



# 2023 FMI TALENT STUDY



March 2023

# The Talent Cliff

**93%**

of respondents reported difficulties hiring qualified talent

**More than half**

reported that talent shortages are having a high to severe impact on their companies...

**...but only**

**19%**

have succession plans for key strategic roles

**Shortages will intensify in the next five years:**

**22%**

turnover for executives



**30%**

turnover for field managers

▶ The top two reasons for attracting and retaining talent are a strong company culture and brand.

▶ The built environment has long faced a shortage of talent, and the problem is getting worse.

# Fixing the Pipeline

Talent shortages have plagued engineering and construction (E&C) firms for decades, but the situation has been exacerbated in recent years by a wave of exits as the last of the [baby boomers](#) hit retirement age, and by the Great Resignation, a broad term for the [exodus of talent](#) through the pandemic and competition from other industries.

In October 2022, Bureau of Labor Statistics data showed that the quits rate for construction remained steady at [2.4%](#) after peaking at 3.3% in March 2022. The transportation, warehousing and utilities sectors had a 3.1% quits rate. For comparison, information services had a quits rate of just 0.9%.

A [2021 analysis by Associated Builders and Contractors](#) showed slightly higher inflows than outflows of staff to construction, but the problem remains that incoming workers do not have the necessary skills, experience and training to keep up with current backlogs.

**The pipeline is broken.** Respondents to [FMI's 2023 Talent Survey](#) reported a rise in expected exits over the next five years at all levels, and **93%** of those surveyed reported **difficulties finding qualified talent** currently. This is having a moderate- to

severe impact on firms, according to most respondents, and will be particularly pronounced as the nonresidential sector continues to enjoy robust backlogs and companies face resulting risks of burnout, difficulty growing and wage pressures.

While attracting and retaining talent is an industrywide problem, the survey also revealed that companies can do much more to counter the issue. Many firms are missing the opportunity to develop and plan for crucial field leaders and other strategically important positions.

Skilled field leaders reported disillusionment amid a growing workload and lack of support. Likewise, a formalized look at succession planning beyond the C-suite will support broader enterprise thinking and expand bench strength.

To retain existing talent and attract new workers, companies in the built environment can focus on creating a more inclusive work culture and improving hiring practices. Our research also shows that companies supporting diversity efforts consistently and across the board enjoy a healthier corporate culture.

There is talent out there, but companies need to be smart and strategic about how to find, attract and keep it.



# Understanding the Depth of the Problem

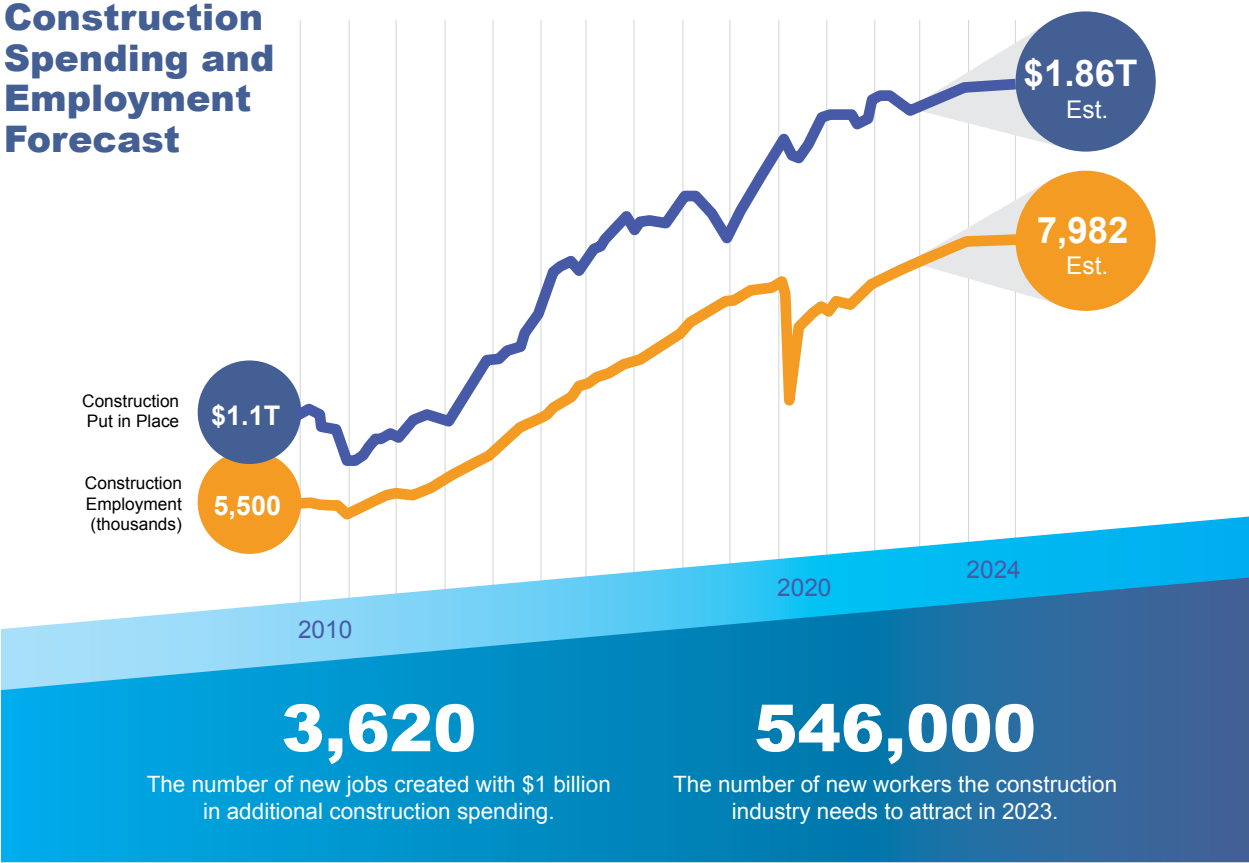
Before the Great Recession, construction employment peaked at just under [8 million jobs](#) in January 2007, per the St. Louis Federal Reserve, dropping to about 5 million in 2010 and initiating a slow climb in the decade following. As of late 2022, employment finally exceeded pre-global financial crisis levels, but staffing is still an uphill battle.

