Building leadership capability in the construction sector
Construction is one of the largest sectors of the UK economy. It contributed £92.4 billion to the UK economy and 6.4% of UK GDP in 2014. The UK construction industry comprises over 280,000 businesses, employing 2.1 million people and 6.3% of total UK employment.

The construction industry comprises housing, infrastructure, industrial and commercial construction and includes construction contracting, civil engineering, construction-related professional services, wholesaling and manufacture of construction products and materials. The industry is highly fragmented, ranging from large international construction groups to SMEs and individual sub-contractors.

Despite recent economic challenges, construction remains a vital sector for the UK economy and a key driver of economic growth and employment. A thriving, competitive, efficient and modern construction industry is essential to the UK’s economic prosperity and supporting the construction industry is a Government priority.

The construction sector has historically been dogged by falling demand for private housing, commercial and public sector projects, although major infrastructure projects have mostly continued to grow. As the industry shows tentative signs of recovery, companies are now facing major change as they move towards green and sustainable construction, adopt new technologies and take advantage of global and digital opportunities.

Effective leadership is critical for achieving sustained performance, growth and competitiveness in the face of uncertainty, complexity and change. Key questions for construction companies include:

- How can effective leadership be developed?
- How can organisations protect and retain talent?
- How can skills and leadership gaps be filled?
- How can HR focus on priorities around leadership, talent and retention whilst supporting the business operationally?

This white paper aims to explore the issues that the construction sector is currently facing, as well as providing our best practice advice on what construction companies can do to strengthen leadership capability.

The report draws on research findings published in Roffey Park’s 17th annual survey The Management Agenda 2014, a comprehensive survey of 1,834 directors and managers from within and outside of HR, across all levels of seniority. The annual survey is a key barometer of working life, highlighting the views of leaders and managers on a broad range of aspects, and is regularly featured by the national media, trade press and professional management journals.

This report specifically highlights the views of leaders and managers in the construction sector. Where relevant, the findings of our most recent barometer survey of construction sector companies conducted in September 2014 are also featured.

We hope this report provides an engaging and informative view of the challenges and perspectives faced by today’s leaders in the construction sector, as well as valuable best practice advice in helping organisations to strengthen leadership capability.

ANDY FIRTH
SENIOR CONSULTANT
Summary of workplace trends in the construction sector

**KEY ORGANISATIONAL CHALLENGES**

**A RECOVERING SECTOR**

The latest ONS statistics indicate an improvement in outlook for the construction industry, with the sector employing 2.1 million people in the UK, the highest level since 2009. Although the sector has experienced short periods of contraction and growth since the recession began in 2008, longer-term growth is confirmed by construction industry output increasing by 3.6% in the 12 months to November 2014, mostly driven by new housing and infrastructure projects.

Our research supports this view of economic recovery. Our survey reveals that 56 per cent of managers in the construction sector expect the size of their organisation’s workforce to increase over the next two years, compared to 46 per cent of organisations in other industry sectors generally.

Encouragingly, in our most recent barometer survey of construction sector companies conducted in September 2014, the number of construction sector companies expecting the workforce to increase has risen to 78 per cent and only 12 per cent now expect their workforce to decline. Another encouraging sign is that 56 per cent anticipate a growing proportion of full-time employees, up by 17 per cent in 12 months and higher than for other industry sectors generally.

**STRATEGIC PRIORITIES**

Organisations in the construction sector are responding to challenges in the current economic and political environment with a mix of strategic focus, drive for efficiency and investment in new technology. 13 per cent of construction companies are focusing on core businesses and 10 per cent are implementing new technology. In a drive for efficiency, construction companies are enforcing cost and spending restrictions, redesigning systems and processes and downsizing or making redundancies (each cited by 11% of respondents).

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3 ONS UK Labour Market, December 2014
4 ONS Nomis Database, Workforce Jobs
5 ONS Output in the Construction Industry, November 2014
6 Note: References to statistics for all other industry sectors excludes construction sector responses
Interestingly, one in two construction sector companies (50%) believe the UK leaving the European Union would have a negative impact on their organisation, while over one quarter (27%) believe it would have no impact on business and only 4 per cent believe leaving the EU would have a positive impact.

