TALENT MANAGEMENT FRAMEWORK FOR THE CONSTRUCTION INDUSTRY

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In today’s competitive marketplace, talent management is a critical element in organizational success. Companies within the construction industry are now recognizing the value in attracting and retaining the best and the brightest employees, in order to achieve higher than average market share and elevated profits. In the Era of the Knowledge Worker, “talent” – narrowly defined as a core group of leaders, technical experts and other key contributors – are quickly becoming a company’s most important asset. As the construction industry continues to grow, this search for top-tier talent has intensified into a full-scale “talent war” with important financial implications. This paper focuses on strategic systems and processes to attract and retain talent in an increasingly competitive market. This paper presents a framework with practical, useful strategies specifically for small construction firms looking to improve and manage their pool of knowledge workers.

KEYWORDS: talent management, employee engagement, framework.

INTRODUCTION

In the competitive marketplace that exists today, talent management is a primary driver for organizational success. Our society has moved from the Industrial Age to the Age of Intellectual Capital (Dychtwald, Erickson, & Morison, 2006). Many experts refer to this as the Era of the Knowledge Worker. Companies are now competing on the basis of the skills and talents of their employees and are discovering that, by attracting and retaining the best and the brightest employees, the company can achieve higher than average market share and elevated profits (Smith, 2007). These “knowledge assets” are not the same as those that were sought after in the Industrial Age, such as plants, equipment, and inventory. The intellectual capital consists of the knowledge and experience of every employee in the organization (Sommer, 2000). The word “talent” is now being more narrowly defined as a core group of leaders, technical experts and key contributors who can drive their businesses forward (Society for Human Resource Management, 2007). A management consulting firm for the construction industry, FMI, claims that “organizations that strategically address the need to develop talent through recruiting and hiring, training, development, performance management, career pathing and evaluation will maintain a competitive advantage and win the talent wars” (FMI, 2007).

Economic and demographic changes in today’s workforce have turned the competition for talented employees into a strategic imperative. Companies are vying for top employees for many reasons. The primary reasons are demographic shifts, increased turnover, economic growth and globalization. The U.S. Department of Labor (DOL) has identified construction as one of the top industries in terms of projected job growth. In 2004, the Bureau of Labor Statistics (BLS) reported that the industry provided nearly seven million jobs, or more than 30% of the “goods-producing sector”, which also included manufacturing natural resources and mining. Over the next decade, the BLS is forecasting the industry – the only non-
services industry with a projected increase in jobs – to grow at an average of 11.4% creating close to a million new jobs” (Ireland, 2008).

This paper proposes a talent management framework for industry practitioners to use as they address the complex issues that exist within the construction industry. In this conceptual framework, there are five key elements: attracting, selecting, engaging, developing and retaining employees. At the core of the framework is a company’s core values and competencies. These elements are connected through a continual process which includes the strategy, execution and evaluation. The framework is intended to be used specifically for small construction firms as part of an ongoing strategy of talent management.

**Employment Trends**

A recent survey reported that roughly two-thirds of U.S. employers do not have a process for planning for their talent needs (Johnson & Brown, 2004). For such organizations, every new need for talent presents a serious disruption. Every employee who quits represents a calamity, and every new demand for skills represents a crisis (Cappelli, 2008). A company that does no planning, and thus does not manage its talent, basically waits for a need to develop or current employees to leave and then hunts for a new solution. Another reason for concern lies with the impending retirement of the baby boom generation which will add to the dearth of highly skilled employees (Dychtwald, Erickson, and Morison, 2006). It is important to note that as baby boomers leave the workplace, they are also taking the depth of their experiences with them, so there is not only a decline in the number of workers, but there is also a shortage of skilled workers.