Job openings remain [high](#), with a period of intense public infrastructure spending ahead that will place greater demands on staffing. In fact, according to a [proprietary model](#) developed by Associated Builders and Contractors (ABC), **“the construction industry will need to attract**

**an estimated 546,000 additional workers on top of the normal pace of hiring in 2023** to meet the demand for labor” (see Figure 1).

As part of a broader talent initiative, FMI surveyed more than 400 people (100 field leaders and more than 300 executives, including CEOs from the [Construction Industry Round Table](#)) working in the E&C industry to get a better understanding of the extent of labor shortages and the qualitative issues driving them. Responses were collected during the summer of 2022, and interviews were conducted through fall 2022.

**Figure 1: As construction spending grows, employment shortfalls will become more pronounced.**



Source: Associated Builders and Contractors (ABC)

**Construction and engineering firms have a moment in which to act to prevent the worst effects of the talent cliff.** The number of construction workers aged 25-54 [fell 8%](#) from 2011 to 2021, reported ABC's Chief Economist Anirban Basu. Meanwhile, **1 in 5 construction workers are older than 55** and approaching retirement.

Attracting younger workers, recruiting from other industries and investing in tomorrow's leaders are part of a multipronged approach to the talent crisis. Here we explore crucial missed opportunities across three key themes for firms looking to set themselves up for a decade of public investment and post-pandemic growth.



**The labor market has shifted since the pandemic in ways that may make it even more difficult for contractors to attract and keep workers. Other industries now offer flexible hours, remote or hybrid locations and the possibility of taking a break on short notice. These conditions aren't possible for on-site construction jobs.**

Ken Simonson, Chief Economist, AGC



# Focus on the Field

# Developing and Retaining Field Leaders

Field leaders are the backbone of construction companies. A good project manager or superintendent typically needs years of training and experience to effectively manage projects, develop people and create loyal customers. Yet, field leaders are widely overlooked in terms of training and development and feeling the pressure of increasingly complex and demanding work.

“Between safety and quality control and all the requirements [today], it’s just getting harder to follow up with all these things and get things done without the proper resources to manage the project because we’re getting squeezed for pricing, and [the home office staff] want us to be competitive in the market,” states one senior project manager.

“Project schedules are not realistic in today’s world,” said another field leader. “The general contractor does not understand the importance of having proper input from all subs before favoring finish end trades. It’s all about looks to the owners, and function is second until things do not work due to rush scheduling.”

In our research, field leaders listed the following challenges as their biggest hurdles:

- 1 Unrealistic project schedules.
- 2 Difficulty staffing projects (lack of skills and labor).
- 3 Balance between leading teams and executing work.