**ORGANISATIONAL STRATEGY AND VALUES**

Around one fifth (21%) of leaders and managers in the construction sector do not adequately understand their organisation’s strategy, compared to almost one tenth (9%) of managers from other industry sectors.

Almost all respondents (92%) from the construction sector understand their organisation’s values. However, ethical leadership may be in question; only 54 per cent of managers think the actual values practised by management reflect the stated organisational values, findings that demonstrate little improvement since our 2013 survey.

**ORGANISATIONAL CHALLENGES**

Our survey found that the top issues facing leaders and managers in construction companies revolve around balancing operational and strategic pressures, managing workload and maintaining staff morale and engagement, as opposed to the main concerns in the other sectors generally around managing change and maintaining staff morale and engagement.
ORGANISATIONAL CHANGE MODERATELY SUCCESSFUL

Cultural change has very much been on the agenda for construction companies over the last five years; 89 per cent state that their organisation has attempted cultural change during this period, compared to 77 per cent of organisations in other sectors.

Our survey findings reveal a sense of change fatigue and cynicism about the impact of organisational change. Attempts to deliver cultural change are viewed as only moderately successful. Only 61 per cent report very or fairly successful cultural change (a similar number to organisations in other industry sectors), but this represents a decline of 27 per cent since our 2013 survey.

LEADERSHIP, ENGAGEMENT AND TALENT ARE KEY DRIVERS

As with our previous annual surveys, the main response to the challenges that organisations face is to develop leadership. Our survey indicates that the main people challenges construction companies currently face are around developing appropriate leadership and management styles and employee engagement and morale, followed closely by retaining talent, succession planning, performance management and managing change. These key challenges are reflected across most other industry sectors.

Whilst construction companies anticipate a shift in the people challenges they will face in five years time, to challenges around talent retention, career management and managing a multi-generational workforce, developing current and future talent is critical to the success of construction companies and there is a danger that this will be too little, too late.
LEADERSHIP GAP?

It seems the construction sector is experiencing a gap in leadership capability, compared to other industry sectors generally. 54 per cent of managers in the construction sector rate the leadership skills of their line manager as good or very good, compared to 65 per cent of managers in other industry sectors. 12 per cent of managers go as far as to say the leadership skills of their line manager are ‘bad’ or ‘very bad’ (a similar number to respondents in other industry sectors).

Managers rate senior leader skills and capability less positively. In terms of ‘distant leadership’ (senior business leaders), only 23 per cent of managers in the construction sector rate the leadership skills of senior leaders as good or very good (compared to 50 per cent of respondents from other industry sectors) and an equal number (23%) rate senior leader skills as poor or very poor.

Despite some positive indicators on the quality of leadership, given the investment in leadership development of the last decade, there is considerable room for improvement and some questions remain unanswered about what makes for effective leadership development.

HR’S STRATEGIC CHALLENGE

The main challenges currently facing the HR function are around the strategic agenda, possibly reflecting pressure on HR to demonstrate strategic value. Just under one in five managers (19%) are concerned about establishing the link between people management and overall business results, and over one in six (17%) cite influencing senior managers as a key challenge. HR also faces challenges around managing change (14% of respondents), becoming more strategic (13%) and aligning the HR function to the business (13%). Interestingly, only one in twenty managers (5%) perceive upgrading the quality of HR professionals as a main challenge, compared to almost one in ten managers (9%) from other industry sectors.

Looking forward, the main challenges facing the HR function in five years time will remain around establishing the link between people management and overall business results (17% of respondents) and becoming more strategic (17%), but HR managers anticipate increasing challenges around upgrading the quality of HR professionals (13%) and transitioning people to new roles (13%).
Establishing the link between people management and business results

Managing change

Aligning with the business

Becoming more strategic

83%

72%

61%

56%

56%

Main challenges that HR functions in construction companies face now

BARRIERS TO DELIVERING STRATEGIC VALUE

It seems that HR is facing barriers to meeting business and people challenges effectively. Almost one in three managers in the construction sector believe HR is too reactive, compared to one in four of companies in other sectors, and only 10 per cent describe HR as proactive. Managers also believe that HR spends too much time on low priority activities, is spread too thinly and that HR has no influence at Board level. These findings support the view that HR needs to increase perceptions of its strategic value.

