org/>.

Enlist help from career counselors and participate in career fairs

Many firms work with high school career counselors to promote jobs in the construction industry and advertise construction-related scholarships from various organizations. Having a good relationship with the local school system can go a long way in helping to promote your company.

A popular recruitment strategy for many construction companies and trade associations is to participate in high school and college career fairs. There are a number of guidelines an organization should follow to make its participation in a career fair a success.

- Arrive in plenty of time to set up your booth.
- Make sure your booth is eye-catching in order to stand out from other companies.
- Provide interactive, hands-on activities to draw students into your exhibit.
- Have plenty of business cards, promotional material and giveaways on hand.
- Have a computer handy to highlight your company's website, Facebook pages, etc.

- Know which positions your company needs to fill.
- Staff your booth with a diverse mixture of knowledgeable employees.
- Do not hard sell your organization — be friendly.
- Do not sit — be engaged.
- Stay off the cell phone.
- Eat somewhere else.
- Dress appropriately.
- Respond to all inquiries and follow up after the event ASAP.

Remember, whoever represents your company at the fair is the face of your organization, so it is imperative to make a good first impression. You may not have a second chance!

Use social media

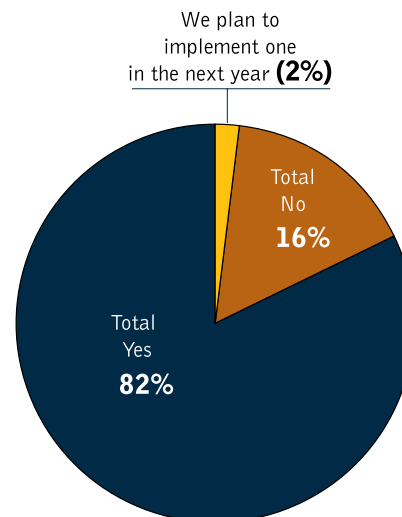
If your company does not have an active presence on Facebook, Twitter, LinkedIn, YouTube and other social media sites, it should, if it wants to attract the younger generation to the industry. This is where it meets and interacts. While traditional websites, such as www.monster.com, www.constructionjobs.com and www.indeed.com are good resources to advertise positions, social media sites allow companies to interact with potential talent.

These are just some of the ways to attract people to the construction industry. Industry leaders, trade associations and other stakeholders must make efforts to introduce today's young people and other underrepresented groups to a career in construction. Getting involved with some of the organizations and programs mentioned above is an excellent way to start.

Ethics and Compliance

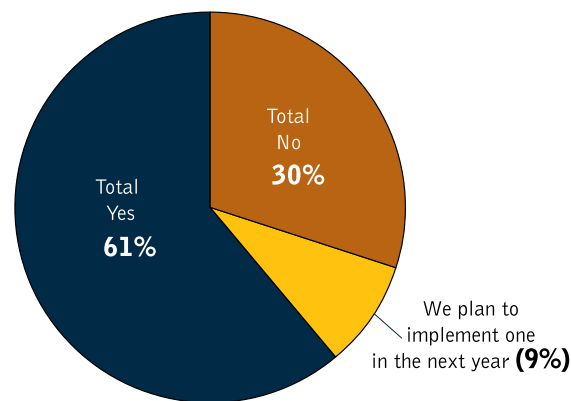
When asked if your company has a formal code of conduct in place, 82% responded yes, 16% said no, and 2% are planning to implement one within the next year.

Does Your Company Have a Formal Code of Conduct?



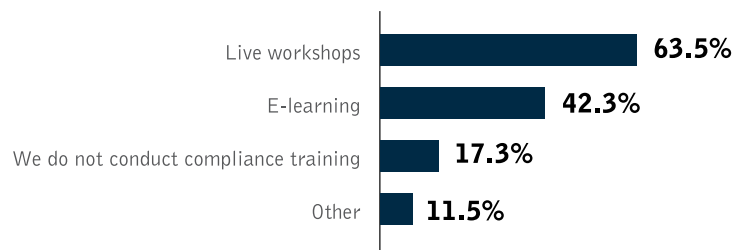
We also asked if companies have a formal ethical compliance program in place. Sixty-one percent reported they did, 30% did not, and 9% plan to start a program within the next year.

Does Your Company Have a Formal Ethical Compliance Program?



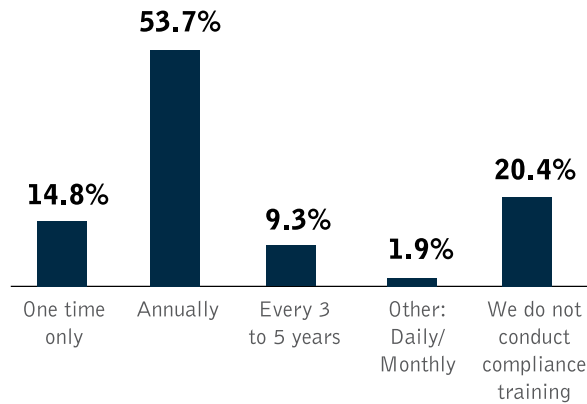
We also wanted to know the method(s) your company uses to deliver compliance training, and the most popular response was through live workshops (64%), followed by E-learning (42%). Seventeen percent of the respondents do not conduct compliance training. Other methods of compliance training were in the form of email bulletins, teaching by example, six hours of continuing education led by the company's CEO, written policies and new employee orientation.

How Does Your Company Deliver Compliance Training?



More than half of the respondents (54%) conduct compliance training annually, while 15% offer it as a one-time-only event.

How Often Do Employees Receive Compliance Training?



What can be done to support the rising demand for ethical practices in the construction industry? Consider the three primary components of any good ethics program:

1. A solid ethics and compliance structure including a clearly written code of ethics.
2. Well-trained people with high ethical standards.
3. A culture that rewards and recognizes good ethical decisions, while identifying and punishing bad ethical behaviors.

An integral piece of a solid ethics and compliance program is a well-written code of ethical conduct. Usually, this document describes the policies of the company and emphasizes the ethical issues that a company may face. Areas of ethical concern may include the following topics and provide some guidance about how to address them:

- Equal employment and nondiscrimination
- Environmental compliance
- Safety and health
- Drugs and alcohol abuse
- Conflicts of interest
- Outside employment
- Personal financial interests
- Gifts and entertainment
- Bribery and kickbacks
- Antitrust
- Price fixing
- Bid rigging
- Claims
- Disadvantaged business enterprises requirements

An ethics and compliance program should also describe the components and systems that define it. The program should be straightforward and clear. Normally, this would include an anonymous hotline to report ethical breaches or concerns, structured ethics training and a communication program for all staff. In addition, the president and senior leaders should reaffirm their “tone from the top” and remind all employees of the importance of ethics to the company, at least annually.

When employees know that ethical behaviors are important to the company, they will be less likely to engage in unethical conduct themselves and more likely to report it when they see it in others. This will enhance the risk profile of the company. When firms proactively address ethics with their employees, they are able to hold an individual accountable for breaking a policy and protect the rest of the company from taking the fall for it. Viewed this way, an ethics program becomes a good business decision. When employees understand what is right and wrong within their organization, they begin to act accordingly. Eventually, this corporate understanding evolves into a culture, which in turn changes the way the company is perceived, internally and externally.

The result of an ethical culture is greater profitability. In addition, there are intangible benefits that accrue when your company is considered ethical: your employees become more loyal; turnover will drop; Generation Y will be more attracted to your company as a place to work; subcontractors will give you their best price the first time, making you more competitive; issues are addressed more openly and quickly, reducing corporate risk, etc. When you consider these and other intangible costs, maintaining an ethical culture adds real value to your company.

Talent Development Practices

Organizations must have the best talent to compete and succeed in today’s global economy. We wanted to know about several different practices that companies are using to attract and retain talented people, such as educational backgrounds, core competencies and performance standards, just to mention a few.

Finding and Retaining the Best Talent

We asked respondents what recruiting strategies they were using to recruit the best talent, and 79% said they were using online recruiting tools. This was followed by 68% who were using internal employee referral programs and 63% who were taking advantage of internships or co-ops to bring new people into the company.



Using Internships to Get Ahead of Talent Challenges

by: Rick Tison

While the talent challenges the industry is facing appear clear, there is much less consensus as to what industry executives should do in the face of such challenges. One way that companies are seeking to recruit the best talent is through internships. Internships create a great opportunity for candidates to go beyond interview promises to prove how they can add value to the organization. At the same time, such work arrangements give companies the chance to see candidates in action while also training them in “the way we do things” before they learn bad habits. When done well, internships create a true win-win for both the applicant and the organization.

Unfortunately, internships do not always work as planned. Far too often interns end up frustrated with the work they are doing while the company ends up with a work product that adds no real value to the organization. The result is two to three months of increased management responsibility with no new hire or substantial work to show for the investment. While it is easy to chalk it up to a poor intern candidate, there are best practices that companies can follow to make sure they get the most out of their internship programs.

Make the work matter

Far too often, companies only assign menial tasks to interns. Clearly, internships are not a two- to three-month stint in the CEO’s chair. The intent of an internship is to test the potential hire’s skills and provide a meaningful work experience for his or her professional development. If the work your intern is doing does not matter to you or the organization, it becomes apparent. In addition to offering challenging work, you must clearly spell out why the work is important to the organization. How does it fit into what the firm is doing? Specifically, how does it align with the work that the people in your firm are doing? In the absence of meaningful work, frustration is likely to build on both sides, and the chances for success diminish.

Provide ample feedback

It is important to remember that you are working with talent that is raw, but, nevertheless, talented. The only way to put that talent to work is to provide constant and consistent feedback. This feedback creates the foundation for your intern’s professional development, while also providing necessary checks to ensure the work that the intern performs is worth the investment.

Have interns stand and deliver

A stand and deliver session can be a nerve-racking, but invaluable, experience for interns and your company. Such a presentation does more than just provide an opportunity for the intern to practice public speaking skills. While it may not set off a significant strategic shift for the company, it does highlight his or her work to a broader audience and tie it back into the overall organization in a way that makes the work more meaningful.

The talent challenges facing the industry are only set to intensify. Many top firms are already turning to internships as a way to prepare for what lies ahead. To get the most out of your internship program, be sure to make the work matter, offer constant feedback and create an opportunity for your intern to stand and deliver.





Best-of-Class Internships at Weeks Marine, Inc.

by: Ken Wilson

Even as the construction market continues to claw its way back from the recession, contractors are still trying to figure out where to find good people. Although this does not provide an instant solution, many firms are investing time and effort in their intern programs in hopes of growing people to support their long-term growth objectives. This is not just a bunch of young kids that you keep around the jobsite trailer to run and get coffee or catch up that pile of submittals when they start to spill off your desk. Of course, this does not happen just by chance. It is challenging to identify the right candidates and then make a commitment to build practical skills so that they can make a real contribution to your current operation as well as to evaluate whether they have the right stuff to be long-term members of your team.

We found one example of a successfully structured intern program during a recent conversation with Rick MacDonald, senior vice president of Weeks Marine, Inc. in Cranford, N.J. Weeks Marine is one of the largest marine and tunneling contractors in the U.S. and Canada.

FMI: How long has the Weeks Marine Intern Program been in place?

Rick: Although we started the process about eight years ago, it took us a while to determine the best approach to get us to where we are today. We discovered a distinct difference in maturity level between the sophomore and junior year in college. As a result, we only interview juniors for our program. Of course, our competitors are also vying for the same young people. In the early years, there were only six companies interviewing about 30 students. Now that the word is out, there are about 30 companies interviewing for the same target group of 30 people!

FMI: Once you narrow the field to only juniors, how do you then select the right candidates?