Unsurprisingly, field leaders who have received proper training are **almost 20% more likely to feel they are equipped** to manage and lead their projects compared to their counterparts without training (Figure 2). Companies have made strides in recent years — **78% of companies now prepare a formal budget for training and development, up from 57% in 2015** — but there is room for improvement.

Figure 2: More training translates into a better chance to succeed for field leaders

## Training Matters

Do you have the skills necessary to manage and lead your projects?



Source: 2023 FMI Talent Study



A lack of training has huge effects on job performance and the bench of talent, since field leaders must translate between estimators, suppliers, subcontractors and owners as well as help up-and-coming superintendents and project managers.

**In our work, we have identified four critical areas for developing field leader skills. These are:**

- 1** Leading teams to install work correctly the first time.
- 2** Planning the day-to-day methods for executing projects.
- 3** Communicating plans.
- 4** Managing labor productivity.

The hard part is determining how to help your field leaders obtain the necessary skills to excel in these four areas. What we have found over the years is that many employers lack a clear grasp of their employees' skills and competencies.

A first step in assessing peoples' skills is to define the minimum requirements that meet or exceed expectations. For example, what would an outstanding project manager look like? What skill sets would he or she have to prove regarding budgeting, scheduling or leading teams?

Second, ask questions such as: Can we measure skill sets? Can we test for them? This should go beyond the typical manager approval routine and involve case studies or other forms of practical testing.

Lastly, if someone is below minimum standards and does not meet skills expectations, identify resources to support that person. Too often, young field employees are left to figure things out by themselves, which isn't an effective and engaging way to develop and retain people long term. It also runs the risk of exacerbating poor practices and

not incorporating efficiencies that the company may have made.

Depth of experience isn't built overnight and requires a combination of skills. Do it incorrectly, and you risk field manager [burnout](#).

Successful companies are starting to implement programs and processes that incorporate different levels of experiential learning with various degrees of supervision. For example, the EDIP (explain, demonstrate, imitate and practice) military-based model, can be an effective approach to teaching inexperienced field leaders. But this must be combined with ongoing coaching and mentoring by senior managers.

"We have to look and find people who have the knowledge and the ability to lead and understand the work that we're doing at the same time," says Stanley Lee, regional manager at Gregori Construction, Inc.

Give your field leaders time to train and develop their teams. This could be built into project timelines to alleviate time constraints and give them the chance to put work in place correctly the first time. When it comes to less experienced teams, taking away external stresses can give them the opportunity to take a bit more time to do the work properly the first time, saving costs and improving skills. As teams gain more experience, they'll become more efficient.



**Training and development shouldn't ever be about checking a box that says, 'We did four hours of training and scheduling.' It should be about actually doing, measuring and improving the acquired skills, knowledge and leadership behaviors. It is time to look at field leader development as a continuous journey — not just a 'set it and forget it' task.**

Ethan Cowles, Partner, FMI



# Missed Opportunities:

## Training, communication and succession planning

### **Questions to ask yourself about field leadership:**

- Do our field leaders have the right skills to perform the job?
- Can we measure those skill sets and can we test for them?
- How can we get field leadership involved in pre-project planning?
- Are we providing clear performance feedback to field leaders at a good cadence?
- Have we given field leaders formal management training?
- Who are our top performers, and have they identified promising successors?
- How are those successors being developed and prepared for their future roles?



