

A Case Study of Ten Construction Companies' Perceived Value and Utilization of Succession Planning Practices

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The development of succession plans for construction companies is of the utmost importance. As construction firms work in a project based environment, the management of these projects requires high levels of experience and knowledge. The development and/or selection of future successors at mid and low career levels are critical to ensuring the continued success within this competitive industry. In 2014, the Construction Industry Institute (CII) organized a research team to identify the best practices for succession planning in the construction industry. Ten Human Resource (HR) professionals within the construction industry provided industry guidance to this research. This paper presents a case study of ten construction companies identifying and determining the perceived value of succession planning practices. The paper presents the twenty (20) succession planning practices identified and provides the industry professionals rankings of the succession planning by their perceived value. Simultaneously, the study identified the percent of the companies within the research team that actually implemented the identified practices. This study found that there are many practices that can add value to planning succession within companies, however, many of the leading companies are not taking advantage of these practices.

Key Words: Succession Planning, Perceived Value, Construction Industry, Talent Development

Introduction

Succession planning has a high impact on the continuation of a construction organization's successful performance. Businesses that do not plan for succession are ill prepared to address future uncertainties associated with gaps in leadership. Consequently, selection of high performing candidates is inadequate – potentially threatening the stability of a company. Within the construction industry, an unsettling proportion of companies don't plan for succession (Taylor & McGraw, 2004). The function of succession planning is to select a candidate to replace a predecessor by developing and implementing a thoroughly considered plan (Perrenoud & Sullivan, 2016).

This paper presents a case study of the utilization and perceived value of succession planning practices by ten large construction companies in the United States. In 2014, a research team was organized by the Construction Industry Institute (CII) tasked with identifying best practices. The team comprised of ten construction industry HR professionals and four academic researchers. The team identified twenty (20)

practices for succession planning and rated the perceived value added of each practice. In addition, the research team identified which of the practices were currently being utilized by each company. This paper presents a literature review on succession planning in the construction industry. Furthermore, this study presents the methodology the research team employed to identify the best practices; as well as, results of the study and discussion of findings. This study found that many of the practices identified by the research team have a high perceived value to succession planning, yet underutilized in the construction industry.

Literature Review

The process of planning for succession improves satisfaction with each leadership transition in construction companies (Perrenoud & Sullivan, 2016). Often succession planning begins with developing the talent pool of low to mid-career individuals within the company (Rothwell, 2010). Perrenoud and Sullivan (2013) describe how the succession of employees have three critical stages in construction, including planning, preparation, and transition. The planning phase is utilized for identification, as well as selection of the candidate. Whereas, the preparation phase incorporates functions such as training of the candidate. The third phase is based upon the transferring of ownership and management. There is a great frequency of research on succession planning. This exemplifies the importance of succession planning as a utility in any industry. However, research within the construction industry on succession planning is sparse. Additional research on succession planning in the construction industry is needed due to the major differences that can be found within the industry (Trow, 1961).

Succession planning is unique in the construction industry for several reasons. One of the major reasons the industry is unique is the project-to-project nature. Construction teams are by nature short-term as builders continuously go from one job to the next (Fong & Kwok, 2009; Zuo, Zillante & Coffey, 2009). Oftentimes, employees transition between project teams when a job surpasses its duration. For this reason, substantial uncertainty exists for employees as to where or when the next job will occur (Fong & Kwok, 2009). As the construction industry is a project to project culture, it creates major difficulties of planning succession in a consistent pattern. Individuals will encounter many different teams or bosses during the early and mid-career roles which can fragment performance reviews and development opportunities. The continuation of project teams from one job to the next has been proven to increase talent development (Scott-Young & Samson, 2008). An important function of a construction firm is to manage the knowledge it gains from projects and this includes the knowledge of individual performance. The ability to document successful performance or failures and share within an organization can help develop talent (Fong & Kwok, 2009; Xue, Shen & Ren, 2010).

Another major factor that impacts succession planning in the construction industry is the nature of the volatile construction market. In order for construction firms to manage resources effectively, conditions within the marketplace should be identified, measured and predicted for future outcomes (Schleifer et al., 2014, Hartmann, 2006). Schleifer et al (2014) describes how contractors can react to managing talent during the three major changes within the market: growth, decline, and stagnation. During growth stages, the talent pool of potential successors will quickly dry up, contractors must ensure that the talent pool is restocked with new upcoming talent. During a decline phase, contractors will have the ability to identify individuals that are not high performers and remove them from the talent pool. The stagnation period is the ideal period for developing the talent pool, this market period provides the best opportunity for training programs, new responsibilities, and education opportunities. Construction firms must recognize how each change to the market impacts their succession plan.