Rick: We have a game plan when we go to career fairs and know the kinds of people we want to interview. Then we are also fairly intensive in our interview process to make sure we are asking meaningful questions to learn which candidates can perform when we get them on the job the next summer. Finally, we decide quickly and make our offers that same day so that we don't lose the best candidates to other firms. This also demonstrates our commitment to these select interns and sets the tone for a productive summer. We now target four to six interns per year, depending on the quality of candidates and our projected demand within the next year.

FMI: What happens when they show up on the job?

Rick: We have developed a structured rotational program that exposes our interns to all aspects of the work that we do here at Weeks. They work in the areas of engineering, administration, cost and scheduling, procurement, safety and field operations. They also learn about our estimating process, although they don't actually do complete estimates. We help them understand how we identify the inherent risks associated with a potential project so they learn the business from the ground up.

FMI: How do you know if it is working?

Rick: We conduct exit interviews with all of our interns as they leave at the end of the summer. The feedback has been very positive and results in a significant percentage wanting to join Weeks as future employees. We try to hire all of them that we can (with a few exceptions) to reinforce the success of the program and keep the pipeline full. The word gets around that the summer at Weeks is not just a summer camp!

FMI: So from your perspective, the investment is worth the time and effort that it takes.

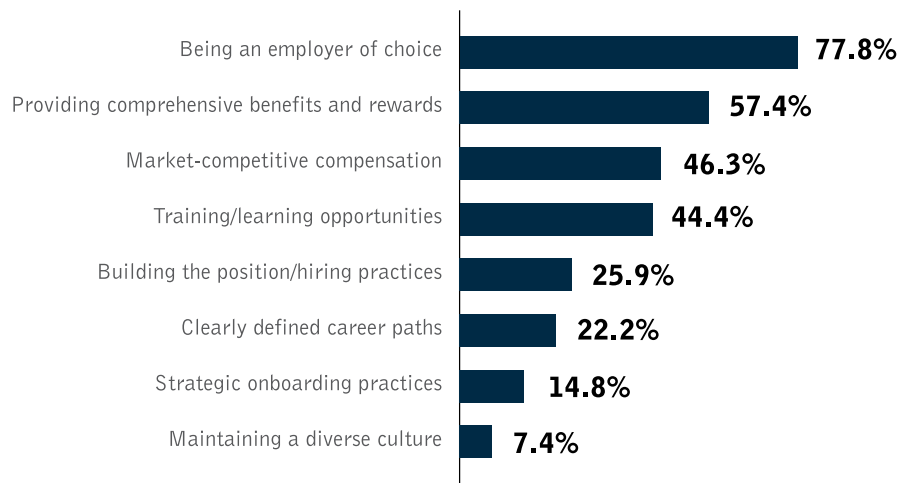
Rick: We now have a proven track record and plan to continue to strengthen the process so we can generate additional candidates to support our future growth and the transition to the next generation of managers and leaders at Weeks.

FMI: It sounds like your program is a win-win for your company and the interns. Thank you for sharing your success with us.

As you plan to expand your operations or develop people to support your future growth objectives, think about creating a comprehensive intern program. If done right, it can provide significant benefits for the participants and your company, and give back to the industry at the same time.

We asked what were the **top-three strategies your company focused on to attract and retain talent**, and being an employer of choice (78%) was clearly the first choice. Providing comprehensive benefits and rewards (57%) and market-competitive compensation (46%) rounded out the top three.

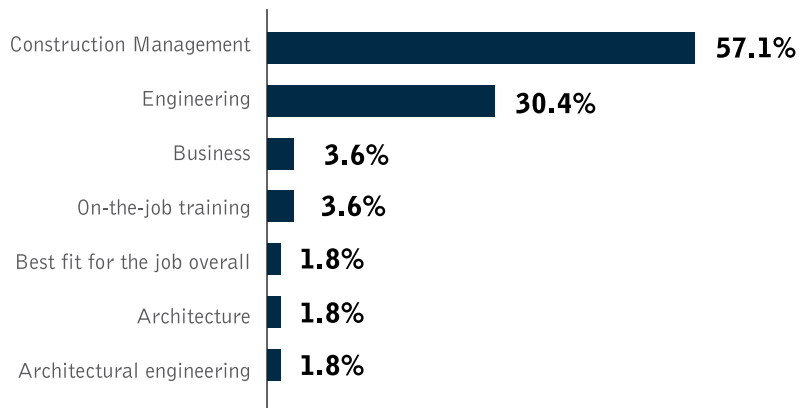
Strategies for Attracting and Retaining Talent



Educational Backgrounds

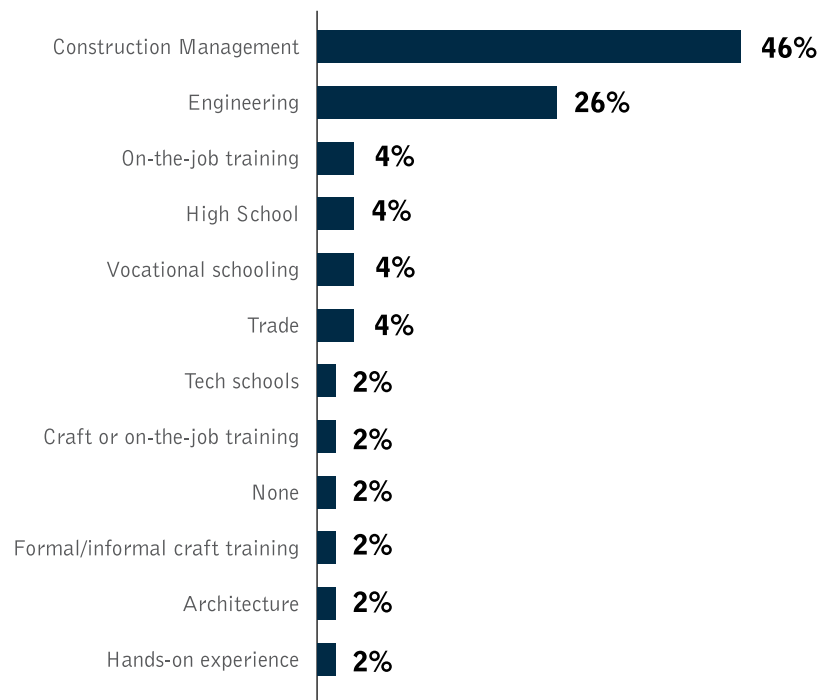
New to our survey were some questions on employees' educational backgrounds. We were curious to learn about the educational backgrounds of the most effective and successful hires in management and supervisory positions. More than half (57%) of the respondents chose construction management, followed by 30% who favored an engineering background.

Educational Background of Most Successful Management Hires



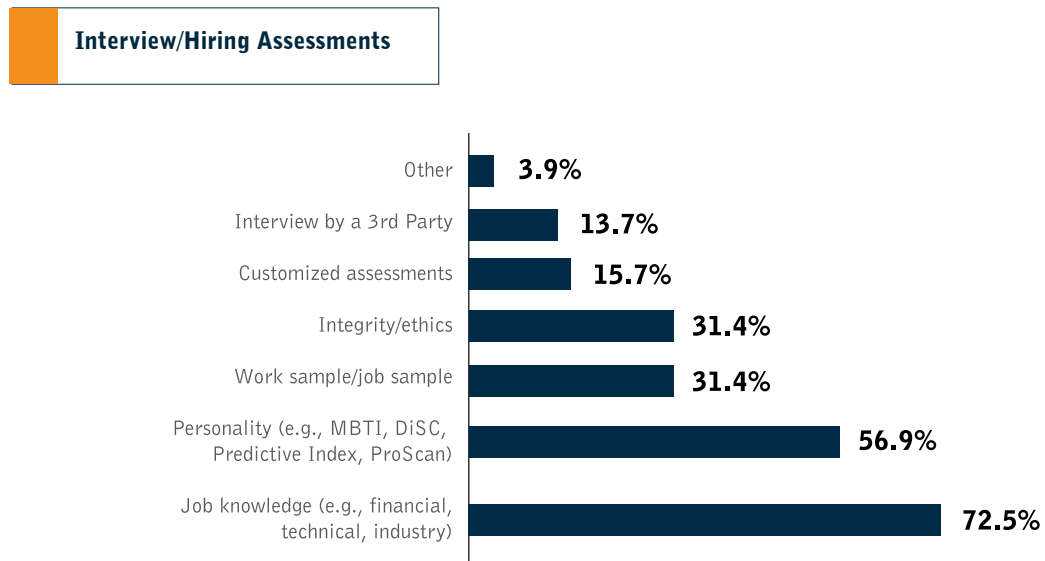
We also wanted to know what educational backgrounds were the most effective for technical/craft positions. Again, construction management had the most responses (46%), followed by engineering (26%).

Educational Background of Most Successful Trade/Craft Hires



Psychological and Other Assessments

FMI asked if companies were still using or planning to use psychological and/or other assessments as part of their hiring strategies, and the order of the results was almost identical to that in our 2011 survey. Job knowledge tests (73%) once again topped the list for assessments used as part of the selection process followed by personality profiles such as Myers-Briggs®, DiSC or the Predictive Index (57%). Integrity/ethics surveys (31%) and work/job samples (31%) are other popular assessments organizations use during the interview process.



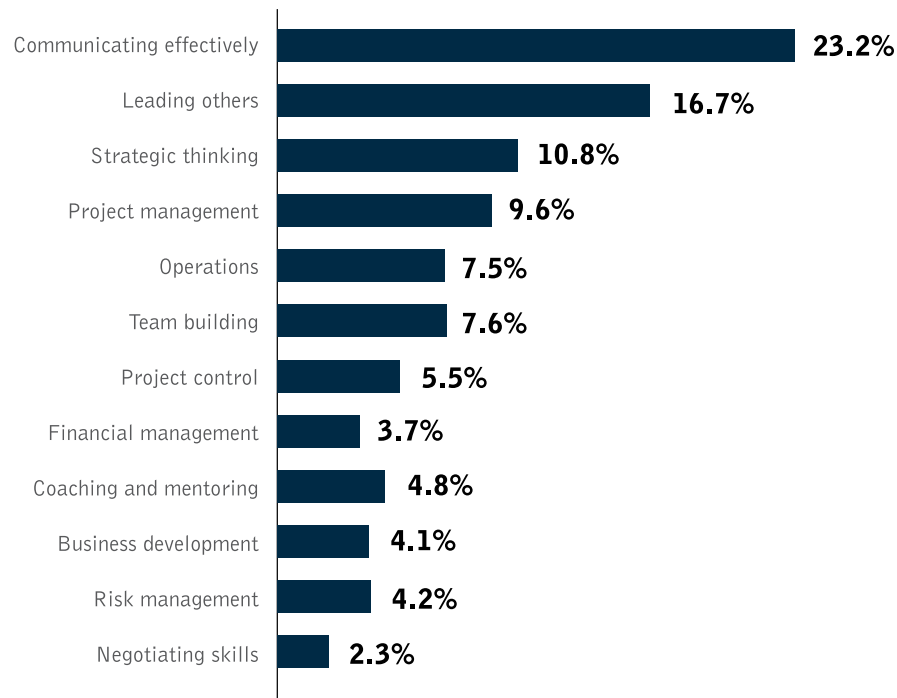
Job knowledge tests are an excellent way for employees to evaluate the knowledge and skills of potential hires and can focus on a variety of areas, such as financial, technical, industry-related, etc.

More than half of the respondents use personality assessments to see if a job candidate is a good fit for their organization. Personality assessments are useful in providing information about individuals in addition to cognitive ability measures. For example, a highly introverted person may not be the best choice for a high-pressured sales position, but would probably do fine as an engineer. Keep in mind that these assessments should not be the only factor considered when making a hiring decision, and they should be used in conjunction with résumés, interviews, reference checks, etc.