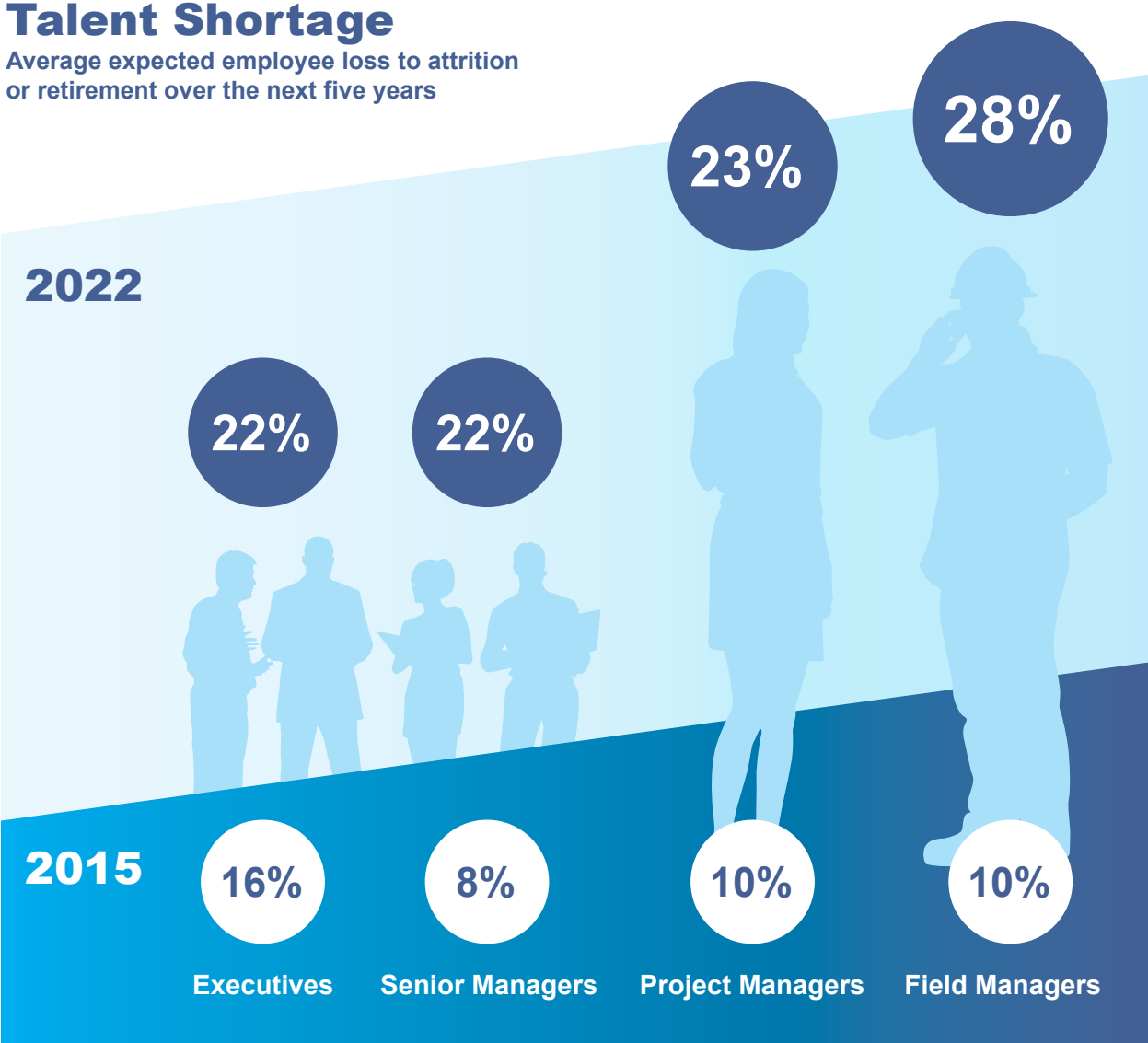
## WANTED: A New Leadership Paradigm

# Are Your Next-Generation Leaders Ready for the Job?

Attrition in the construction industry continues to rise as older workers retire and the pool of skilled workers shrinks. Respondents to FMI’s 2023 Talent Study forecast **22% turnover** for executives and senior managers, and almost **30% for field managers** over the next five years (Figure 3). Few firms are ready for this magnitude of change.

While the majority of companies have some succession planning in place (Figure 4), only a slim portion (**19%**) have plans in place for the transition of **key strategic roles**. This has obvious ramifications for the short term. At the upper levels of an organization, it can take five to seven years to train a successor, sometimes longer if ownership transfer is involved.