As the construction industry is highly competitive, finding qualified candidates to fill high functioning positions is also competitive. High performing individuals are desirable candidates for any company, both internally or externally (Rameezdeen & Gunarathna, 2012). Due to the nature of the industry succession planning is critical for retaining and recruiting high performing candidates.

Succession Planning Practices in the Construction Industry

There has been limited research with succession planning in the construction industry (Perrenoud, 2012). Recent research identified ten common succession practices in the construction industry (Perrenoud & Sullivan, 2016). The practices were identified through an extensive literature review and interviewing companies that recently experience leadership transitions. Table 1 presents the practices identified in the earlier study, with a brief description of each practice. These practices included basic goals for establishing a company's strategic plan for selecting a successor.

The intent of articulating these practices is to enable construction professionals to clearly establish a process which is malleable to the size, culture, structure and specific needs of construction firms. This paper sought to generate additional research with the succession planning practices.

Table 1

Previously Identified Succession Planning Practices (Perrenoud & Sullivan, 2016)

#	Succession Planning Practices	Description
1.	Preparing a succession plan	Plan for identifying successors, developing successors, and transitioning from predecessor to successor.
2.	Analyzing and selecting high-quality candidates	Selection based on vision and needs of the company, compares internal and external candidates.
3.	Preparing a plan to develop the successor	Once the successor is identified a personal development plan should incorporate activities and training necessary.
4.	Developing and communicating well-defined responsibilities	Ensure the successor understand the expectations of the new role.
5.	Securing senior-level support	Full support from top management with the succession plan.
6.	Developing talent-management processes	Improves the pool of potential internal successors, increases productivity.
7.	Maintaining a high level of communication	Alleviates transitional miscommunication and maintains a high level of trust.
8.	Measuring performance before and after succession	Measures the quality of succession planning.
9.	Capturing the vision of the company	Aligns the transition with the company's strategic implementation of goals
10.	Establishing the predecessor's responsibilities after the transition	Provides guidance for the predecessor after transition to eliminate confusion.

Method

In 2014, the Construction Industry Institute (CII) organized Research Team 325 with the task of improving succession planning in the industry related to mid and low-level employees. The specific objective of the research team was to identify best practices for planning succession with mid and early career employees. The research team consisted of four academic scholars and ten industry experts. The industry experts consisted of Human Resource (HR) professionals from global construction companies and owners that manage construction employees. Table 2 presents the industry organizations and the title of the individuals involved with the research team.

Table 2

Research Team 325 - Construction Industry Experts

	Company	Job Title
1.	AECOM	HR Manager
2.	AECON	HR Manager
3.	Aramco Services Company	HR Staff Specialist
4.	CDI Corporation	VP of HR and Recruiting
5.	CH2M HILL	VP & Global HR Director
6.	Day & Zimmermann	Regional Director of Operations
7.	Fluor Corporation	Director, Talent Development
8.	Lauren Engineers & Constructors	VP of HR
9.	Pioneer Natural Resources	VP of Corporate Facilities
10.	Vale SA	Project Master Engineer

The team researched best practices in the construction industry that have been proven to add value to employee transitions and also looked at established practices in other industries that could be adopted. Table 1 was used as the starting point for the team to begin identifying succession planning practices. Each member identified existing practices within their individual companies. Members also reviewed external research to identify established practices in other industries. After two months of research, the team revised the initial ten succession planning practices and expanded the list of succession planning practices to twenty (20) succession planning practices, see Table 3.

In order to prioritize the succession planning practices, the researcher developed a simple electronic online survey, which was generated through the utilization of a Qualtrics ®. Each member of the research team completed the anonymous survey, which consisted of two questions:

Q1: Rate the value of this succession planning practice specifically within the construction industry.

Q2: Does your company consistently perform this practice with succession planning?

The response options to Q1 was a Likert scale of 5; (1 - No Value; 2 - Little Value; 3 - Some Value; 4 - High value; 5 - Extremely valuable). The response options to Q2 was yes or no.