However, it is not as simple as replacing a vacant position with a person who fits the job description – it is much more complex due to the most significant group of new employees representing the generation of younger workers (those born between 1980-2000) known as Generation Y. This group enters the workplace with a new set of expectations. This generation has been raised to be independent thinkers by their Baby Boomer parents and have received enormous amounts of praise and recognition. They have also watched their parents work long hours only to end up suffering from burn-out and fatigue (Lancaster & Stillman, 2002). Generation Y craves a more-balanced life with flexible work hours and feedback on demand, rather than the annual performance review that their parents once talked about.

Another trend that is impacting the workplace is a shorter tenure among workers. The average length of employment in all age groups has been declining gradually for the past several decades. For workers under age 35, the average is less than three years. Eighty percent of the younger cohort has tenure of five years or less, and fully one-third are in their first year with the employer (Dychtwald, Erickson & Morison, 2006). Each time an employee leaves the company, profits go with them. The time, energy and money are lost; in addition, time, energy and money are spent to bring another person on board and get them adequately trained. These employees enter the process at the bottom of the quality and productivity curves (Galbreath, 2000).

To summarize these shifts, the construction industry will have too few workers entering the workforce to replace the labor, skills and talent of boomer retirees. This talent shortage will impact a company in many ways; for example, it will take a longer time to fill positions, increased costs to fill positions, increased expectations in regard to salary, benefits (including work/life balance) and increased turnover.
Values and Competencies

There is a body of research that clearly demonstrates the extraordinary impact of a shared vision or core ideology on long-term financial performance (Blanchard, 2007). In this framework, the nucleus from which to begin a talent management process can be developed. High performing organizations are known for having a strong and distinct culture and, therefore, can often reflect the organization’s DNA. Culture consists of the values, attitudes, behaviors and practices of the organizational members (Blanchard, 2007). These members come to associate their company’s style and personality around central themes or core beliefs commonly called values. The behaviors associated with a particular performance can be defined as a competency. A competency then can be thought of as an underlying characteristic of an individual that is causally related to effective or superior performance in a job (Boyatzis, 1982). Competencies can also be built from content knowledge and cognitive or behavioral skills (Hunt & Weintraub, 2002). In this framework, a competency model provides focus and, together with shared values, should lie at the core of an organization. From this model, all actions regarding talent management can be derived. In this framework, there are five key elements: attracting, selecting, engaging, developing, and retaining employees. The model is shown in Figure 1.

Figure 1: Values and Competencies Model

Attracting

The responsibility to recruit top-tier talent is often left up to the recruiter’s ability to source and screen for the bright talent. This task not only takes time, but also requires money, especially if an executive search firm is used. A company needs to be creative when developing a recruitment strategy and should avoid the more traditional methods of recruiting when attracting Generation Y. Recommended strategies for this generation include...
interactive networking sites, Open Houses (for prospects and their parents), referral programs, internships, and job boards, such as Career Builder.

Selecting

As small construction firms find themselves struggling to identify a “niche” that can set their firm apart from larger more established companies, the area of selection can become equally as challenging. Traditional hiring practices include examining resumes, checking references and conducting interviews. The subjective nature of evaluating resumes and answers to interview questions makes these practices less reliable and the legal ramifications for employers providing references have made these methods less useful. Including an objective measure of performance, such as psychological assessment, in combination with other recruitment tools can greatly improve a company’s chances of matching the right person to the job. Behavioral interviews, personality assessments and job knowledge tests can serve as valuable selection, promotion and placement tools (FMI, 2007).

Engaging

Attracting and selecting the talent can appear to be the simplest of the phases. Although pay and benefits may initially attract employees, top-tier organizations have now realized the importance of employee engagement. Engagement is much different than satisfaction. A satisfied employee is happy with current pay, benefits and atmosphere. This contentment may cause hesitation to show any extra initiative or achievement; thus, it creates a worker who is comfortable with the status quo. Alternatively, engaged employees demonstrate virtuous qualities like: innovation and creativity; taking personal responsibility to make things happen; authentic desire to make the company successful as well as the team; and having an emotional bond to the organization and its mission and vision. Engaged employees are not difficult to spot in an organization. They are high-impact people—the “go-to” people in a company. They are willing to go the extra mile to help the customer and usually understand how this effort makes a difference on the bottom line (Gostick & Elton, 2007).