Improving strategic value may, however, prove difficult when respondents indicate that managers mainly seek HR support for managing underperformance, disciplinary and capability procedures and recruitment and training requirements. HR faces conflicting pressures; HR is expected to operate strategically but, at the same time, continue to deliver basic HR services to line managers across the organisation.

But it’s not all bad news for HR professionals working in the construction sector. One in five managers (20%) in the construction sector state that HR adds value to the business, as opposed to almost one in seven (14%) of respondents in other industry sectors. HR functions are also perceived by others in the organisation to be customer focused and only 5 per cent believe HR lacks credibility, compared to 12 per cent of managers in other industry sectors.
KEY STRATEGIC PRIORITIES

So how does HR plan to respond to both current and future challenges?

HR ADDING STRATEGIC VALUE

In order for HR to meet its strategic challenges, almost one fifth of respondents (18%) regard understanding the business as a critical competency for HR professionals, followed by the ability to influence decision-makers (14%), balancing short-term and long-term priorities (12%) and developing organisational capabilities (10%). In the longer term, diagnostic and analytical capabilities are also deemed critical, as HR embraces the use of technology and big data.

ESSENTIAL HR SKILLS AND CAPABILITY

Almost one in six managers in the construction sector cite leadership as the most important area of knowledge for HR professionals, to support key business priorities. Other critical areas of knowledge include change management, talent management and organisational design and development. These areas of HR knowledge match those cited by managers working in other industry sectors. However, in the longer term, organisational design and development becomes the most important area of knowledge for HR teams in the construction sector.

It seems that skills gaps exist within internal HR resources. Almost one in five managers in the construction sector believe their organisation would benefit from external expertise and support to develop leadership capability. One in six believe the organisation would benefit from external expertise to develop HR strategy and almost one in seven would recommend external support to enhance commercial judgment. This differs from organisations in other sectors, where external help with organisational development, leadership development and data analysis would be most beneficial.

Interestingly, only around two in five leaders and managers in the construction sector use or have access to a coach.
LEADERSHIP IS KEY FOR INNOVATION

Organisations across all industry sectors believe innovation is critical to business success. Just under one quarter (24%) of companies in the construction sector employ leadership development strategies and practices to drive innovation in their organisation and the same number also specifically recruit highly educated or technically qualified individuals to support innovation. However, only 13 per cent of construction companies actually reward and recognise employees for new ideas. Although organisations in other sectors also focus on leadership (25%) and recruitment (23%) to drive innovation, they are more likely to focus on developing a learning culture to support innovation (18% of respondents, compared to 13 per cent of companies in the construction sector).

When it comes to driving innovation, it seems that construction companies are falling short. Although almost one in two managers (46%) state there is recognition for new ideas, one half (50%) say the reward system doesn’t formally encourage innovation and almost three fifths (58%) say that the organisational culture doesn’t encourage creativity. Moreover, two thirds (66%) say they aren’t given the time or space to think creatively. It seems that innovation is not seen as an essential competency; fewer than one quarter of managers (23%) report that the competency framework includes creativity.
ORGANISATIONAL DEVELOPMENT LESS OF A CURRENT PRIORITY

Only one in eight (13%) organisations in the construction sector have an OD function, compared with almost one half (49%) of organisations across other industry sectors. As our research suggests, this may be due to companies in the construction sector focusing on current business priorities around leadership and talent, with organisational design and development being seen as more important in the longer-term.

The OD tools and methods most frequently used by construction companies include leadership development, engagement and culture surveys, coaching and organisational restructure. Our research findings clearly indicate that developing talent and capability are key business priorities in construction companies. Under one in three (31%) of managers cite building skills and capability as the most pressing OD priority and one in four (25%) cite developing high performance teams. This differs significantly to other industry sectors in general, where restructuring (17%) and driving cultural change (15%) are the most pressing OD priorities.

Looking forward, leaders and managers in the construction sector believe that employee engagement will become the primary OD priority in five year’s time. However, building skills and capability and creating high performance teams will continue to be important.