Results

This study had two objectives with the goal of improving research on succession planning in the construction industry. The first, to identify the best practices for succession planning by 10 leading global construction HR professionals. The second, to have the industry experts rank the twenty (20) identified best practices based on the percentage of utilization by each of the companies. In addition, to have the HR professionals rank the perception of value for each of the practices to the construction industry. Table 3 below is a compilation of the identified practices and rankings based on expert feedback. Nine out of the ten previously identified practices were determined to be included in the new list of best practices, they are visible within Table 3, marked with an asterisk. The modification of language for these specific practices is due to additional input from the industry experts— yielding greater detail and insight into succession planning techniques and processes. Within this study, the HR experts identified eleven (11) additional practices for succession planning in the construction industry they were:

1. Provide the successor time with the predecessor to complete turnover of responsibilities, knowledge transfer, understand areas of concern/risk.
2. Ensure the entire organization is aligned with the succession planning strategy.
3. Provide mentors for the early part of the transition.
4. Formal data collection processes that assist decision making. Data such as: education, competencies, experiences, career interests, mobility, performance measurements.
5. Identify functions/roles and when positions are expected to be available.
6. Ensure that the necessary relationships have been developed.
7. Hold people accountable with the organizations succession plan.
8. Develop formal plans for each transition.
9. Identify initial competencies required for each position.
10. Communicate to the successor that they are the “successor” for a specific role before the transition.
11. Invite internal candidates to give presentation to the board/selection panel to describe their vision of the position in the company.

Table 3

Identified Succession Planning Practices with Value and Utilization

#	Succession Planning Best Practices	Q1 Perceived Value	Rank	Q2 Utilization of Practice	Rank
1.	An employee development mindset is present within the company. *	4.67	1	70%	3
2.	CEO actively participates in the company's succession planning. *	4.44	2	80%	1
3.	Have a structured organizational succession plan that is aligned with your organizations business strategies. *	4.44	2	50%	7
4.	Prepare individual development plans for High Potential candidates. *	4.44	2	40%	9

5.	Consistent review and updating of the succession plan. *	4.38	5	60%	4
6	Provide the successor time with the predecessor to complete turnover of responsibilities, knowledge transfer, understand areas of concern/risk.	4.38	5	40%	9
7.	Ensure the entire organization is aligned with the succession planning strategy.	4.25	7	40%	9
8.	Provide mentors for the early part of the transition.	4.25	7	20%	12
9.	Full support of the CEO with companies' succession planning efforts. *	4.22	9	80%	1
10.	Formal data collection processes that assist decision making. Data such as: education, competencies, experiences, career interests, mobility, performance measurements.	4.11	10	50%	7
11.	A mutually agreed definition of the role exists. *	4.11	10	30%	12
12.	Identification/segmenting of high potential Candidates. *	4.00	12	60%	4
13.	Identify functions/roles and when positions are expected to be available.	4.00	12	30%	12
14.	Ensure that the necessary relationships have been developed.	4.00	12	30%	12
15.	Hold people accountable with the organizations succession plan.	4.00	12	30%	12
16.	Develop formal plans for each transition.	4.00	12	10%	18
17.	Measurable milestone metrics exist to review the transition period to ensure that the transition has occurred as planned. *	4.00	12	10%	18
18.	Identify initial competencies required for each position.	3.89	18	60%	4
19.	Communicate to the successor that they are the "successor" for a specific role before the transition.	3.43	19	20%	12
20.	Invite internal candidates to give presentation to the board/selection panel to describe their vision of the position in the company.	3.29	20	10%	18
	*Practice related to practice identified in Table 1, language modified.				

Figure 1 below provides a visual inspection of the practices perception of value added vs. percentage of companies' utilization of the practices. The results indicate varying levels of perception in comparison to actual utilization. The additional practices from industry response provided in Table 3 are incorporated within the figure and may be identified by the number paired with the practice in the table, including: practices, 1-20.

Discussion

At first glance of Figure 1, it is immediately clear that certain practices are perceived to have high value to the construction industry. The first two practices from Table 3, *An employee development mindset is present within the company* and *CEO actively participates in the company's succession planning* were found to have very high value (4.67 and 4.44 respectively) and at the same time be utilized within the large majority of the companies (70% and 80% respectively). The high value from the HR experts on talent management should be strong evidence enforcing the importance of providing employees opportunities for growth. The practice *Have a structured organizational succession plan that is aligned with your organizations business strategies* which was found to have high value (4.44) was only utilized in 50% of the participating companies, which is interesting as much of the research related to succession planning has identified that between 40-50 percent of companies plan succession (Perrenoud & Sullivan, 2016).

