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Unrivaled Opportunities for the People-Focused CFO

By Mark DeVerges

As construction is on the cusp of transformative changes, it's imperative for financial leaders to grasp the reins of innovation, adaptability, and foresight. The construction industry, with its amalgamation of challenges spanning from demographic shifts to technological disruptions, beckons for a people-focused approach in financial stewardship.



DEMOGRAPHIC CHALLENGES

By the end of this decade, the U.S. construction workforce will experience a large reduction, as almost a quarter of workers are currently older than 55.

This “retirement of Baby Boomers” is the main factor impacting the severity of the skilled labor shortage, according to Tim Mongeau, Director of Workforce Development at the Associated Builders and Contractors. He explains, “It is estimated that by 2030, 40% of the construction workforce will retire. This cuts across all industry occupations. Unfortunately, this translates into many more people leaving the industry than new entrants coming in.”¹

This data is reinforced by studies from the National Center for Construction Education and Research that similarly claim that 41% of the current construction workforce will retire by 2031.²

Another demographic challenge facing construction includes the predominance of men, as women make up only 10.9% of the construction workforce³ and just 1% of site workers.⁴

There are also inequalities in the demographics surrounding race and ethnicity. According to 2022 data from the U.S. Bureau of Labor Statistics, just 6.7% of construction industry workers are Black, and 2.1% are Asian.⁵ And, *Construction Dive* reported in 2021 that Hispanic construction workers constitute 30% of the workforce, yet they are often stuck in lower-level positions with limited upward mobility.⁶

THE DECLINE IN ACCOUNTING STUDENTS

The impact doesn’t end on the jobsite – accounting departments may also experience the shortage as the number of individuals entering a career in accounting is declining. For instance, the annual number of new CPA candidates has dropped by 37% since 2016 (Exhibit 1).⁷

Like many other industries, construction competes for workers; high turnover rates and the cultural shift of workers has resulted in them reconsidering their line

of work and their desire to try different roles or industries. The construction sector has yet to benefit from this role switch up, as most jobs depend on workers having acquired particularly specialized skills. As a result, this role rotation has only further narrowed the candidate pool.

FINDING OPPORTUNITIES IN THE NEXT GENERATION

In this wave of impending retirements and shortages, the construction sector has a huge opportunity to rebrand as the industry with not only high-wage jobs, but also the ability to afford high-performing individuals an opportunity to build their career in science, technology, engineering, and mathematics (STEM). For the burgeoning student nearing their step into the job force, the construction sector is now rife with opportunities for career advancement and mentorship.

In addition, the sector is poised for robust technological implementations that will further advance and develop laborers, managers, and accountants to be even more safe, efficient, effective, and engaged. Gen Z could be enticed by the rapidity of technological advancements, integrations, and potential for career growth.

Beyond simply having more people to do the work, there is another upside. According to the Peterson Institute for International Economics, businesses that rank in the top quarter for gender diversity see better results, being nearly 50% more likely to surpass their industry’s average performance. Also, companies with women in their C-suite see 34% greater shareholder returns.⁸

And, for teens debating their post-high school futures, there is high pressure to attend college, with a total of 86% of teens saying they feel pressure from family and society. Despite this pressure, 58% think that a vocational education fits better for them.

This hesitation surrounding college is reinforced in 61% of Gen Z, who think that college should only be an option if they already know what they’ll do with a degree.⁹ This creates an opportunity for construction to recruit these undecided students.

The push toward salary transparency has had some benefit in helping highlight how viable trade school is from a competitive compensation lens vs. bachelor's degree earnings. In terms of entry-level jobs, there is a \$12,000 average annual pay differential between those who went to trade school vs. those who earned a bachelor's degree across all majors;¹⁰ when the tuition costs are factored in, that gap disappears.

As the average federal student loan debt for a four-year college is around \$37,338, with private student loan debt estimated to average \$54,921 per borrower, there is a potential financial cost to college for these undecided students of the next generation. Showing them the more immediate return on income and career growth in the trades — and the fact that half of student borrowers still owe \$20,000 on average after 20 years in the workforce — could help influence that decision.¹¹

Beyond financial benefits are opportunities to improve construction's brand reputation. The common misconception of construction is that it is an analog

industry dependent on hours in exceedingly hot or adverse weather conditions with most roles requiring heavy lifting, having unsafe work conditions, and being unwelcoming to newcomers, casting an archaic and less attractive path. Yet, construction is filled with science, technology, engineering, and mathematics — an ideal path for students with aspiring STEM careers.