TALENT ON THE MOVE

There are clear signs that, following a long period of uncertainty, managers in the UK are feeling safe enough to start looking around for other opportunities, with nearly half (48%) of leaders and managers across all sectors considering a career move. The picture is only slightly better for construction companies; although fewer than one third (31%) of the leaders and managers we surveyed are considering a career move in the near future, the number has risen to 41 per cent of managers in our most recent barometer survey of construction sector companies conducted in September 2014. Companies in the construction sector will therefore need to focus on improving employee morale and engagement, especially so in a sector that relies on retaining skilled professionals to deliver large construction and infrastructure projects.

The survey confirms that the main reasons managers in the construction sector give for considering leaving their current organisation are poor management and lack of appreciation, therefore improving the skills of managers to lead, manage and engage employees effectively is critical to retaining talent in the construction sector. For managers in other industry sectors, poor promotion prospects is the main reason for leaving.

Leaders and managers considering a move in the near future

<table>
<thead>
<tr>
<th>Construction</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>30%</td>
<td>48%</td>
</tr>
<tr>
<td>Yes</td>
<td>No</td>
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Reasons for considering leaving the current organisation

- Lack of appreciation: 75%
- Poor management: 75%
- No promotion prospects: 50%
- Long hours: 25%
- Incompatible ethical aims: 25%
- No opportunity to broaden skills: 25%
- Insufficient financial rewards: 25%
- No opportunity to travel: 13%
EMPLOYEE ENGAGEMENT

Organisations continue to require leaders who can impact the bottom line through greater people management and engagement. Managers in the construction sector are mostly motivated at work by making a difference, enjoying the role, a sense of personal achievement and being part of a successful team.

When it comes to the causes of stress in the workplace, leaders and managers in the construction sector cite high workload and poor management style as primary stressors. Organisational politics and lack of support are also key causes of stress. Across other industry sectors, managers cite high workload and organisational politics as the main stressors.

The majority (92%) of managers in the construction sector consistently work longer than their contracted hours, compared to 82 per cent in other industry sectors, and almost one half (45%) of managers attribute this to volume of work.

However, job satisfaction seems to be higher in construction companies; one third (33%) say they work extra hours due to enjoying their work, compared to one quarter (25%) of managers in other industry sectors. The results of our 2013 survey dig deeper; all the leaders and managers we surveyed from the construction sector stated that they are willing to ‘go the extra mile’ and they like the people they work with, and almost all (90% of respondents) stated they are genuinely interested in their field of work, find their work meaningful, they make a difference and are proud to be part of their organisation.

THE WORKING ENVIRONMENT

It seems that leaders and managers in the construction sector achieve a more satisfactory balance between work and personal life; 84 per cent are satisfied with their work-life balance, compared to 71% of managers in other industry sectors.

Flexible working patterns are also more common in the construction sector. Almost one third of construction companies offer part-time working, compared to almost one quarter of non-construction companies, and almost one quarter offer combined office and home-working, compared to one sixth of companies in other industry sectors. Almost one half of managers would like their employer to offer more flexible working patterns; this may therefore be a key tool for enhancing employee engagement and retention.
OUR ADVICE

Leadership capability has a direct impact on collaboration, employee engagement, retention, project outcomes and, ultimately, business success. The research findings outlined in this paper identify a range of complex and interdependent priorities and challenges that place additional demands on HR and leadership at all levels in the organisation. This calls for exceptional leadership skills alongside technical excellence.

SO HOW CAN CONSTRUCTION COMPANIES BUILD LEADERSHIP CAPABILITY?

We believe that leaders are made, not born. Based on our recent research and Roffey Park’s experience in helping organisations in the construction sector with leadership challenges, we believe that adopting the following eight leadership development principles will help construction companies to meet current challenges and drive sustainable performance and change.

INVEST IN STRENGTHENING LEADERSHIP CAPABILITY

McKinsey found that over 90 per cent of CEOs are planning to increase investment in leadership development because they see it as the single most important human capital issue their organisations face⁷. As with our previous annual surveys, our most recent research highlights leadership development as the number one enabler for organisations to meet challenges and drive business performance.

Yet organisations report they do not have the breadth and depth of leadership capabilities that their complex, competitive business environments require. Our recent research reveals a leadership gap within the construction sector, with just over one half of managers in the construction sector rating the leadership skills of their line manager as good or very good, and one in eight going as far as to say the leadership skills of their line manager are ‘bad’ or ‘very bad’.