Core Competencies

We asked respondents what core competencies were the most predictive of success in their organization. Effectively communicating was the top-ranked core competency, followed closely by leading others, project management, strategic thinking and operations. Project management was new to the top-five core competencies compared to our last survey, replacing business development.

Top Core Competencies Predictive of Success



When asked if employees were evaluated based on these core competencies, 91% responded yes, and 77% indicated that these competencies were part of their company's performance management program.

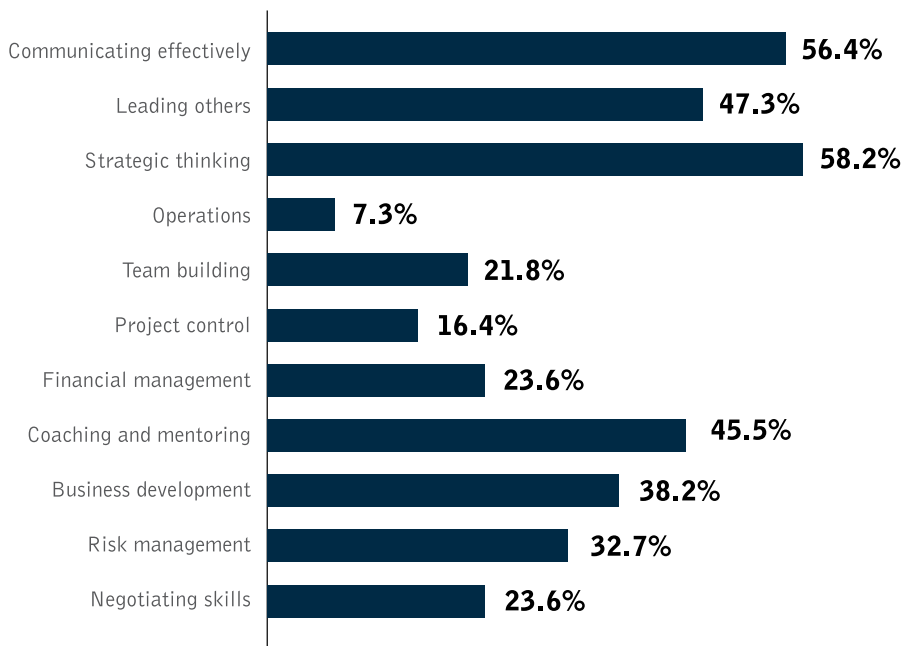
We also wanted to know which competencies were the most difficult to develop for field, project and senior managers. For field managers, effectively communicating, strategic thinking, and coaching and mentoring were the three competencies hardest to develop.

Most Difficult Competencies to Develop for Field Managers



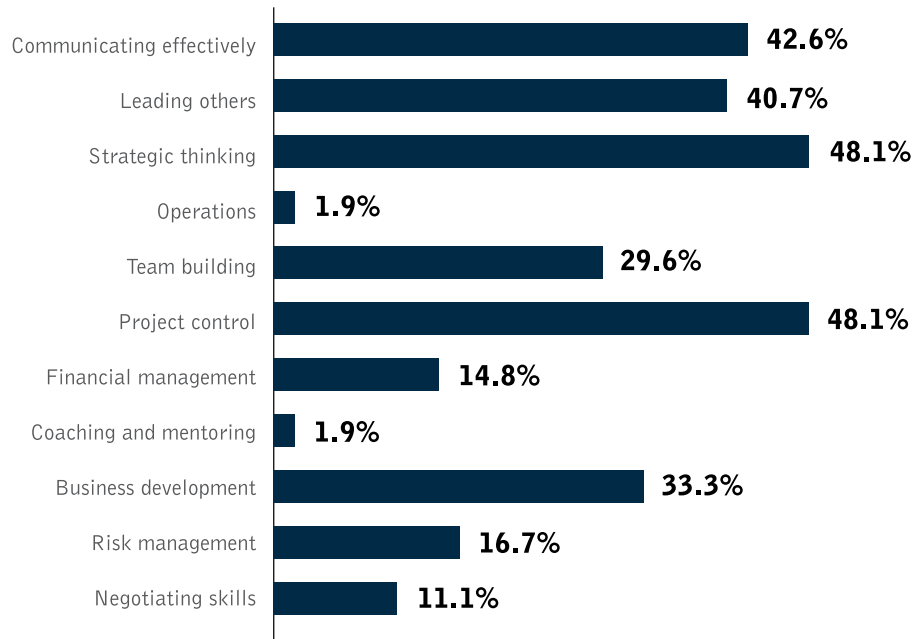
For project managers, strategic thinking topped the list, followed by communicating effectively and leading others.

Most Difficult Competencies to Develop for Project Managers



Project control and strategic thinking tied as the hardest competencies to develop for senior managers. This was followed by communicating effectively.

Most Difficult Competencies to Develop for Senior Managers



It is interesting that strategic thinking and being able to communicate effectively ranked in the top-three core competencies that are most predictive of success, and they also ranked in the top-three competencies that are the most difficult to develop for each category of managers (field, project and senior).

Strategic thinking is regarded as an essential core competency for leadership positions. In general, strategic thinkers are:

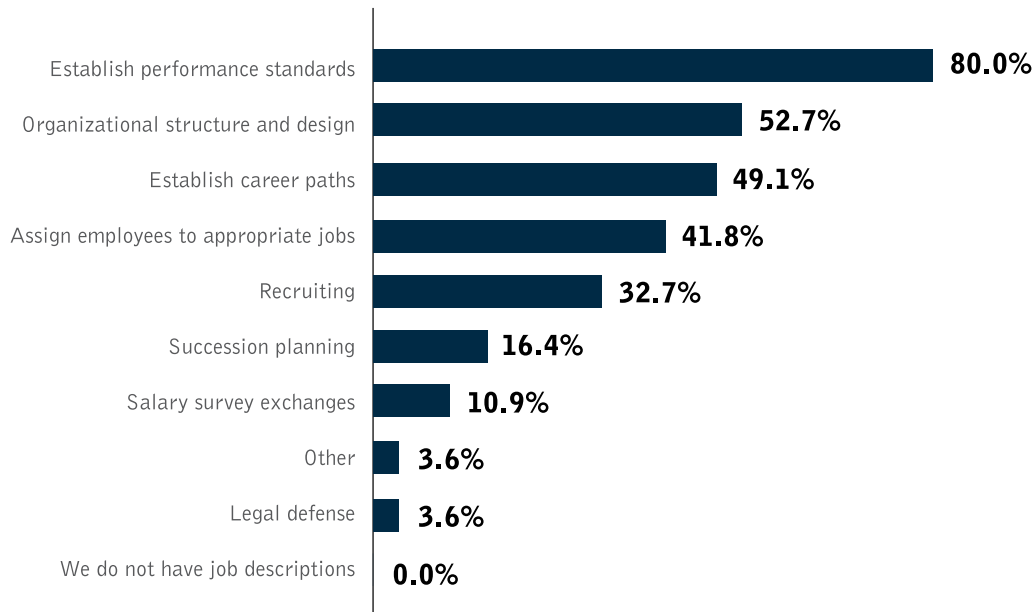
- Systems-oriented and think holistically
- Creative
- Innovative
- Visionaries
- Curious
- Explorers
- Open to new ideas
- Adaptable to change

In addition, strategic thinkers tend to make good leaders and have the ability to inspire others. They know their industry, have good communication skills and are usually competitive.

Job Descriptions

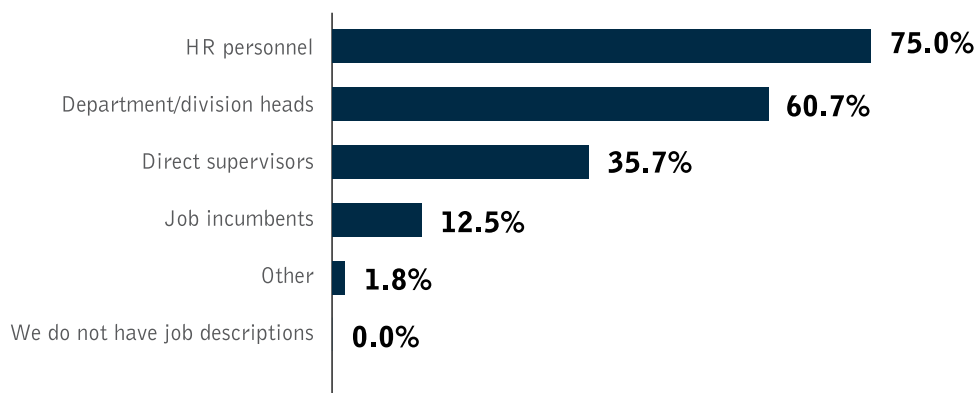
When we asked, “What are your company’s three main reasons for creating job descriptions?” 80% of the respondents cited establishing performance standards as the main purpose, followed by providing organizational structure and design (53%) and establishing career paths (49%).

Top Reasons for Job Descriptions



HR personnel (75%) top the list of those responsible for writing and updating job descriptions, but department/division heads (61%) and direct supervisors (36%) also are involved in the process.

Who Is Responsible for Writing/Updating Job Descriptions?



Job descriptions are shared with employees in a variety of methods, and the most popular included at the time of hiring or promotion and during the annual review process. Many organizations post their job descriptions on their company's intranet.

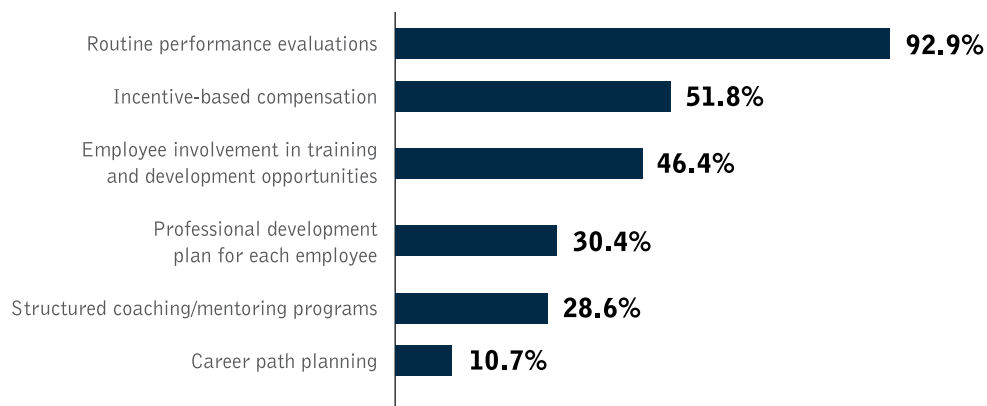
Job descriptions are important to employees and employers alike. For employees, up-to-date job descriptions reflect what is expected of them and should include the necessary skills, training and education needed by a potential employee as well as list the duties and responsibilities of the job.

Job descriptions also benefit employers. Job descriptions allow organizations to determine how a particular position relates to others in the company. They identify the characteristics, competencies and skills needed by a new employee filling the role. Job descriptions can be used as part of the interview and orientation processes. They are also helpful when evaluating employee job performance.

Performance Standards

Successful organizations rely on employees being productive and committed to their work. Performance standards allow companies to manage and measure employee performance and productivity. Employees know what is expected of them, including main responsibilities and duties of their jobs. Without performance standards, supervisors and employees may differ on job expectations.

How Does Your Company Manage Employee Performance?



We asked how companies manage employee performance, and almost 93% said they do so through routine performance evaluations. More than half of the respondents offer incentive-based compensation to their employees.

Incentive Compensation Effectiveness: Discretionary Versus Structured Plans

by: Sal DiFonzo and Radek Knesl

During the last several years, there has been significant attention concerning incentive compensation plans. Daniel Pink's book "Drive" (2009) includes plenty of examples of failed incentive plans. Pink illustrates how increasing employee autonomy is preferable to using incentives. So are incentives always wrong?