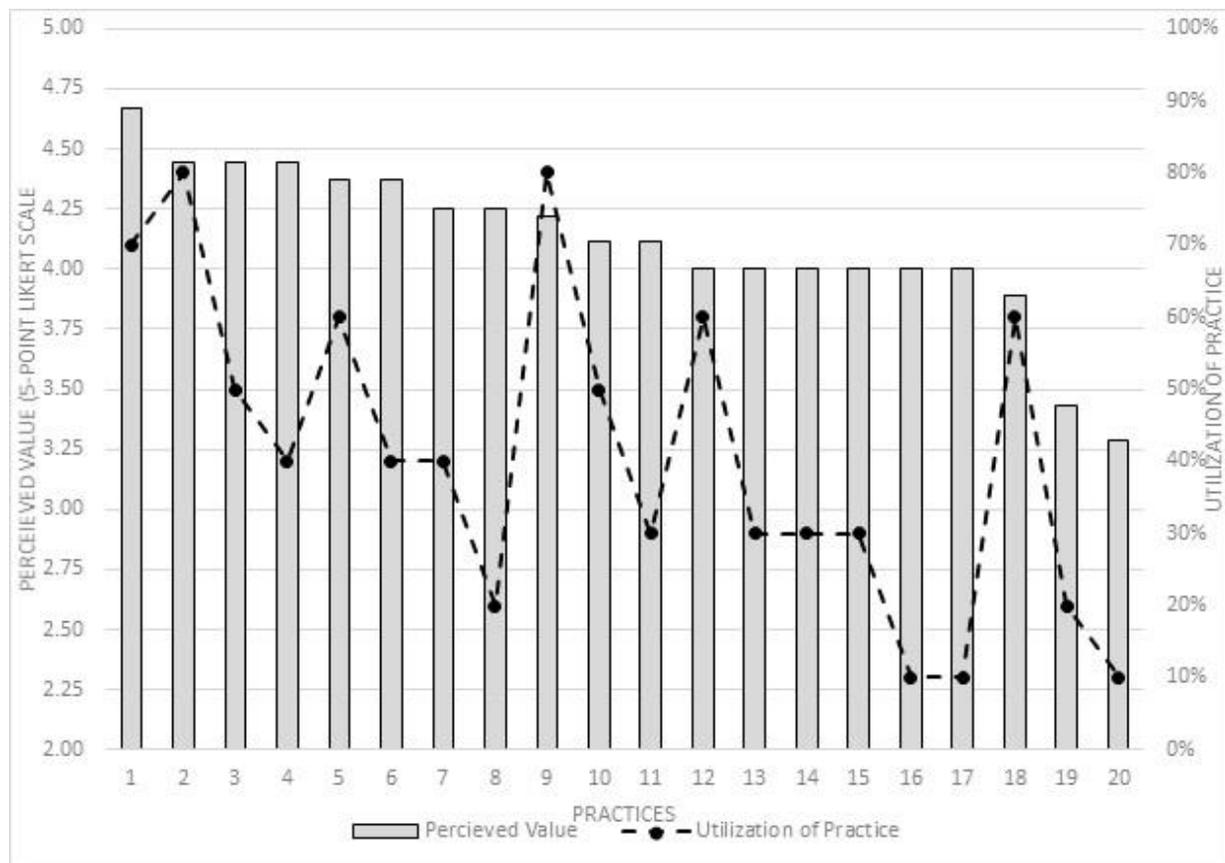


Figure 1: Succession Planning Practices: Perception of Value to the Construction Industry vs. Percentage of Companies' Utilizing Practice.

Of the seventeen practices that were rated to have high value (Q1=4.00+), ten of the practices (or 58 percent) were utilized in less than half of the companies. Due to the low utilization yet high value found, other companies can began implementing these practices to improve succession planning. For example, practices number 16 and 17 both provide value adding practices that deal with the transition phase of

succession planning, yet it is very likely that they are not currently being implemented in today's companies. The industry experts on the research team were surprised at the lack of utilization within their large companies and began looking at implementing more of the identified practices after the research.

Conclusion

Utilization of succession planning is beneficial in maintaining the stability of an organization. Such plans allow for construction companies to mitigate risks involved with selecting future successors for mid and low level careers. This study presented ten HR construction professionals and the identification of the succession planning practices utilized within their companies. Current with previous research the HR professionals studied twenty (20) practices related to succession planning. A survey was conducted with the industry experts to identify the value added to succession planning in the construction industry and the utilization of these practices in top construction companies. A major finding within this study was that seventeen of the identified practices were found to have high value, however, many of these practices were not currently adopted within their companies. The major contributions to the body of knowledge are: (1) there are many value adding succession planning practices that are not being utilized within the construction companies studied; (2) the practices that are identified to have high perceived value but were not found to be utilized by the many of these construction companies are "low-hanging fruit" in which many contractors may be able to adopt to improve planning future transitions.

This study is presented as a case study and therefore has limitations to the study. The construction companies contributing to this research were not entirely reflective of the diverse company sizes and makeups of construction firms across the industry. In addition, the sample size of this study was small as only 10 industry experts were sought to participate. Future research should seek to increase and diversify the sample in order to broaden industry feedback on succession planning practices in construction.

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