Construction companies need to develop effective leaders. Leadership development activities should specifically focus on strategic thinking, commercial judgment, problem solving and results, alongside collaboration and influence to ensure effective management of projects, staff, stakeholders and other third parties. Practical application of learning to live projects will reinforce learning and embed lasting behavioural change.

Although effective leaders require a wide range of skills over technical ability, we advocate an integrated leadership development approach that focuses on a single idea or quality – presence. By presence, we mean power, congruence and resilience; each a necessary capability for leaders to influence and collaborate. In our experience, leadership development can help managers to enhance their personal presence and resilience, equipping them to lead effectively and deal with uncertainty and pressure.

GIVE LEADERS TIME AND SPACE TO THINK STRATEGICALLY

Leaders and managers in the construction sector face complex projects, multiple pressures and work longer than their contracted hours to get the job done. Providing managers with the investment, time and space to develop their strategic and creative thinking will equip them to think ‘outside of the box’, away from the constraints of working to fixed technical policies and procedures. This will ensure that leaders consider different ways to deal with situations, push boundaries and do what is best for the company, other parties involved and the overall success of the project.

FOCUS ON DEVELOPING EXISTING TALENT

As the construction sector recovers, there is an increased demand for skilled individuals to deliver successful projects. However, skills gaps exist, particularly for skilled trades and professional occupations, leading to increased costs, delays, inefficiency and lost business. With the increase in major infrastructure projects, large construction companies face talent gaps and increasing competition for talent globally, especially from China and India.

PwC found that 87 per cent of CEOs are currently updating their talent strategy to meet organisational priorities, up from 83 per cent in 2013. With skills shortages and a war for talent, it’s critical for construction companies to not only attract the best talent, but to identify and protect existing talent. Focusing on developing strategic talent solutions to develop and retain key skills will ensure sufficient resources to deliver projects and reduce the risk of losing talent to the competition.

A structured talent management programme, comprising group coaching and non-directive coaching for individuals, will ensure development and retention of current and future talent. Developing skills has become currency for organisations to engage and retain talent; a defined selection process will motivate, inspire and retain those selected.

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It’s essential that talent is recognised and rewarded appropriately, to prevent the loss of talented individuals to the competition. Our survey also reveals that construction companies anticipate talent becoming their main future challenge in five years time. A strategic focus on developing the leadership pipeline and succession management now, including developing high potentials and Millennials, will ensure construction companies are ‘fit for the future’.

RETAINTALENT

Our most recent research reveals that 41 per cent of managers in the construction sector are considering a career move in the near future, up by 10 per cent from the previous year. Our findings are mirrored by the latest Institute of Leadership and Management survey that found 37 per cent of workers and managers plan to leave their current jobs.

Employee dissatisfaction, coupled with increased job market transparency driven by online and social media, means that skilled individuals can easily be targeted by competitors and employers in the construction sector will have to work harder to keep internal employees. Our research reveals that improving line manager capability, recognising and rewarding effort and talent appropriately and offering more flexible working patterns are key tools for construction companies to enhance employee engagement and retention.

IMPROVE LINE MANAGER SKILLS

Many leaders and managers in the construction sector are engineers and technical specialists; their definition of ‘management’ is typically ‘project management’ rather than ‘people management’.

With poor line manager skills cited as a key cause of stress at work and the main reason for talented individuals leaving the organisation, construction companies need to equip managers with the skills required to lead and manage internal teams and external parties effectively, alongside developing technical excellence.

Although the construction sector is seeing an increase in the number of individuals with higher-level qualifications, management training and development is relatively low. Investment in a structured management development programme for new starters and existing managers will improve line manager capability, employee engagement and performance.

Management development in construction companies should particularly focus on effective communication, collaboration, influencing, coaching, employee engagement, performance management, delegation and managing multiple teams and external stakeholders.

INCREASE COLLABORATION

The construction industry is traditionally aggressive, with the potential for conflict between clients, architects, construction teams and other stakeholders. But the industry is changing; clients seek construction partners who work collaboratively to ensure the best outcome possible. As a result, there is a general drive within the construction sector to enhance partnership, collaboration and knowledge sharing. Effective collaboration between all parties involved in the supply chain of construction and infrastructure projects is essential for control, efficiency and successful project delivery.