In fact, managing the pace of technological change and embracing the culture of innovation that permeates the most successful companies influences safety, supply chains, deliverables, design, process, training, and effectiveness. This can have a multiplier effect and create bigger wins; communicating both this level of new employee engagement and how this furthers company strategy can help the pipeline of talent grow as well as increase the opportunities for revenue growth.

So, what can you do? Here are some short-, medium-, and long-term approaches to consider, but the effort is needed throughout the industry.

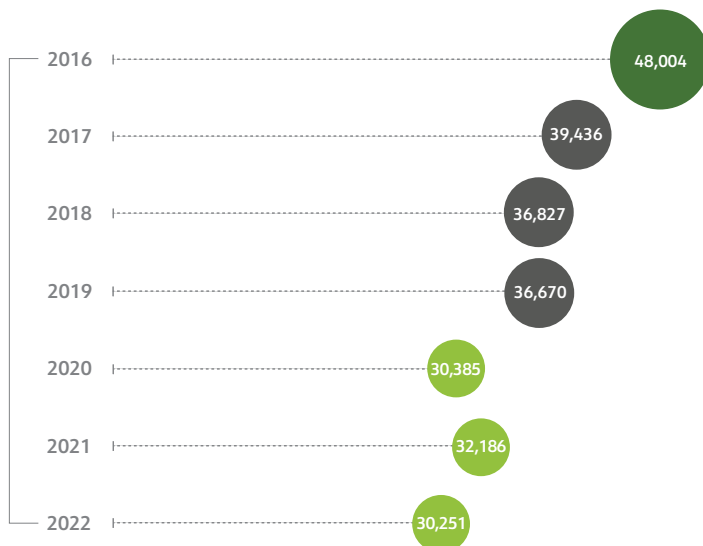
Short-Term Solutions

One near-term solution entails highlighting aspects of your company's culture that meets future employees where they are.

According to Pew Research, only 9% of high school students use LinkedIn; while that increases to more than 50% of college seniors using the site for job hunting,¹² it leaves a large portion of future employees outside of this recruiting platform on which many companies rely. Using lesser known job-posting sites that are geared toward younger generations (e.g., Handshake) and social media (e.g., TikTok and Instagram) can produce better results.

Also, find your influencers. Gen Z is a little more averse to overt marketing and advertising than prior generations and thus is part of the rise of influencers, who are relied on for decision-making. Construction companies can benefit from in-house "brand champions" to promote in the field and office and to engage on social media, speaking authentically about their experience in construction.

Exhibit 1: Annual Number of New CPA Candidates



Source: "2023 Trends: A report on accounting education, the CPA Exam, and public accounting firms' hiring of recent graduates." Association of International Certified Professional Accountants. 2023. thiswaytocpa.com/collectedmedia/files/trends-report-2023.pdf.

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While this generation has grown up with a digital presence and mobile devices as cultural norms, they are not as money-focused, tech-focused, or gig-focused; studies show that Gen Z most values a satisfying job that rewards performance and provides a fair salary, good work-life balance, and job stability.¹³ For many construction executives, only one of those – salary – is a little-known strength of the industry.

Recruitment messaging that distinguishes a career from a job – like prioritizing pay, medical benefits, safety, culture, paid time off, and tuition reimbursement – will win out.

Medium-Term Solutions

Gen Z wants to excel in a workplace that addresses their needs and values their presence. One component of Gen Z's principles includes working with employers that aim to create a more sustainable future. This employee engagement and company strategy aligns with the construction industry's initiatives in advanced sustainability, energy efficiency in new construction processes and materials, and global green strategies.

Although many people outside of construction are unaware of these efforts, they can open doors to fill current and future labor shortages.

Other medium-term solutions involve the myriad of construction associations and companies deepening ties with high schools and middle schools. Capturing STEM-focused youth programs should be a priority for the industry.

For example, more construction employers and industry associations could attend and/or sponsor regional and national Girl Scouts and Scouts BSA events. Less than a handful of construction companies were represented at the most recent Scouts BSA Jamboree and none at the Girl Scout Jamboree.