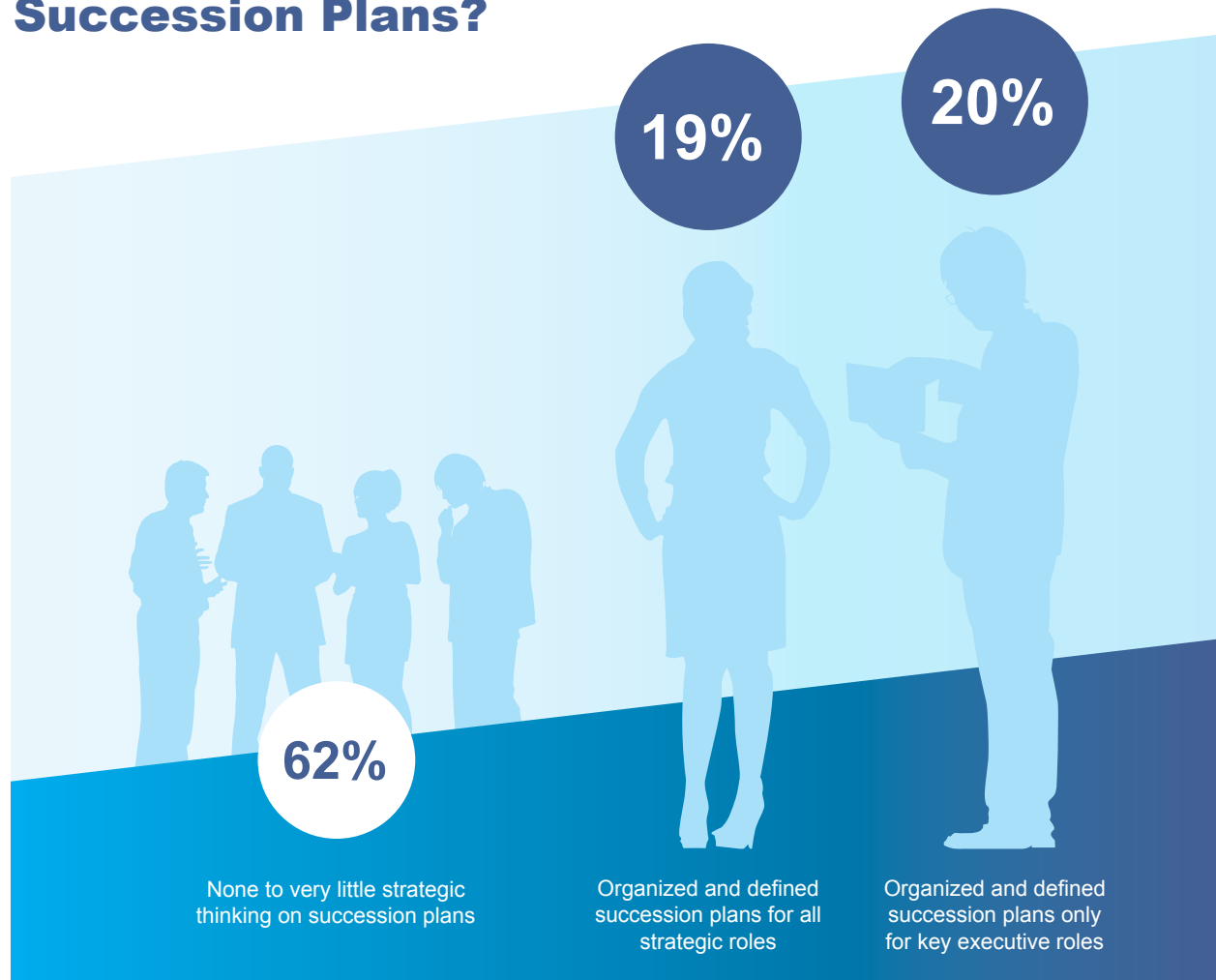
**Figure 3: Companies expect an increase in talent loss in the next five years**



Source: 2023 FMI Talent Study

**Figure 4: Missed opportunities to plan for the next generation of leaders from field to home office**

## Succession Plans?



Source: 2023 FMI Talent Study

But the issue isn't simply replacing key roles. "You've got to be training the 35-year-old project manager to think beyond project execution/project management and task orientation," says Rob Pulley, a senior consultant with [FMI's leadership and organizational development](#) practice. "As deep as you can go into the organization, your people need to be thinking about what's ahead if you're going to excel and create a competitive advantage. That's how you develop people into the enterprise leaders that you need for the next 10 or 15 years."

To be successful at running a company, today's leaders must be able to perform as well as transform their companies. It's not enough to run the day-to-day operations profitably. Leaders need to view their operations in the context of their geographies, sectors, clients and competitors, focusing on developing talent and creating organizations that are resilient and flexible.

## Managing Through Growing Complexity

According to [recent research](#), 85% of CEOs said the “historical line between business and society is ever more porous.” Projects are more complex, there are more stakeholders to answer to, and the demands of leadership jobs are more ambiguous. Today’s executives find their roles require a familiarity with the inner workings of the industry that goes beyond operational competence.

For example, FMI recently worked with a multibillion-dollar general contractor to identify the leadership competencies that will be crucial to the firm in a more complex and faster-paced future and then measured the next generation of leaders against those differentiators.

“Framing their development around enterprise thinking and how to be successful in their markets will allow the next generation to find their skill gaps and focus on specific developmental areas,” says Pulley. “We’re not replacing one person — we’re building a team of five or six enterprise leaders who can build, sustain and preserve the business continuity ecosystem. That’s what’s going to drive their executive development process.”