Poorly designed incentives are certainly ineffective and may even drive the wrong behaviors, but many companies report that their incentive plans, specifically structured incentive plans, are an effective method of improving performance. In FMI's 2013 U.S. Construction Industry Incentive Compensation Survey, 36% of CEOs reported that their structured incentive plans were very effective versus 12% of CEOs who had discretionary plans. What is the difference between discretionary and structured incentive plans?

Discretionary Plan: At the end of the year, the company's owners allocate a certain percentage of pretax profits to a bonus pool. Then the owners arbitrarily assign bonuses based on judgment, past history and intuition. There is usually an annual payout without fanfare or celebration, and recipients may be told to keep quiet about the bonus amounts. Award recipients typically do not know how or why they received their awards or how to increase future earnings opportunities.

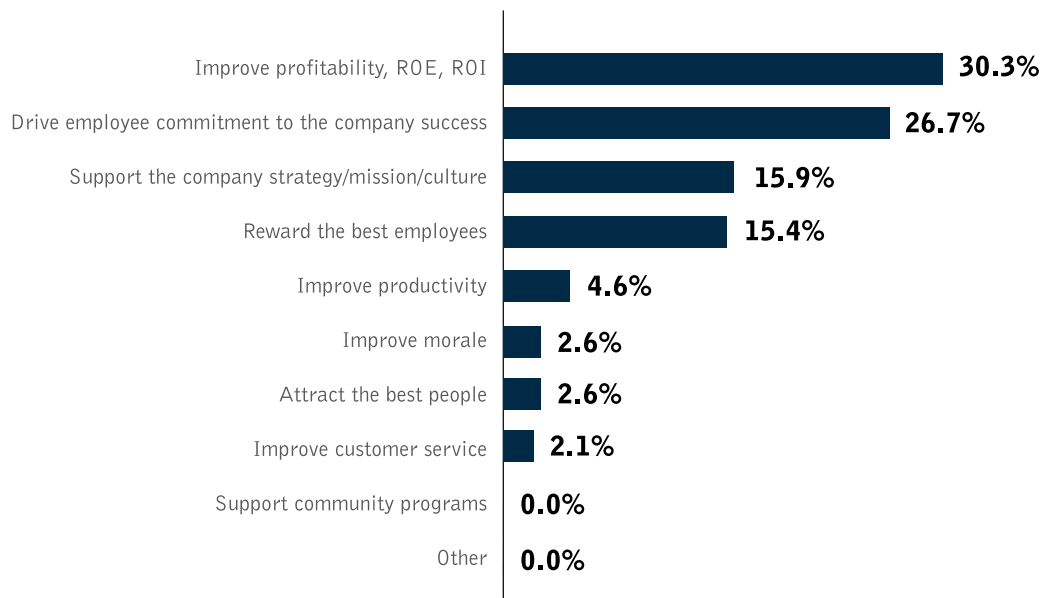
Structured Incentive Plan: Plan participants have clearly communicated target incentives. Performance measures are clearly established, and there are defined minimum payout levels (thresholds) and maximum payout levels (excellence). For example, you can earn 10% of your base salary at target and 15% at excellence. Even if a company is privately held and does not disclose actual financials, plan participants receive quarterly feedback, such as "105% to goal." Regular feedback is important to help participants maintain steady progress toward their targets.

Other key differences between discretionary and structured incentive plans are recognition and celebration. Whereas discretionary plans are a low-key, almost secretive affair (e.g., "Hey, something hit my direct deposit!"), structured plans may have accompanying celebrations or individual recognition when results are final. Although monetary rewards always are appreciated, individual recognition is also an effective motivator.

What types of companies have discretionary plans? For privately held or family-owned companies, discretionary plans predominate. FMI's Compensation Survey found that 75% of construction companies reported using discretionary incentives as a reward system. Why do privately held companies use discretionary plans so much, if they are less effective than structured plans? Discretionary plans are easy, and individual goals are not required. Simply allocate a share of the profits at the end of the year. Ultimately, these plans provide company owners great control. They can decide to increase or decrease bonuses at will and for whatever reason. One of the downsides is the "30-day effect." That is, 30 days before payout, employees behave well, avoid conflict and smile for the boss often — it could affect the payout!

Why have incentive plans at all? Owners do not have to share their hard-earned cash. There is no law (yet) that a certain percentage of the profits needs to go to employees after owners have received an adequate return for their equity. It would be interesting to see what would happen if there were no incentives at all. How would salespeople behave, and how productive would they be without goals, commissions and bonuses? Would deliveries arrive on time if truck drivers received pay by the hour and not by the mile? How effective are plans where high performers receive the same pay as low performers? In a world where self-actualization is a rare construct, companies depend on incentives. In FMI's study, here is what was most important to CEOs for their incentive compensation goals:

Which Goal Is Most Important to Your Incentive Compensation Program?



The No. 1 reason that management installs any kind of program is to improve profitability, return on equity (ROE) and return on investment (ROI). Are owners self-interested or greedy if the reason that they share incentive payments with employees is to improve their own return on investment in the business? It appears that management attempts to align employee interests with their own profit objectives.

Instead of writing off incentives as manipulative or ineffective, companies can use some best practices to increase the likelihood of a successful incentive plan. This is important, because incentive compensation plans can consume a significant share of profits. FMI's study showed that construction companies spend an average of 15.67% of pretax net profit on incentive compensation. Companies should consider seven best practices when designing incentive compensation plans.

1. Migrate from discretionary incentive plans to structured incentive plans. Employees perceive structured incentive plans to be fairer than discretionary plans. These plans are also easier to administer, given that they often tie to company or business unit financial measures as well as pre-established individual goals. A discretionary component may be used in combination with a structured plan, but its influence should be predefined and limited, typically to the individual measure.

2. Use labor market intelligence to establish target incentives rather than arbitrary or small-sample biased decisions. Companies should avoid two common errors when establishing pay levels: (1) Overpaying increases the company's cost structure permanently and makes it more difficult to compete. (2) Underpaying attracts the wrong or unqualified talent, which results in increased turnover and wasted recruiting efforts. Asking current employees about what pay rates to set risks small-sample bias. Asking your recruiter what the market is for a certain job is probably more accurate but still a small sample. Using a well-known and statistically valid compensation survey with hundreds and thousands of incumbents is best.

3. Balance the incentive design with what is strategically important. Structured plans with only a corporate or team measure induces "free-riding," where some employees work hard enough to keep their jobs. Having a plan with all individual measures increases competition and discourages teamwork. Too much weight on a business unit measure creates silos where divisions are reluctant to share equipment and human resources. A balanced approach, weighted appropriately among different levels of individual and team performance, encourages the best mix between individual accountability and teamwork. Individual performance measures and company/business unit financial measures should link to the company strategy.

4. Use a top-down versus bottom-up funding mechanism. A top-down approach to funding the incentive plan means that ownership carves out a portion of profits at the end of the year, then allocates that pool of dollars as individual incentives. There are two drawbacks to this approach: (1) The amounts allocated may have nothing to do with going labor market rates, and (2) This "pool" approach tends to pay out, even if the company does not meet its profit targets. If there is a dollar of profit, some portion of that dollar is paid out. Conversely, the bottom-up funding mechanism builds a budget using labor market intelligence. If the market is paying 10% bonuses and there are 10 incumbents in the job, simply take the sum of the salaries and multiply by 10%. Repeat this exercise for all positions to derive a budget. While the company may not be able to afford moving toward full market rates, target incentives should relate to competitive practices. Once the company has built the budget from the bottom up, it should pay ownership for its return on equity first and then pay for the budgeted incentive plan. This implies the use of a threshold or minimum level of performance in order to earn a payout.

5. Empower employees. Employees want to know how they contribute to the success of the company. The lack of an incentive opportunity or not knowing how to earn the incentive is prevalent. In FMI's study, only 49% of companies offered broad-based incentive opportunities to most or all of their employees. There is a fear of an overly burdensome administrative obligation with incentive plans, but the time spent between managers and employees to

drive performance is worth it. Helping employees to focus on what is important and letting them figure out how to get there is empowering.

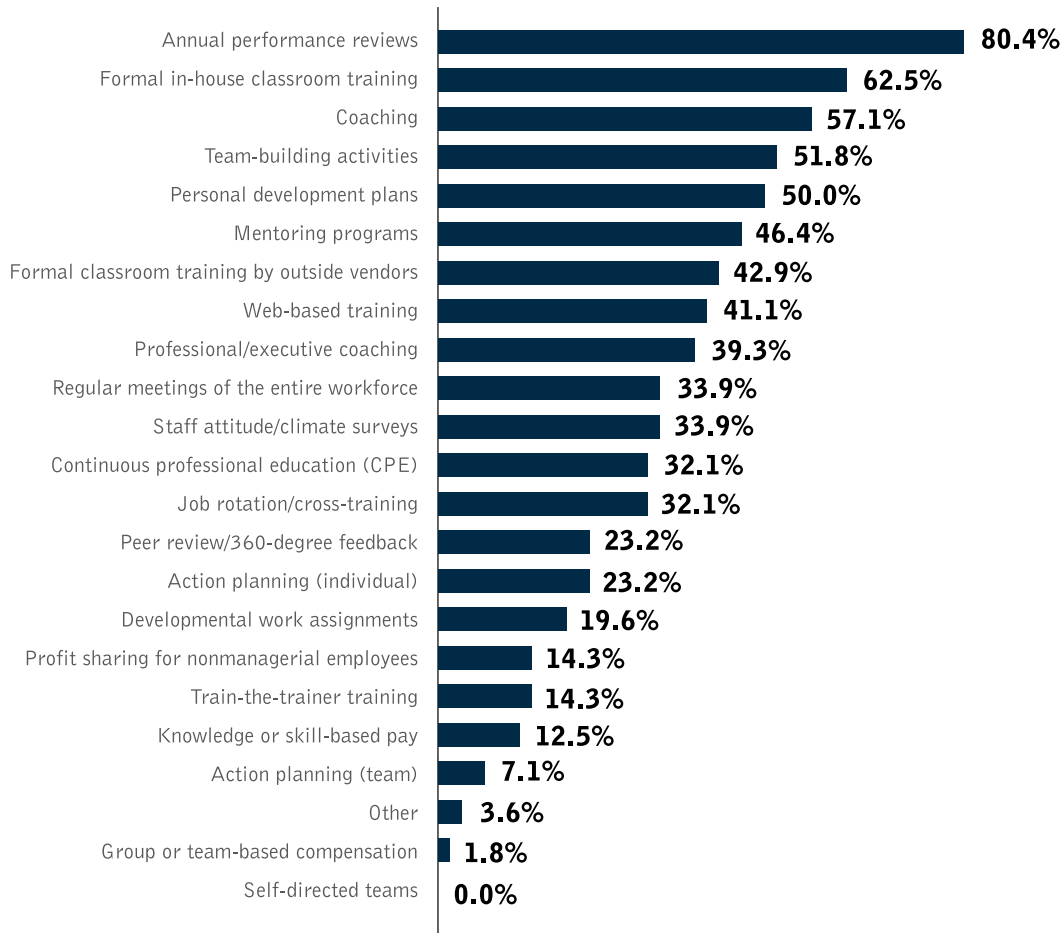
6. Improve communication and transparency. One of the greatest benefits of converting from discretionary to structured plans is the change from no communication to regular communication. Most structured plans disclose company and business unit progress to goals quarterly (especially organizations with more than 5,000 employees), and managers may meet with employees quarterly as well. Contrast this regular communication with discretionary plans, where progress is unknown and employees describe the lack of feedback and uncertainty as a “black box.” Structured plans improve communication and transparency, even in situations where the company does not report actual financials. In these cases, it is more common to report “105% to goal” instead of “\$1.1 million in profit.”