However, one should not misunderstand or devalue satisfaction. Both satisfied and engaged employees are valuable to an organization. A survey conducted by The Jackson Organization of 200,000 employees found that only 40 percent were identified as being both highly engaged and highly satisfied. It is critical for organizations to address low engagement scores such as the 46% of employees that are described in this survey. These are workers that actually interface with the customer. Often times, it is the employees who can increase or decrease market share through the level of customer care. This sentiment was reinforced by a 2006 survey of 14,000 workers which shows 65 percent of employees are currently looking for work. This equates to two-thirds of employees who are looking for greener pastures, and who are thus not satisfied or engaged (Gostick & Elton, 2007).

When HR managers measure their own company’s engagement, they immediately want to find ways to improve engagement among all ranks. In fact, many find themselves hoping that engagement will automatically improve, and hope that the disengaged employee will switch gears and become engaged. This transformation is not likely. In many instances, employee engagement is a product of strong leadership. The opportunity and challenge for HR, working with senior management, is to increase the strength of employee engagement. This engagement can best be accomplished by recognizing that there are four different generations that are working in companies. These generations include: the traditionalist born between
1900-1945; (10% of the workforce); boomers born between 1946-1964 (45% of the workforce); Gen-Xs born between 1965-1980 (30% of the workforce); and Millennials born between 1981-2000 (15% of workforce).

With each generation comes a separate and distinct protocol for increasing engagement. For example, the traditionalists are the most satisfied and often the most engaged because they are not dealing with the challenges of child care, are retired and more apt to be working for the “fun of it.” Baby boomers are in need of energizing; they are commonly referred to as “work-a-holics” and are commonly “stressed-out.” This group is also the one that express the lowest satisfaction with their immediate manager or supervisor.

Young workers are uneasy on the job, not because of inexperience or difficulty adjusting, but because of their expectations. They seek a different kind of workplace/employment balance. From day one, this group has watched their parents struggle in corporate America and decided early on to count on having multiple careers. This age group is searching for a robust and engaging workplace that encourages collegiality, teamwork and fun. They are looking for ample opportunities to learn and grow, including assignments that are challenging and involve flexibility and leeway. They are also looking for immediate feedback from their supervisor or mentor. They are looking to work for someone who appreciates an individual employee’s point-of-view and encourages their development. At SEI Investments, 46 percent of the workforce is under 35-years-old, and 19 percent is under age 27. The company believes that an open dialogue and free exchange of ideas among junior and senior staff alike drives creativity and innovation (Dychtwald, Erickson, & Morison, 2006).

Developing

Because of the unique characteristics that exist within each generation, strategies should be tailored specifically for each in order to engage them. There are, however, common threads that increase retention. Gostick and Elton (2007) report that employees will stay where there is: a quality relationship with his or her manager; opportunities for personal growth and professional development; work-life balance; a feeling of making a difference; meaningful work; and adequate training.

In a nationwide survey of workers and their preferences, “the opportunity to learn and grow and try new things” ranked third among 10 basic elements. It ranked higher than more pay, more vacation, flexible schedule, flexible workplace, work that is personally stimulating, and even by a slight margin, a workplace that was enjoyable (Dychtwald, Erickson, Morison, 2006). Employees at all job levels value learning; however, people in small companies value learning more than those in larger ones and those employees who work more than 50 hours per week show above-average preference for learning. People in professional and business services, information and technology, and construction show a significantly above-average preference to learn and grow than workers in other industries. Therefore, these findings support the value of companies becoming what David Garvin of the Harvard Business School refers to as a “learning organization” which is “skilled at creating, acquiring, interpreting, transferring, and retaining knowledge and then modifying its behavior purposefully to reflect new knowledge and insights” (Dychtwald, Erickson, Morison, 2006, p. 164).