Enterprise thinking requires the use of a well-thought-out, fact-based approach to succession and one that incorporates the [continuity mindset](#) into the equation. In most situations, a bench of star performers or high potentials will fall

short on the succession plan. That’s because, while these candidates may represent top talent, they may not be aligned with the skills and competencies needed to successfully lead the company in the future.

Furthermore, attracting top talent means having the right people in the right place and at the right time in the first place, not simply having lots of great talent. While you don’t need to tear up the org chart just yet, it’s time to look at the people working in your organization at all levels and begin to invest in the talent who will shape the next era.

Work with them to understand where they need skills development and where they can contribute more to the firm with the knowledge, ideas and vision they’ve already amassed. Begin the shift away from passing down knowledge of how we got here and start to think in terms of helping talent show you where you will go next. By doing this, you’re developing the next generation of leaders who will shape the future of the built environment. This will ultimately make your organization stand out from the competition.



# Missed Opportunities:

Establishing a vision for what the company will be, creating a career path for top talent

**Combining succession planning with a map for company growth requires leaders to think strategically and to ask questions like:**

- Where do we want the company to be in five or 10 years?
- Which markets will we be in, and what competencies will we need?
- How are we encouraging our pool of talent to look beyond their assumptions made in today's operating environment?
- What do they need to know? Do they have the key internal and external relationships?
- Have they had exposure to the entire enterprise as well as adequate time running projects and business unit segments?
- Do we have a team of leaders identified for tomorrow's business?



# Culture



# How to Attract and Retain the Best Talent

Waves of grief and protests following the George Floyd murder in summer 2020 gave corporate America a crash course on the pitfalls of sidelining diversity, equity and inclusion (DEI). Fault lines were laid bare as a growing social movement put pressure on companies to demonstrate their investment in an inclusive future. Many took up the cause.

Three years on, there is a degree of fatigue attached to diversity initiatives. One client shared that his state now requires contractors to report some demographic information around age, sex and gender, saying he fears identity labels will undermine the goal of creating a true culture of belonging. Others see DEI as something companies must perform, but an initiative that is shunted off to business units rather than executed centrally. That is a huge, missed opportunity.

We see an inclusive culture as a major strategic advantage. The pandemic upended the table when it came to people's values around culture. Today culture is more important than ever and plays a key role in attracting and retaining your people, as we will show.

“If companies are able to embrace diversity, equity and inclusion from a place that's authentic and begin to look outside of their traditional places for finding candidates, then that could help combat the labor shortage and really diversify the ranks of candidates they typically would be recruiting,” says Michelle Thompson, a leadership and organizational development consultant at FMI.

## Pull Talent From Everywhere

Understanding company culture and how to shape it can unlock new pools of much-needed talent. Construction recruiting still lags other industries in terms of representation for certain groups of people. **Women represent 14% of construction workers**, per the Bureau of Labor Statistics, a historic improvement, thanks in large part to increased participation by Hispanic women over the past decade. Around [78%](#) of construction managers are white.

A 2018 study by FMI found that [71%](#) of companies surveyed **did not have a single racial-minority member on their boards of directors**. These numbers indicate that there are untapped sources of talent.

Some programs already help connect skilled workers from other industries to construction, such as [Helmets to Hardhats](#), helping veterans transition to civilian roles, and [Homeboy Industries](#), which aids in reentry for formerly incarcerated people. Building an inclusive culture not only widens the network you are pulling from to recruit talent but also can reduce the risks of disengagement, discontent and turnover.



## The Importance of Culture

Today's recruits are strongly swayed by culture as many C-suite leaders noted in our talent study. "The next generation wants to know you care, and they want to be a part of something, so you have to be transparent and have open conversations," one executive said.

"Young folks today want to work for firms with a purpose and live it out," said another. "If you have it, it's an advantage."

The data also reflects this. Those who scored their company culture a 5 out of 5 in our talent study were almost **30% more likely to use culture to attract and retain talent compared to those who scored culture less than a 5**. Those who scored their company as 4 on the 5-point scale on culture were still 25% more likely to leverage culture in pursuit of skilled employees. For talent in a market rife with competition for their skills, it can be a differentiator. Below that threshold, companies may be losing out on talent.

Open-ended survey responses indicated a need for continued work on DEI. "We have invested a lot of resources to develop a culture of inclusion and look forward to seeing those outcomes come to fruition," said one respondent when asked what he'd like to see change within his company. Another implored company leadership to embrace DEI by "going through their own self-awareness and advocacy journey."