7. Set clear and measurable stretch goals and objectives. Incentive compensation plans should pay for above-and-beyond performance in excess of the normal duties of the job. If base salary pays for knowledge, skills and abilities, then incentives pay for outperformance. However, employees must have clear and measurable goals. Think of what is strategically important to the business and translate that into individual and team goals to drive the objectives of the strategic plan. In the construction industry, it is important to manage jobs profitably and on time. This is expected. However, if project managers can exceed profits, reduce cycle time and keep customers happy while doing it, then this is a winning formula for linking customer and employee success.

Rather than illustrate a case study on how an incentive plan drove the wrong behaviors, and there are plenty of examples, it is useful to study how companies with successful structured incentive plans do it. Building a successful incentive plan requires design techniques that are different from past practices. Following best practices, not common practices, will increase the odds that a company can design and implement a successful incentive plan.



Which of the Following Practices Does Your Company Plan to Use in the Next Year to Increase Employee Performance and Development?



Eighty percent of respondents plan to conduct annual performance reviews. Done properly, these reviews should summarize an ongoing, year-round dialogue between the employee and his or her manager. Optimally, less formal performance review meetings are occurring several times during the year.

Formal in-house classroom training ranked second-highest in terms of increasing employee performance (63%), followed by coaching at 57%. Team-building activities (52%) and personal development plans (50%) round out the top-five responses to this question.

With the exception of team-building activities, this year's responses were also in the top five of our 2011 Talent Survey. While performance reviews, coaching, training and personal development plans all focus on individuals, it appears that companies are also interested in how employees work together to achieve a common goal.

Professional coaching brings value and benefit to the individual as well as to the company. Coaching provides fresh perspectives on business and personal challenges, enhanced decision-making skills, greater interpersonal effectiveness and increased confidence; but the list does not end there. Those who engage in coaching also can expect improvement

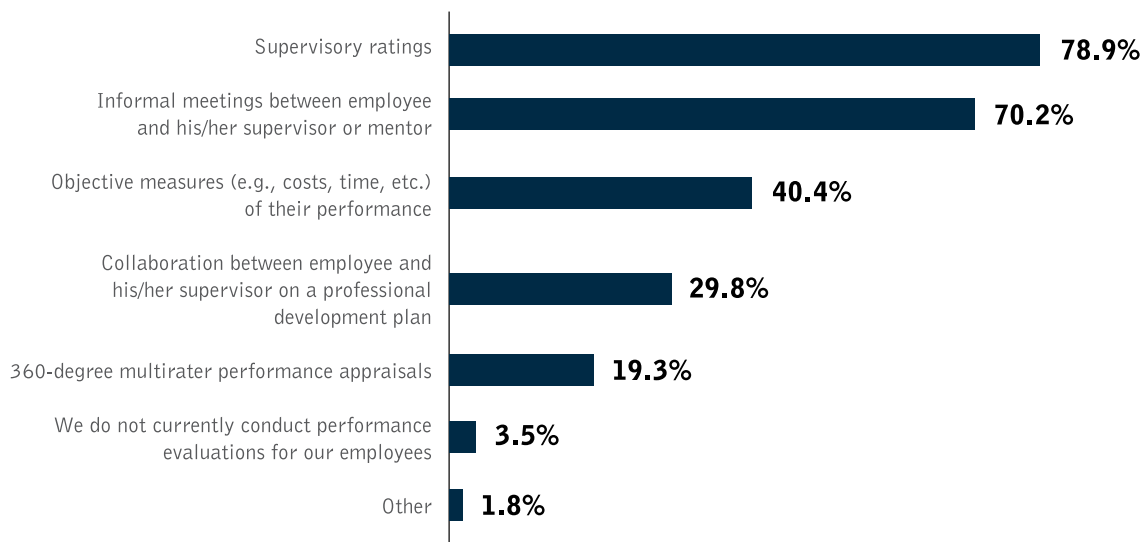
in productivity, job satisfaction, work/life balance and assistance in achieving relevant goals. Coaching is a collaborative approach, designed to assist and inspire individuals in a thought-provoking and creative process to maximize their personal and professional potential.

Another benefit of coaching is increased productivity. Professional coaching maximizes potential and, therefore, unlocks latent sources of productivity. A coach can assist you in developing next steps to maximize your individual performance, whether you are at the top level of an organization or just starting a career.

Coaching is emerging as a major advantage for professionals. Increasing numbers of companies are turning to coaches to help individuals increase their leadership development and organizational advancement.

Companies and individuals use coaching because it works. Clients have reported that their experience with coaches has led to breakthrough business results along with significant improvement in personal performance and leadership effectiveness with their teams. A coach can challenge perspective, encourage commitment to action, help develop goals for lasting professional and/or personal growth, incite change and inspire results, all without fear in an open-dialogue environment. Coaches help individuals reach solutions.

What Type(s) of Performance Evaluations Do Your Employees Receive?

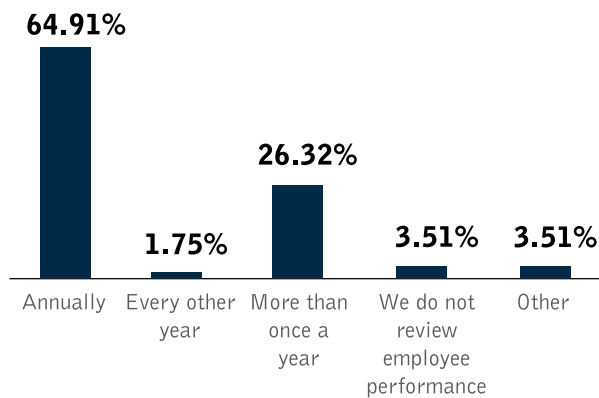


Supervisor ratings make up almost 80% of the evaluations that employees receive, which is how most companies, regardless of industry, assess their workers. A little more than 70% of survey respondents indicated that performance evaluations also occur as informal meetings between employees and their supervisors and mentors.



We asked how often companies reviewed employee performance, and the majority of respondents (65%) said they do so annually. The next-highest response (26%) was more than once a year. Only 4% said they do not review their employees' performance.

How Often Is Employee Performance Reviewed?



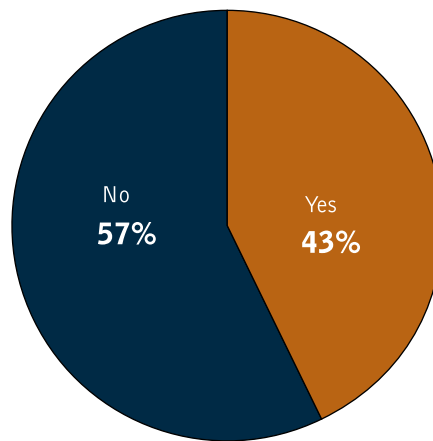
Most organizations, regardless of industry, hold annual reviews to evaluate the work of their employees. However, some companies conduct these reviews (which are usually less formal than the annual review) more frequently as a way to see if employees are on track to achieve their goals.

This can be a win-win situation for both the employee and the supervisor. It gives employees time to improve on weaker areas of performance throughout the year. It also allows supervisors to get to know their employees better and to show them that they are valued.

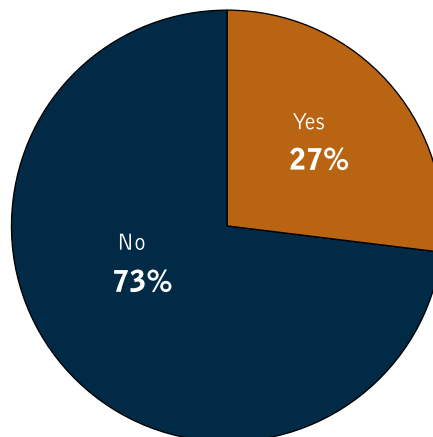
Developing High Potentials

A high-potential employee, or HiPo, can be described as someone who has the potential, ability and ambitions for successive leadership positions within an organization. When we asked companies if they had a formal process in place to develop high potentials, 43% responded that they did, and 27% indicated that this was part of a structured management succession process.

Do You Have A Formal Process to Develop High-Potential Employees?



Is It Part of a Structured Management Succession Process?



We asked respondents who did have a formal process to develop high potentials to describe it and how it benefits the organization. Here is a sample of the responses we received:

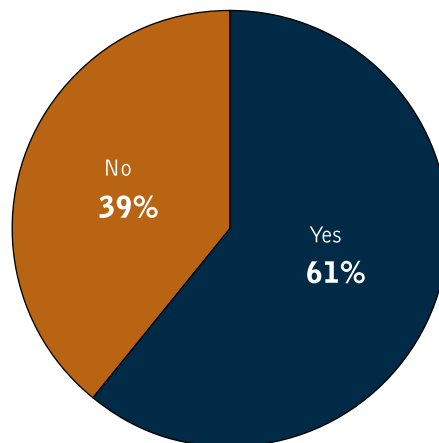
- The purpose of our Emerging Leaders Program is to prepare participants for critical leadership positions through the use of concentrated and focused training, shadowing, mentoring and other developmental leadership opportunities.
- Identifying and challenging high-potential employees with various learning opportunities keeps them engaged and focused on what's next in their careers.
- We need to do a better job at this. We know who the high performers are, but we have not created a formal plan of succession.
- Individual coaching by a third party.
- It allows designated employees to understand those areas (other than direct processes) by performing duties to help them understand the company from a broader perspective.
- We are working toward this goal. We are in year two of identifying and targeting high potentials for training.

Career Paths

One of the ways to improve employee retention is to have a clear career path. Employees need to understand there is room to grow within the organization. Having a career development plan empowers employees who want to move up in the company and provides logical steps to pursue advancement.

We asked if your company offered career paths, and 61% of respondents indicated they did.

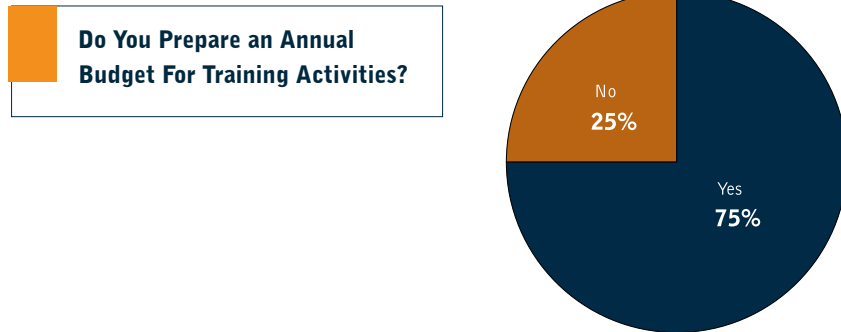
Does Your Company Offer Career Paths?



We were also curious as to the reasons companies did not have career paths, and the most common response was that the organization was too small. Several companies said that they were in the process of establishing career paths for their employees.

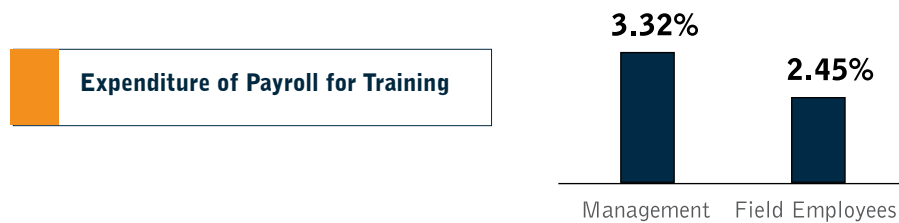
Training Budgets and Expenditures

We asked how many people prepared a yearly budget for training activities, and 75% indicated that they did. This number has decreased from our 2011 (81%) and 2007 (82%) survey results.