Strengthening leadership skills, especially around collaboration and managing stakeholders effectively, is a key enabler for successful project outcomes and will help to improve the performance of the construction sector as a whole.

DRIVE INNOVATION

Innovation is essential for an organisation’s competitiveness, survival and growth. However, the construction sector is perceived to have lower levels of innovation and R&D compared with other sectors, with the exception of construction-related professional services, research, design and technology. This is due, in part, to high levels of fragmentation in the industry, lower collaboration due to multiple parties and trades on projects and reduced access to finance. Most of the innovation that does occur tends to be to improve and expand products, increase efficiency or meet regulatory requirements.

Ensuring a culture of innovation and a focus on innovation within people development programmes, competency frameworks and reward and recognition practices, will help to drive new ideas, ways of working and create competitive advantage.

ENSURE HR IS EQUIPPED TO DRIVE LEADERSHIP CAPABILITY

It’s essential that HR takes responsibility for driving leadership, talent and retention. However, our survey reveals gaps in HR skills around HR strategy and leadership development. Designing leadership development programmes specifically for HR professionals can help HR to refocus on adding strategic value, strategic thinking, strengthening leadership capability and enable HR professionals to build the critical skills and knowledge required to become confident and credible business partners and leaders in their own right.

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8 Institute of Leadership and Management (ILM), January 2015
CONCLUSIONS

In summary

In this white paper we have outlined the main challenges that the construction sector is currently facing, as well as providing our best practice advice on what construction companies can do to build leadership capability.

Our research has identified clear strategic issues for organisations in the construction sector around balancing operational and strategic pressures, managing the volume of work, maintaining staff morale and engagement. In addition, we have identified key strategic priorities around leadership capability, talent development and retention, innovation and equipping managers to lead effectively.

We believe the current and future challenges that construction companies face call for a focus on developing effective leaders and retaining home grown talent, as well as building essential skills such as collaboration, presence and resilience, to drive successful project outcomes and sustainable business performance.

Our top tips for building effective leadership capability in construction companies

01 Invest in strengthening leadership capability
02 Drive innovation
03 Focus on developing existing talent
04 Retain talent
05 Improve line manager skills
06 Increase collaboration
07 Give leaders time and space to think strategically
08 Ensure HR is equipped to drive leadership capability
About Roffey Park

Roffey Park is an internationally renowned leadership institute based in the UK and Singapore. We develop people who develop organisations. With 65 years’ experience of leadership and management development, organisational development, human resources and personal effectiveness, we provide executive education and research to many of the world’s leading companies and organisations.

We focus on working with people to develop the abilities they need to succeed in organisational life.

What we offer

TAILORED PROGRAMMES

Roffey Park works with organisations across the world to design innovative, tailored development solutions to meet specific organisational needs, focusing on maximising the full potential of your people and delivering lasting results. Our solutions are informed by our practitioner-based research. Our consultants are all talented people and organisational development professionals. All are committed to our distinctive approach to learning, devoting their experience, expertise, energy and enthusiasm towards helping client organisations and their people to develop – and succeed.

OPEN PROGRAMMES

Our programmes offer deep personal learning, informed through knowledge and experience, transformed by facilitators with unrivalled skills and passion. We challenge and support participants constructively, providing an eclectic mix of activities which will appeal to different learning styles. This powerful learning enables individuals to increase their self-awareness and empowers them to engage more effectively within your organisation.

QUALIFICATIONS

All of our qualification programmes share a common learning and assessment strategy that puts participants in charge of their own learning. Self-Managed Learning provides the core framework and structure for the programmes. Our range of qualification programmes are validated by the University of Sussex and include the MSc in People and Organisational Development, Graduate Certificate in Business Partnering, Graduate Certificate in Organisational Development and a range of bespoke qualifications for organisations.

RESEARCH

Our research improves the world of work and organisational performance. Through our research we develop and spread understanding of good practice in people management, leadership and organisational development – what genuinely impacts and why. We conduct in-house research for our clients as well as publishing our own research reports and guides.