## Focus on Mental Health

Another area where the industry has seen a seismic shift in recent years is around mental health. Burnout is widespread and can't be brushed off as simply trial by fire. This is true "especially with craftworkers," said one leader. "We used to think they are tough as nails, but they aren't."

**Figure 5: Top ways companies can use culture and brand to attract and retain talent**



Source: 2023 FMI Talent Study

The industry is still figuring out how to innovate and transform along these dimensions. In 2020 the Associated General Contractors of America (AGC) launched [Culture of Care](#) in an attempt to address workforce shortage and retention challenges. Today more than 600 construction companies have taken the DEI pledge, and the AGC has launched a D&I assessment for companies to benchmark their programs, policies and HR practices against the industry.

ABC hosts the [Inclusion, Diversity & Equity Summit](#) annually and offers ABC's Inclusion, Diversity and Equity (IDE) Academy, providing an ecosystem of live, on-demand and in-person educational resources that help members on their journey to implementing effective, sustainable initiatives.

“If you do research on inclusive leadership, it starts really with white males being allies and taking on that role in opening the door to go across the aisle and find different types of candidates,” says Thompson. “The people who succeed in the space of culture and DEI are the ones who really put a stake in the ground and say this is where we stand on this.”

One example is Sam Clark, president of Clark Construction in Lansing, Michigan, whose company took the Culture of Care pledge a step [further](#). Clark enrolled company leadership in a learning lab run by [White Men as Full Diversity Partners](#), a leadership development company. He credits the learning lab with shaping him into a more inclusive leader and contributing to the growth of his company — now the fourth largest

### **Excerpt From an Interview With Rev. Larry Bullock, CEO of U.S. Minority Contractors Association**

“When we talk about diversity, equity and inclusion, we start with the D; but we have to understand that what we're talking about is something that often gets lost in discussion, especially when it comes to the built industry. You've got to employ people in the workspace, on the job site and in the corporate C-suites who historically have been discriminated against, both racially and based on gender.

When I say diversity, I don't just mean headcounts. I'm talking about a corporate strategy that starts at the top with the actual corporation saying that this is an affirmative statement we want to make, and we want to change the face and the landscape on both the job site and in the workplace.

Equity is when the voice of the new people you brought in equals that of the people who are already there. In other words, you bring a woman into a situation, and you make her the project

manager or general superintendent. Equity says she's equal and has the same voice as those who were there before her. That has to be intentional, it has to be driven by management, and it has to be something that is embraced and accepted.

And when you talk about inclusion, it means we bring in people to work here who have historically not worked here. Then we bring in people to whom we give a voice who historically didn't have a voice. And we don't just give them a title like superintendent or project manager, but we give them the full authority to act on behalf of the firm.

And at the end of the day, that changes the boardroom. It changes the landscape. That needs to be done intentionally, starting at the shareholder level down through the board of directors, down through the C-suite management and drill it all the way down to the work site. But it has to be driven down from the highest level saying we want a more diverse and inclusive corporation.”

**FMI Quarterly: How Leaders in the built environment can champion diversity, equity and inclusion**

in Michigan. Following the implementation of DEI initiatives, the company showed higher employee engagement scores and a **drop in turnover from 10% to 2%**.

There are other benefits. A [2018 review](#) of research by the AGC found positive effects from DEI for workplace safety, financial returns, market share, employee productivity, innovation and turnover, which rises when a company is plagued by exclusionary behaviors.

Construction firms can't afford to lose talent, and culture is a huge determinant of whether people will stay. Feelings of disrespect, child care issues,

lack of flexibility, misaligned values, burnout and strained relationships with a manager are [commonly cited reasons](#) for quitting.

Thompson has seen demand for more conversations about burnout, stress and mental health after presenting on culture at industry events. "We must make extra efforts to create a safe place for these conversations to happen," she says.

When companies choose to focus on the overall culture of belonging — when everyone is respected, listened to and valued — talented people stay.

**Figure 6: Culture has a far-reaching impact on turnover and recruitment for mid- and field-level roles**



Source: [FMI CIRT Q2 2022](#)

# Missed Opportunities:

## Broaden the pool of talent, enhancing company culture and brand

**Here are some questions to consider as you examine your company culture and potential ways to improve it:**

- What about the beliefs, values and behaviors of our team members makes our company unique?
- What do we do differently that distinguishes us from our competition?
- What behaviors are rewarded or celebrated?
- What stories do we tell?
- What opportunities do team members have to connect with each other outside of project work?
- How do people build relationships and show their care for each other?
- Do we regularly make time to listen to our employees? Or have a way to measure employee engagement?
- Do we place the needs of people over profits?
- How do financial incentives and pressures influence how we treat each other?
- Is burnout a problem at our company?
- What contributes to engagement levels in our firm?
- How do we onboard new people to our firm?
- How do we demonstrate our company values, both in the beginning of the employee experience as well as throughout their tenure?