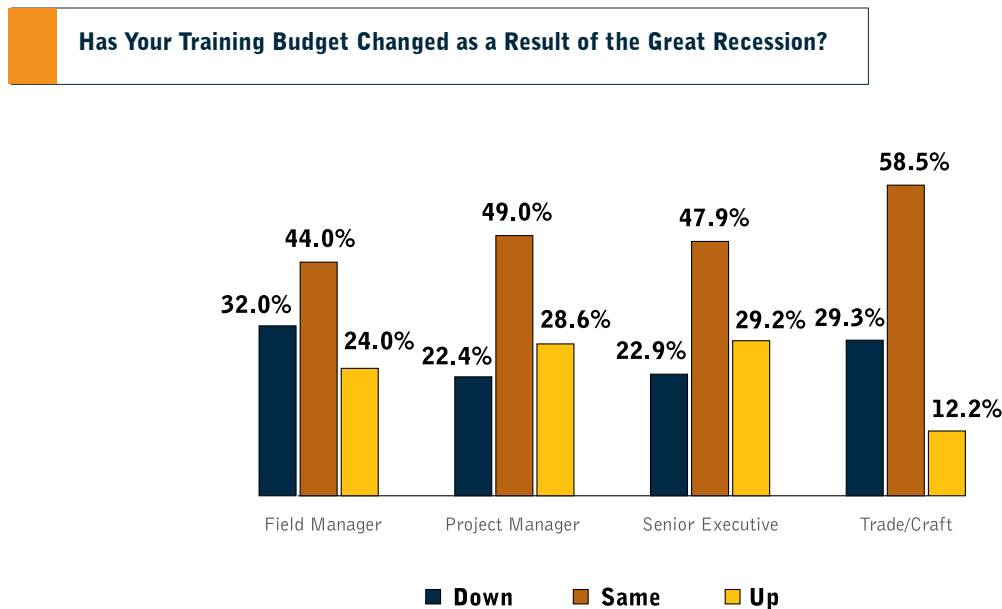


We also asked what percentage of your company's payroll was spent on training, and this came to 3.3% for management and 2.45% for field employees.

The American Society of Training and Development's (ASTD) 2012 State of the Industry Report stated that U.S. companies averaged 3.2% on learning as a percentage of payroll in 2011, which is almost exactly what construction companies are spending on management training.

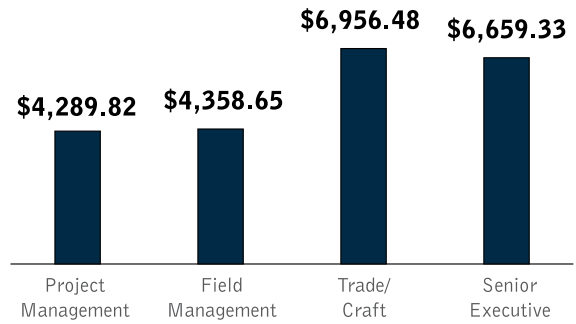


We wanted to know how training budgets for field managers, project managers, senior executives and trade/craft employees changed due to the Great Recession.



In relative terms, companies are planning to spend more to train their project managers and senior executives, with a reduction in training expenditures for field managers and trade and craft workers.

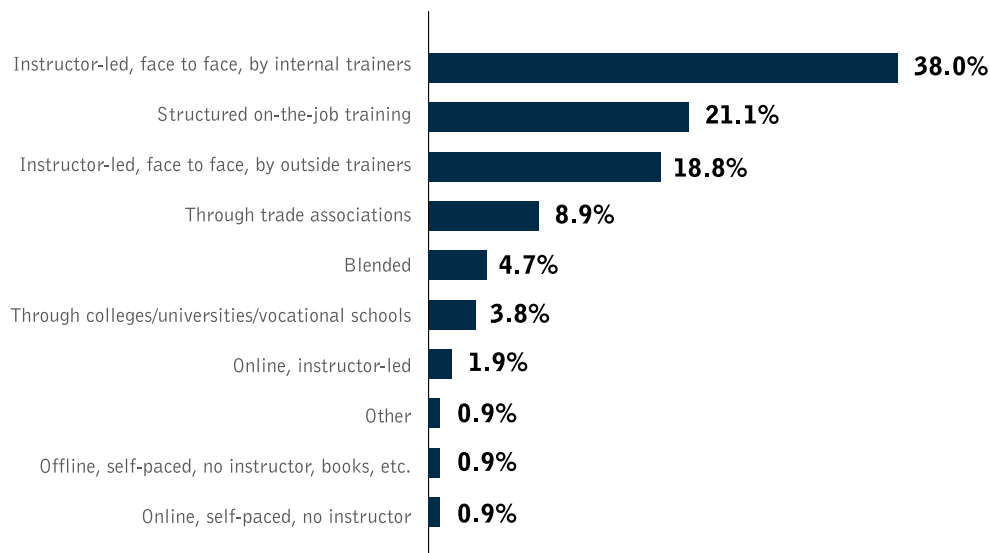
How Much Does Your Company Spend Annually PER PERSON on Training?



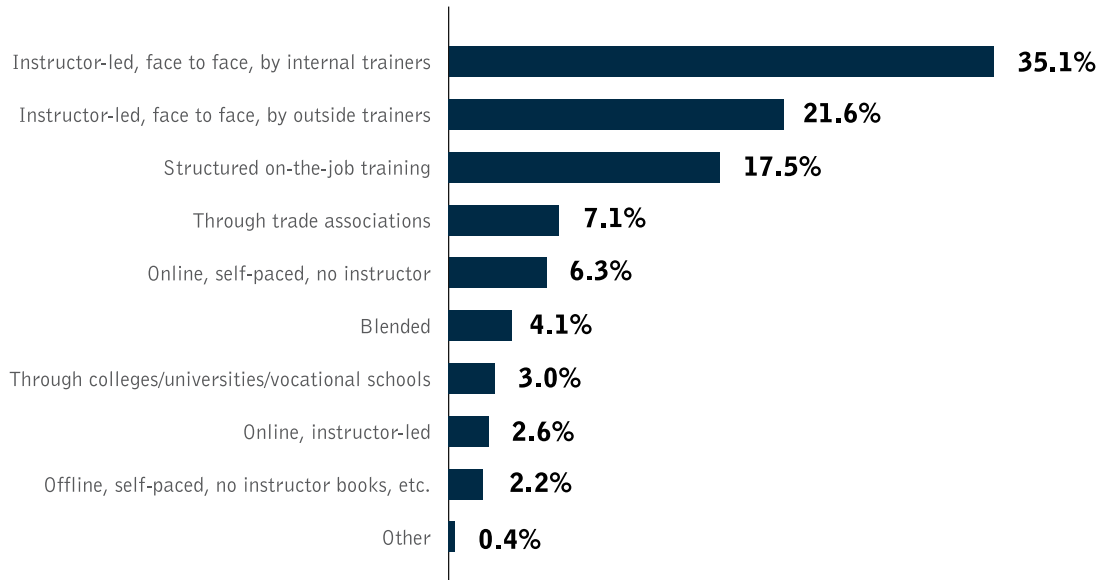
Training Delivery

Training delivery was a new section to our survey this year. We asked how companies delivered training to their trade/craft employees, field managers, project managers and senior managers. The top-three methods of delivery for all groups of employees included instructor-led, face to face, by internal trainers; instructor-led, face to face, by outside trainers; and structured on-the-job training. These results indicate that online instruction is slow to make its way as a favored training delivery choice in our industry.

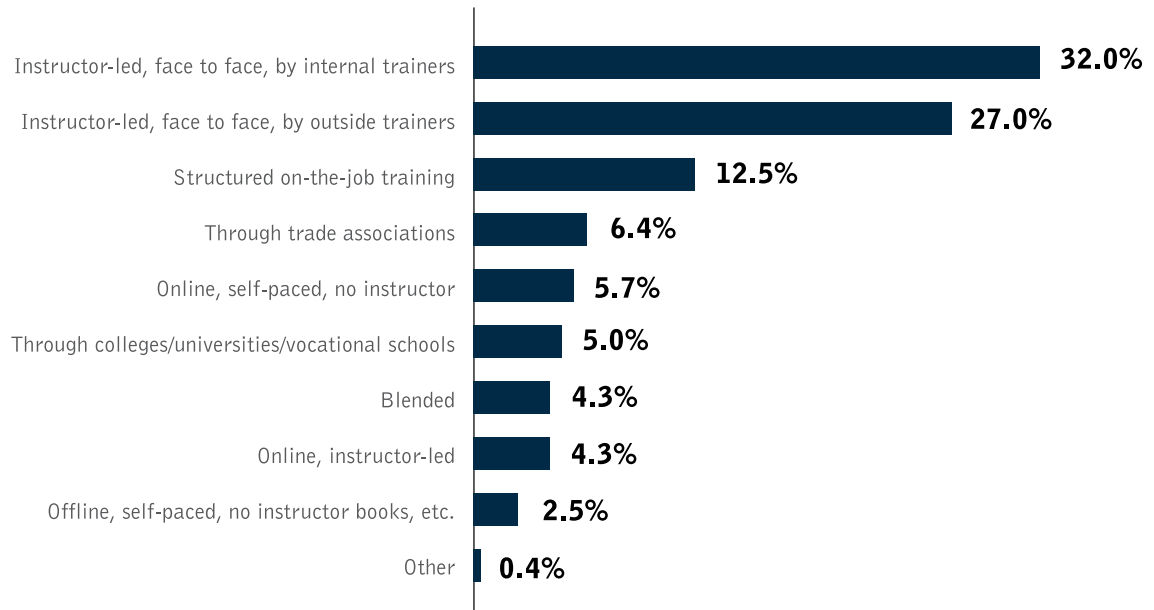
Training Delivery Methods — Trade/Craft



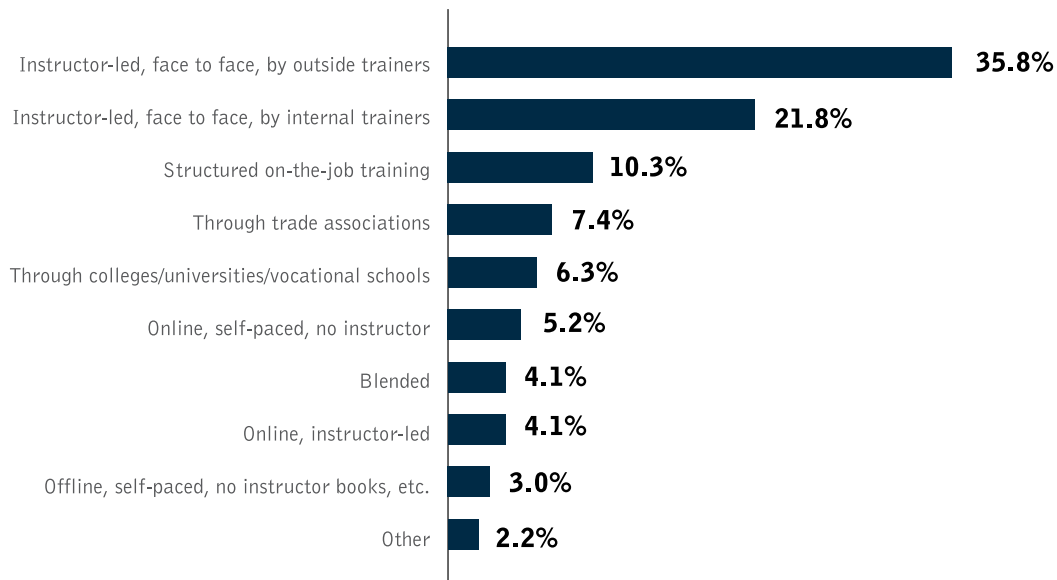
Training Delivery Methods — Field Management



Training Delivery Methods — Project Management



Training Delivery Methods — Senior Management



All four groups of employees are also participating in a wide offering of educational opportunities from trade associations. If your company is not taking advantage of training from an association that you are a member of, you should consider doing so.