Long-Term Solutions

Longer-term goals can track right to middle school and into the elementary schools. This is where early ambitions and visions of the future lay. Ideas include encouraging employees with young students to attend school events, career days, sponsoring events, and participating in STEM events.

Ensuring that workplaces are engaging and welcoming is also critical. There are ways to add energy and create a culture that aligns with whichever in-office to hybrid models companies employ. For example, to balance out the typical skeet shoot, golf, fishing, and sporting events, get creative by adding in a mani-pedi, contest, or behind-the-scenes tour that may also resonate with others in the office, as Amy Marks, "Queen of Prefab," highlights in her suggestions of simple ways construction companies can attract more women.

This is especially critical as women are two times more likely to leave the industry than men¹⁴ – generally for either feeling unwelcome or unable to accommodate their career goals and life needs. We can impact the former and influence the latter if we work to become a more welcoming and flexible sector.

These long-, mid-, and short-term ideas are just the tip of the iceberg. Communicating opportunities with the next generations – and aiding those interested in transitioning to construction – is key. There is no silver bullet, but progress can be made.

Embracing Technology for the Future

Technology may soon allow us to increase each person's utility in the future of construction. Not only can this highlight the sector's alignment with STEM and its innovation, but technology will also continue to attract the future workforce.

The emerging technologies being developed in the construction space – BIM, AI, and its burgeoning benefits for training, safety and planning, automation and robotics, virtual reality, exosuits, wearables, and cybersecurity – deserve more attention. Construction's technological progress has an untapped and potentially appreciative audience.

Indeed, these opportunities will likely elevate the financial leaders of construction companies into ever more sophisticated roles capturing additional technology, HR, safety, and risk elements.

New roles are already taking force across many sectors, namely bolstering duties within the financial planning and analytical (FP&A) roles. As stand-alone jobs, these FP&A positions were once relegated exclusively to publicly traded and private equity-owned contractors, but 2023 brought an expansion of this position across privately held groups.

This year is tracking to be no exception, breaking last year's record increase. According to a LinkedIn article, in 2023, job postings for FP&A roles increased 127% since 2016.¹⁵

FP&A roles forecast and provide more clarity and information for the C-suite and boards, while being incorporated into the expected knowledge and skill sets of senior accounting professionals. Layering in enhanced analytics will further elevate construction accounting professionals as more responsibilities encompass data governance, strategic partnerships, integrated planning, improved visualization, and agility in decision-making.

The future-focused construction finance professional is also being tasked with an ever-growing comprehension of risk management and cybersecurity. The industry has seen a painful increase in hackers targeting midsize and small organizations that have yet to bolster their in-house training, back-up systems, and processes. And 2024 and beyond will likely see an ever-increasing cybersecurity challenge as fraudsters and hackers add AI and computing advancements to their tool kits. However, this is an opportunity for organizations to add a defensive layer, as awareness and preventative actions can help mitigate the risk.

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CONCLUSION

The path ahead for CFOs in the construction industry is fraught with challenges but brimming with unparalleled opportunities. As we navigate the demographic shifts, technological integrations, and evolving workforce dynamics, it's imperative to remain agile, forward-thinking, and deeply committed to fostering a culture of inclusivity and innovation.

By embracing the digital revolution, redefining recruitment strategies, and championing diversity and sustainability, CFOs can steer their organizations toward a future characterized by resilience, growth, and enduring success. **BP**

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MARK DEVERGES is the Director of the Executive Search Team at FORVIS (forvis.com), in Asheville, NC, which is focused on helping

construction companies and real estate developers build great teams and connect high-performing individuals to their career goals. Mark has over 19 years of experience with C-suite to critical management level recruitment across North America, with the mix of clients ranging from family-owned groups to Fortune 500 companies and successfully helping them strategically hire the top talent in key executive, finance, operations, HR, and IT roles. He can be reached at mark.deverges@forvis.com.

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Questions to Consider

- What does your company need to do to fully engage with the next-generation operating model for the digital world?
- What are the shifts needed to pivot from running siloed, uncoordinated efforts to launching an integrated operational improvement program centered around career journeys and personal rewards?
- What can you do today to help further position your company or the construction industry for recruitment and retirement wins?
- How do we broadcast that record talent demand in construction is creating amazing career opportunities for Gen Z and becoming more welcoming for those interested in pivoting to construction mid-career?