Retaining
The likely question for most practitioners becomes, “Now that we’ve trained them, how do we keep them?” Employee retention is closely linked to a company’s performance management system. It is recommended that a compensation package clearly articulates clear expectations of performance, skills, experience, and behavior. This system should be designed to drive top performance at every skill level within the organization. It is recommended that compensation and benefits support the organization’s overall goals not just in recruiting and retention, but also in business performance, commonly referred to as the HR Scorecard, in which people and strategy are linked with performance (Beckler, Huselid, Ulrich, 2001). Performance management systems should also address how the different generations in the workplace view feedback and the drivers of employee retention. While Boomers generally assume they’d spend one to five years in a position before being promoted, Generation Y want to know where they are going to be next month (Dychtwald, Erickson, & Morison, 2006). Seventy-one percent of top performers who received regular feedback were likely to stay on the job versus 43% who didn’t receive it. These statistics indicate that even among peak performers, feedback plays a vital role in an employee’s decision to stay in a job (Cappelli, 2008).

Among the most important factors driving employee retention, especially in the United States and Europe, are opportunities to develop and advance in their careers. According to a recent study, one of the best predictors of turnover is whether an employee had recently received training (Cohn, Khurana & Reeves, 2005). Other studies confirm that executives who feel they have been made to wait longer for promotions are more likely to become disenchanted and quit. A survey of Generation Y would wait only an average of 10 months for an opportunity to develop before concluding that advancement was blocked and they should move on (Fairis, 2004). In this case, it’s more than simply having a deep bench of ready and available talent should the person decide to move on: it involves having a succession planning process focused on long-term organizational implications.

Most traditional succession plans simply focus on which individuals should advance to the next position in a hierarchy of jobs, commonly referred to as a job ladder. Today, succession planning should focus more specifically on talent assessment and force human resource professionals to ask, “Who’s ready for the job?” The difference is that the determinations are made well in advance of the vacancy. Therefore, the purpose of a succession plan becomes two-fold: to identify which jobs will come vacant at what time, and which individuals will be in the pipeline with the necessary skills, talent and expertise to fill them. More elaborate plans attempt to ascertain which individuals at each level are equipped with the right attributes to become candidates for promotion to senior positions later in their careers. As the number of skilled workers decrease and the Generation Y seek out positions that promote more “work/life balance,” the number of executives ready for advancement will decrease.

CONCLUSIONS

Many years ago, management guru, Tom Peters introduced the phrase “moments of truth” that suggested that any time customers came in touch with a product or service, there was an opportunity for them to want to use the product or service again, thereby increasing repeat business. In today’s environment, every time an employee has the opportunity to create a meaningful relationship with the customer or client, they are forming an important bond. There is also the chance that if handled poorly, that bond will reflect negatively on the
company and cause the customer to choose an alternative solution. Companies are now starting to realize that employees are becoming a “brand” unto itself.

According to recent data on employee engagement by The Gallup Organization, just 29% of employees are energized and committed at work. Another 54 percent are effectively neutral. They show up and do what is expected but little more. The remaining employees, almost two out of 10, are disengaged and are estimated to cost companies $300 billion per year in lost productivity in the U.S. alone (Wagner & Harter, 2006). These issues when compounded with the shortage of talent, the generational divide, and ordinary turnover present surmountable challenges for companies. Employees who are positively engaged have higher levels of productivity and profitability, better safety and attendance records, and higher levels of retention. In addition, they are more effective with customers which, in turn, drives higher customer satisfaction. The most obvious solution is to combat these challenges with proactive strategies. The strategies recommended in the proposed talent management framework presented in this paper measures performance on all fronts. Recognizing the problem, and using a framework to address the issue is often times the easier part: the toughest part lies in the execution.

REFERENCES