We asked if you thought these delivery methods would change in the next three to five years, and the majority of those who answered yes indicated it would be in the form of more online and/or mobile offerings. One company sought to increase its online methods as its workforce demographic trends younger. Another anticipated more extensive use of videoconferencing for its training sessions. And yet another organization saw the need for more online classes as it expanded its services to other states and became more geographically dispersed.

We also wanted to know what the biggest challenges in delivering training were for your company. We received a variety of responses, most of which fell under time, geographical and budgetary constraints. Other challenges included the following:

- Obtaining management buy-in
- Having consistent and cost-effective online tools
- Being consistent across the company
- Monitoring progress
- Lacking of a suitable training facility
- Changing technology, especially in respect to BIM
- Lacking an understanding what training is needed



Trade Associations: Supporting the Development of Future Talent Within the Construction Industry

by: Michelle Anysz

Besides providing political advocacy, construction industry trade associations strive to bring the best educational programming to their membership. These organizations constantly explore developments and topics for the industry niche that they serve and provide a variety of opportunities for learning. Over the last few years, talent development has become an important topic in the construction industry. Requests for informative presentations, programs and educational sessions on this topic have increased dramatically.

Educational Seminars and Sessions

The Association of Equipment Management Professionals' 31st Management Conference and Annual Meeting included a session that addressed the challenge of motivating and keeping the workforce diverse to ensure business success in the future. The executive track, "Developing Future Talent: Hiring, Developing & Keeping 'High Potentials,'" focused on how to find, motivate and keep star talent who will help achieve profitable growth objectives.

The Pacific Northwest Construction Industry Conference is an annual event for CPAs and financial professionals serving the construction industry. Talent development has been identified as one of the many topics of interest. On last year's agenda, the "Building Your Talent Pool for Future Growth" session reviewed how there is still a significant need to invest in human resources, especially as the baby boomers continue to retire at increasing rates. Training trends, challenges, concerns and innovations affecting the construction industry were also important topics of discussion.

Canadians are also focusing on training and developing to address the looming shortage of skilled construction workers across the country. Merit Builders Alberta has offered training on developing talent. Such education has examined the crucial issues facing internal leadership candidates and provided insight into how to consistently groom and develop leaders at every level to move them up to the next rung of leadership.

FMI conducts a Talent Development Survey trends session with leading construction firms across the country, and the results of the survey are presented annually during the AGC Construction HR & Training Professionals Conference. The session includes anecdotes from contractors to illustrate the presentation beyond the statistics encapsulated in the report.

Educational Programs at the Chapter Level

The ABC Georgia Chapter created its Future Leaders Program to help members develop up-and-coming talent. The annual course is open to anyone in the construction industry — from project managers and estimators to sales representatives and attorneys — with two-and-a-half-hour classes that meet once a month from January to September. All students

must be referred by their employers or a past graduate, which gives companies an opportunity to reward their most promising employees. Students spend one afternoon per month developing their own leadership skills, networking with others in the industry and learning from their peers.

The AGC Colorado created a Future Leaders Forum, which serves as a collective and collaborative program with a mission of developing future leaders within the member companies. As a part of the program, AGC Colorado holds a three-day training boot camp program to develop and enhance the executive leadership experience for up-and-coming company leaders. The boot camp program typically includes training in multiple topics presented by several speakers, a networking social and an evening banquet at the Governor's Mansion carriage house. The banquet typically features high-level keynote speakers such as Dick Saunders, who grew a one-person company into one of Colorado's largest construction companies.

Literature

The Associated Builders and Contractors has included a number of articles on training and talent development over the last few years in Construction Executive magazine. The series of articles looks at several themes, such as identifying future leaders, how to recognize and retain "high potentials," succession planning, training and employee retention.

An article featured in Construction Executive, titled "A Plan That Pays Off, Contractors View Leadership Development as a Long-Term Business Investment," discussed how contractors are accustomed to following detailed construction plans, but sometimes lack the same detail in business plans. The article focuses on how leadership development is overlooked and presents a case study on how Houston-based KBR created an in-house Leadership Academy to bring out the best in promising employees.

Earlier this year, the article, "The Future of Leadership for Construction Industry Women," which was featured in the Associated General Contractors' (AGC) Constructor magazine, discussed the setbacks women face with talent development. "As more women build their careers in the construction industry, some will undoubtedly be looking for top executive leadership opportunities," explains Liz Evans, AGC Washington Northern District manager. "The pathway to leadership positions for women will be important to retaining top talent and creating an inclusive and diverse leadership group. However, the industry has a noticeable leadership gap when it comes to women in top executive roles." The AGC Education Foundation has identified this need and is considering developing leadership classes women can use to hone their leadership skills earlier in their careers.

Conclusion

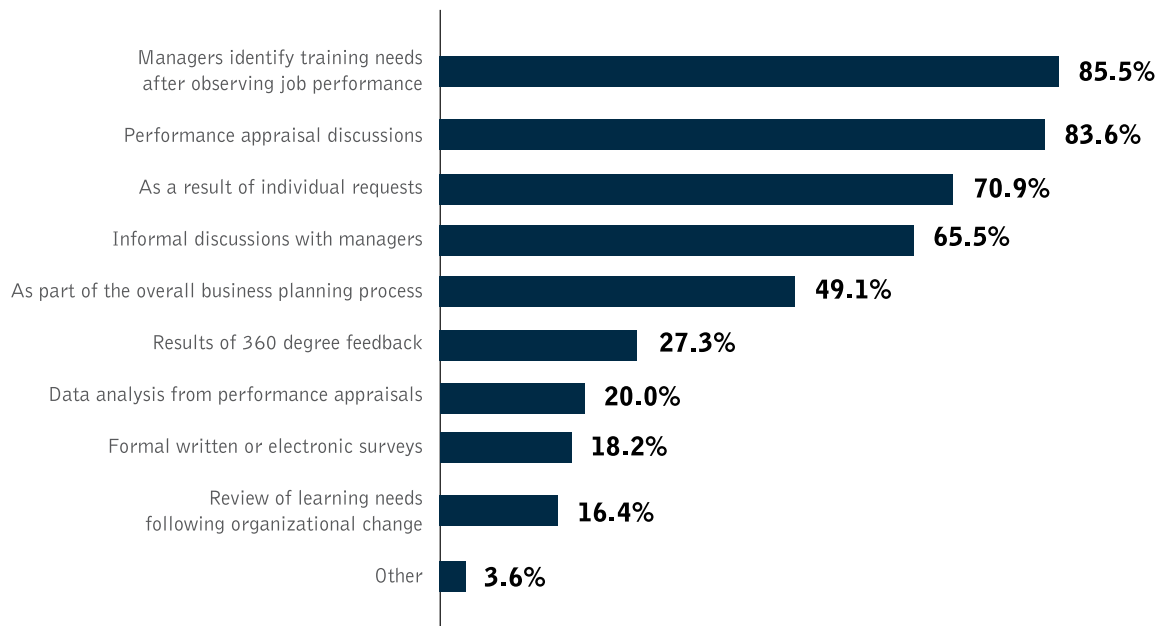
Whether it is through educational seminars and sessions, programs at the chapter level or literature, trade associations are educating their members in response to growing interest in talent development in the construction industry. Having such knowledge will assist the membership's organizations to prepare for a changing workforce.

Determining Individual Training Needs

We asked how companies determine individual training and development needs, and the top-three responses were also the same in our 2011 Talent Report. More than 85% of managers identify training needs after observing job performance. This is an excellent way for supervisors to understand what skills and knowledge their employees may need to improve. In addition, by directly observing job performance, supervisors can determine which employees may be ready to move on to more challenging work.

Many organizations (84%) are determining training needs during the performance appraisal process or as a result of individual requests (71%). This allows the supervisor and employee to discuss the areas of improvement that each party feels are needed.

Training and Development Needs Are Determined in Our Company Through:



Measuring Training Results

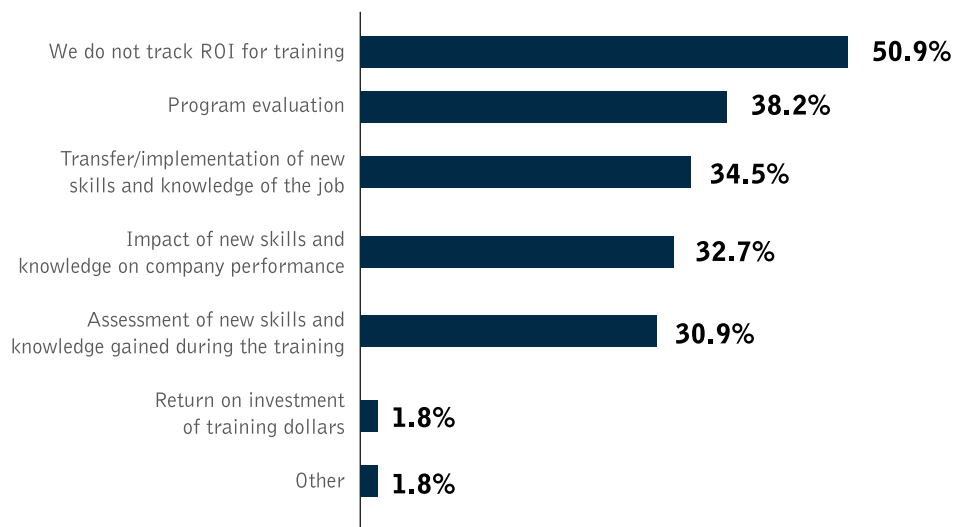
Organizations must measure their training and development initiatives to see if they are effective and having an impact on the company's bottom line. Many companies use Donald Kirkpatrick's four levels of training evaluation and sometimes add Jack Phillips' fifth level to include the return on investment of training dollars.

- **Level 1: Reaction.** This measures participant satisfaction of the training.
- **Level 2: Learning.** This is the knowledge, skills and/or attitudes (KSAs) the participants gain due to the training.
- **Level 3: Behavior.** The participants apply what they learned to the job.
- **Level 4: Results.** Did the training and transfer of training impact the company's performance?
- **Level 5: Return on Investment (ROI).** This measures if the training was worth the cost.

We asked what metrics your company uses to evaluate the effectiveness of the training you provide, and 38% indicated that they conducted program evaluations (Level 1). If people respond negatively to a specific training event, the company has the chance to change the program so that it is more beneficial to the next set of participants. Thirty-one percent of respondents are evaluating the effectiveness of training through the assessment of new skills and knowledge gained during the training program (Level 2), through pre- and post-tests or observations and input from supervisors.

Almost 35% of the respondents are seeing if employee behavior (Level 3) has changed as a result of the training, and 32.7% of those surveyed are calculating the effect of the training (Level 4) on company performance.

Evaluating the Effectiveness of Training



Half of the survey respondents (50.9%) noted that they do not track return on investment for the training they provide. This is not surprising, as many companies (in a variety of industries) struggle to quantify training ROI due to all of the variables that must be taken into account. While the actual cost of conducting the training may be easy to calculate, it is much harder to isolate the effects of training on one's workforce.