# Staying Committed to People

We all know talent will be the critical factor in successfully delivering projects in the built environment going forward. The combination of the exodus of talent and the shortage of skilled workers means companies that aren't making decisions now will suffer in the future.

Competitive compensation packages will only go so far in enticing talent to join or to stay. Our study shows that investing in culture and developing a strategic team of future leaders is key to evolving with the times. This means looking beyond traditional sources of labor and changing the narrative about what a future looks like working in the built environment.

## Questions to think about include:

- What skills does your team currently lack?
- How can you help those on your team get the necessary training and development?
- What workers are you likely to need in the future?
- Do all your people processes reflect the clarity of the company's vision?
- Will management teams be ready to lead when the time comes, and will they be able to adapt to changing operating environments?

## Culture as the Differentiator

From hire to retire, employees should be aligned with the organization's overall strategic goals, and leaders need to make these goals a reality. Developing and engaging employees as well as managing their performances and providing clear directions for their careers are critical steps. But you must create a unique culture to truly set yourself apart from other firms.

It's important to engage all workers, from the field to the C-suite, and to craft strategic goals and communicate them across the firm and create measurable milestones to achieve them. Having buy-in is critical, and transparent communication is a key way to generate alignment. It also helps establish your culture of listening to employees and integrating them into decision making.

Employees, especially younger workers, want to feel like they're part of an organization that cares about them and where they're making a difference. The Great Resignation sparked a reevaluation by workers of what they want from their careers. Now is the time to craft a new talent strategy and capture the opportunity of envisioning the company of tomorrow.

There is no avoiding the talent cliff. The firms that focus on talent across the organization and engage employees in decisions, goals and strategy where appropriate will create the motivated and loyal workforce needed to drive the business forward. Don't miss out on this great opportunity.



## RESEARCH TEAM AND AUTHORS



**Jake Appelman** leads FMI's management succession practice, partnering with architecture, engineering and construction firms to build enduring organizations through exceptional leadership. His approach involves a rigorous, assessment-based process to identify, select and develop the next generation of leaders.



As a partner at FMI, **Ethan Cowles** works with both general and self-performing contractors, helping them develop a strong understanding of the financial risks and rewards inherent to operational issues. Ethan helps these contractors consistently build a sense of project control, maximize productivity and minimize risk by implementing proactive management processes.



As a consultant with FMI, **Hannah Flint** is responsible for supporting client engagements and advancing thought leadership content, particularly related to strategic thinking. Hannah is also passionate about leadership development.



**Cain Menard** is a performance and operations consultant who works within a variety of disciplines in the engineering and construction industry. Cain's work supports the development and implementation of strategies that maximize productivity and minimize risk.



As a senior consultant with FMI's Leadership & Organizational Development practice, **Rob Pulley** partners with clients to build visionary and strategic leaders who drive growth, profitability, performance and engagement throughout their respective organizations.



**Michelle Thompson** focuses on building high-performing teams, training executives and developing next generation leaders across organizations, helping them integrate their company's mission and vision into strategic plans, leadership development and training programs.



As a leadership development fellow, **Sabrina Umbaugh** integrates relevant research and industry best practices in building training and consulting programs for industry leaders. She helps leaders understand how to put people first to solve organizational issues, improve communication skills and better understand themselves to drive change within their firms.





FMI is a leading consulting and investment banking firm dedicated to serving companies working within the built environment. Our professionals are industry insiders who understand your operating environment, challenges and opportunities. FMI's sector expertise and broad range of solutions help our clients discover value drivers, build resilient teams, streamline operations, grow with confidence and sell with optimal results.

## CONTACT US

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**RALEIGH HEADQUARTERS**  
223 S. West Street  
Suite 1200  
Raleigh, NC 27603



919.787.8400

[fmicorp.com](http://fmicorp.com)

## OFFICES

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Denver  
44 Cook Street  
Suite 900  
Denver, CO 80206  
303.377.4740

Houston  
1301 McKinney Street  
Suite 2000  
Houston, TX 77010  
713.936.5400

Tampa  
4300 W. Cypress Street  
Suite 950  
Tampa, FL 33607  
813.636.1364