How Companies Track Employee Training ROI

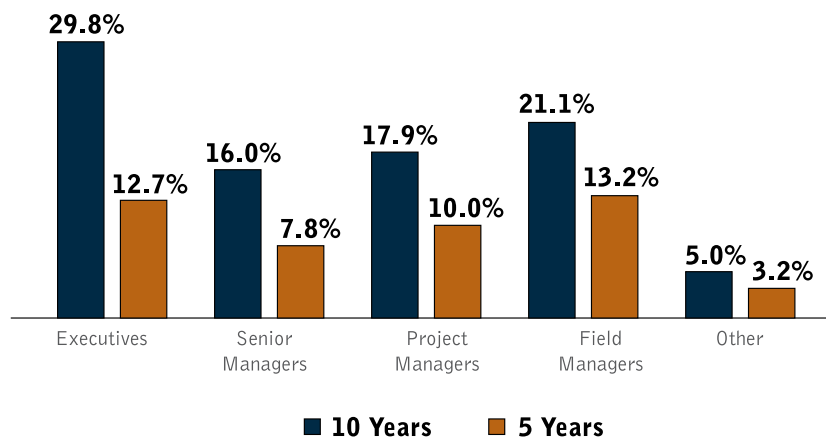


Employees Leaving/Retirement

The good news for the companies surveyed is that only a little more than 12% will be losing their top executives in the next five years, and that number declines when looking at senior managers (8%), project managers (10%) and field managers (13%).

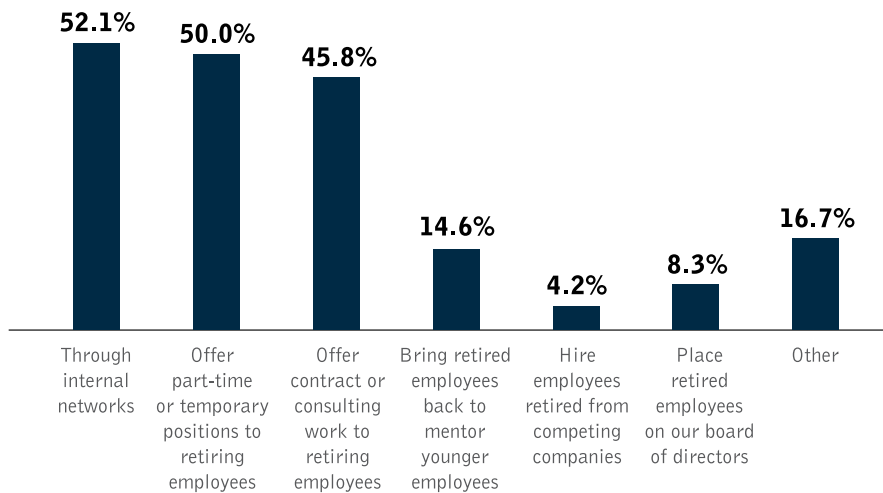
However, almost 30% of construction executives plan to retire in the next 10 years. These numbers declined for field managers (21%), project managers (18%) and senior managers (16%).

Percentage Lost to Attrition or Retirement



We wanted to know how companies are ensuring that essential knowledge and skills are not lost due to retirement. More than half of the respondents (52%) are using internal knowledge networks to retain this information. Half of the companies are offering retiring employees part-time or temporary positions, followed by 46% that are offering contract or consulting work. This is great news for soon-to-be retirees who still want to remain active with their companies, just not on a full-time basis. And it benefits companies as well, as they can continue to tap into the knowledge and skills of these experienced employees.

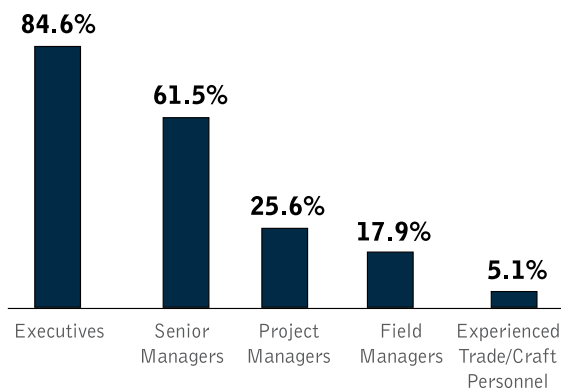
Methods to Retain Critical Knowledge and Skills



Succession Planning

Almost 85% percent of the respondents said that their organization has a well-defined plan for its executive leaders, followed by 62% who were planning for senior managers, 26% for project managers, 18% for field managers and 5% for experienced trade and craft personnel.

Well-Defined Succession Plans



It is no surprise that the majority of companies have well-defined succession plans in place for their senior executives. After all, this is the group that is expected to lead the company, and it takes years of experience and development to groom individuals for these positions.

Some important steps of succession planning include:

- Identify the key positions in your company that need to be filled.
- Determine the necessary skills, knowledge and experience people in those positions need.
- Involve managers and leaders within the company to help identify potential successors.
- Focus on grooming internal talent first.
- Establish a timetable when the departing employees will start transitioning their duties to those succeeding them.
- Evaluate the succession planning process systematically to ensure the effectiveness of it.

It is never too early to get started, but it may be too late if you do not start now.

Promoting Talent Development

We asked, “What is the single most important thing your company does to promote talent development and retention?” and received a number of thoughtful responses:

- Provide an incentive-based bonus plan.
- Maintain an ethical, positive and energetic culture.
- Has clearly defined career paths with performance indicators for each position.
- Ensure that employees feel heard and appreciated.
- Offer challenging job assignments and opportunities.
- Base individual development plans on skills and goals.
- Provide a positive work environment where everyone understands they are allowed to achieve.
- Offer competitive compensation package coupled with positive working environment.
- Give employees a sense that they have a great future within the company through career pathing and coaching.
- Provide challenging positions and rotate employees among different types of construction areas.



Is Your Company a Desirable Workplace?

by: Tim Tokarczyk

How would you describe your organization's culture? This is a common question asked of many leaders and employees throughout the construction industry. Potential clients, prospective employees or possible partners ask because they want to understand what makes an organization unique and discover if their values and beliefs align with that culture. Unfortunately, many leaders struggle to provide an adequate, accurate answer to this question. Culture can be difficult to see and even harder to describe.

What exactly is organizational culture?

Fundamentally, an organization's culture is the collection of values and repeatable behaviors its employees display at work. Throughout the construction industry, wide arrays of organizational cultures exist. Some are formal — employees work a strict 9-to-5 schedule, follow a rigid hierarchy and produce massive paper trails for every action. Other cultures may be more informal — working remotely is the norm, and everyone acts in an entrepreneurial, flexible manner. Some cultures are all about making work an enjoyable experience, while others view work as a privilege and want their people to feel that too. Every organization has a unique culture.

Recognizing what makes one's organizational culture unique can be a challenging task for leaders. Remember, culture is made up of all the values and repeatable actions people take. In some cases, it is a little like a fish struggling to describe water — our culture is all around us, surrounding everything we do on a daily basis. To understand our culture accurately, we need to be able to step back and examine the organization from a new viewpoint. For this reason, many companies contract with an outside firm. By seeking an external perspective, we can uncover aspects of our culture that we may take for granted or of which we are completely unaware.

An organization may have a culture of sarcasm, for example. Every day, employees are sarcastic to each other — they see it as simply “joking around” or “having fun with each other.” Instead of giving each other honest and direct feedback, employees make cutting jokes about each other’s behavior. Unless they have someone view this behavior from an outside perspective, they may be completely oblivious to how this aspect of their culture is creating a less effective place to work. Once it is called out and they become aware of it, the leaders can start monitoring their own and others’ behavior to attempt to change it.

Why does organizational culture matter?

As leaders, we need to focus on organizational culture because it is closely tied to our ability to sustain success for the long haul. Destructive cultures have more difficulties attracting great people, retaining strong employees, creating loyal clients and maintaining long-term success. Think for a minute about Enron. Enron’s culture was characterized by lavish excess, selfishness and hubris. Behavior was driven purely by monetary reward. Of course, not every employee at Enron could be described in these terms, but enough of its senior leaders embodied and promoted a culture where these behaviors were allowed to continue for years. Ultimately, Enron’s culture contributed to its downfall. While this is an extreme case, all organizations have aspects of their culture that can hold them back from achieving their objectives.

On the opposite end of the spectrum, some organizations have a strong, healthy company culture. These cultures are supportive and nurturing of their people and encourage employees to achieve their maximum level of effectiveness. And because employees are drawn to organizations with great cultures, those companies are able to hire top talent, retain great employees and create lasting success. We would all like our own organizations to have this type of company culture. The question that remains is, “What makes a great culture?”

What makes a great company culture?

As every culture is unique, there is not a one-size-fits-all approach to fostering a great organizational culture. While we can emulate or learn from companies that have built strong, healthy cultures, we need to be mindful to create a culture that works for us. One great organization may pay employees an innovation bonus to come up with great new ideas, but that same strategy may not work, given our unique culture. Would it even be the type of culture that we want for our company? For some organizations, employees would readily jump at the chance to share their innovative ideas and make some extra money. In others, such a bonus would have little effect. We have to understand the current state of culture before we can attempt to change it.

While every culture is unique, there are several characteristics that are frequently observed in the best places to work. For example, Fortune Magazine, in partnering with The Great Place to Work Institute, releases its “Best Companies to Work For” index annually.

Ratings are based, in part, on culture. Great cultures, according to this group, have the following five characteristics:

1. Employees work closely together to build a sense of camaraderie.
2. Individuals take great pride in their work.
3. Importance is placed on fairness and fair practices.
4. There is a shared sense of respect.
5. Leaders are seen as having credibility and are trustworthy.

According to Denison Consulting, the most important characteristics include having a clearly defined mission, developing consistency in practices and policies, generating strong involvement and engagement among employees, and adapting to change and challenge.

While both these perspectives are helpful to consider, The Great Place to Work Institute and Denison Consulting tell only part of the story. These characteristics have been identified across many industries. The construction industry faces its own unique challenges and opportunities, and organizational culture may look very different for a construction firm as opposed to a high-tech or medical company.

Your organization's culture shapes your employees' values and behaviors. Likewise your employees affect your culture daily, often in subtle ways. The best leaders are consistently, consciously aware of the strengths and limitations of their organizational culture. Over time, cultures change and can actively be shifted, if done with intention and care. To maximize an organization's effectiveness and efficiency, leaders must have a clear view of their current culture, as well as identify the changes they want to make. This will help improve organizational culture and create an even more enjoyable, productive place for employees to work.

Conclusion

Throughout the construction industry, many leaders struggle with identifying the signature characteristics of their organization's unique culture and how their culture affects their overall levels of productivity. While culture may be difficult to pin down, it is influencing your organization every single day. The best leaders continually examine their culture, look for ways that culture is hindering their performance, and actively work to reshape that culture to maximize their effectiveness. They also examine the strengths of their culture and actively leverage those strengths to attract, retain and empower people. The first step in developing this focus and effort is reflection. All leaders should ask themselves the following:

- Do I know how my organization's culture influences its performance?
- What am I actively doing to shape that culture?

Culture can be changed, but it takes a strong focus and great effort to accomplish.

These FMI consultants have graciously contributed their time to the *2013 U.S. Construction Industry Talent Development Survey*. We would like to thank Denise Danisewich who helped analyze the data for this report as well as all of the coauthors for making this year's survey a success.

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Kelley Chisholm is the editor and project manager of *FMI Quarterly* and *FMI's U.S. Markets Construction Overview*. She manages the design and production of each publication. In addition, she has published numerous articles on training and management related topics in a number of national trade publications and scholarly journals. Kelley also manages FMI's construction blog, where she edits and writes posts on timely issues in the A/E/C industry.



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About FMI

FMI is a leading provider of management consulting, investment banking† and research to the engineering and construction industry. We work in all segments of the industry providing clients with value-added business solutions, including:

- Strategic Advisory
- Market Research and Business Development
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Founded by Dr. Emol A. Fails in 1953, FMI has professionals in offices across the U.S. We deliver innovative, customized solutions to contractors, construction materials producers, manufacturers and suppliers of building materials and equipment, owners and developers, engineers and architects, utilities and construction industry trade associations. FMI is an advisor you can count on to build and maintain a successful business, from your leadership to your site managers.

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