

COMPENSATION

Contractors Find That Leaders Are a Precious Commodity

In this time where there seems to be more work than people to do it, the search for new talent in the industry has been well-documented. The search for leadership is no less intense, as construction firms struggle with the need to find the next generation of people to run their companies. That search is putting pressure on compensation for top-level executives.

The median compensation for nearly all top-level executives working for contractors now is in the six-figure range, according to a contractor executive salary and compensation survey

by PAS Inc., a Saline, Mich.-based management consulting firm specializing in construction. Further, the 290 contractors and 2,984 executives surveyed indicated they plan to provide average annual salary increases of 5.1 % in 2007.

"While the survey indicates contractors are forecasting a 5.1 % increase in 2007, we are pretty confident that, by the end of the year, the actual increase will be at least 5.6%," says Jeffrey M. Robinson, president of PAS. "Historically, contractor projections are about 0.5% lower than yearend actuals."

That may be just the tip of the iceberg. "We might even be low in our estimate," Robinson says. "Some areas in the Gulf Coast, Southwest and Southeast regions reported 2006 actual increases above 7% and are projecting 7% or higher in 2007." He believes pressure on executive salaries should continue for the foreseeable future.

"Labor is tight in the industry right now, but management leadership is even tighter," says Edward Cloutier, president of American Executive Management Inc., a Salem, Mass.-based executive recruiting firm. With the imminent retirement of

the baby boom generation, contractors are scrambling to find the next generation to take the helms of their firms. "Many companies are not able to hire heirs apparent to top managers," he says.

For contractors, age no longer factors into decisions to hire. "The demand for talent is such that we are placing people in their 70s without companies blinking an eye," says Frank Bruckner, vice president at Kimmel & Associates, an Ashe-

Contractor Execs Getting Six Figures

Title	Median Total Compensation (\$)	Median Bonus (\$)
President	288,895	127,731
Chairman	353,000	175,000
Executive V.P.	261,500	100,000
Senior V.P.	202,500	65,000
V.P., Operations	167,544	40,000
V.P., Estimating	153,000	35,000
V.P., Business Development	150,185	33,850
V.P., Preconstruction	165,500	37,600
V.P., Administration	124,495	22,600
Divisional V.P.	166,450	40,000
V.P., CFO	167,520	40,000
V.P., Human Resources	127,160	24,500
General Counsel	178,500	42,950
Operations Manager	126,371	25,000
IT/MIS Director	100,473	13,750
Divisional Manager	117,606	25,000
General Superintendent	112,000	16,400
Controller	92,500	10,000

SOURCE: PAS INC.

ville, N.C.-based executive search firm. In the past, contractors were reluctant to hire execs in their 50s, assuming the individual would retire in a few years. Not any more. "Older managers have stopped talking about retirement," he says.

New Face at the Table

A new development in the executive suite is the emergence of managers with scheduling expertise. "In the past, top scheduling programs like Primavera were seen as a toy for the big firms, but now it has become an industry standard," says Bruck-

nero The need to deliver complex projects on time has pushed scheduling managers into a more critical role. "Schedulers used to be looked at as little more than clerks. Now, people with scheduling expertise are being called progress managers," he says.

For large contractors, top-level salaries are reaching eyebrow-raising new heights. The average total compensation for presidents of contractors with \$250 million or more in revenue was \$630,640 in 2006, according to the PAS survey.

Cloutier conducted a survey of salaries of CEOs of 36 publicly held construction firms and found that the markets construction firms serve is as important as size in determining CEO pay. In some

cases, CEOs in one market had compensation nearly double that of those in firms of the same size in other markets, he says. CEOs of firms in markets like nuclear and coal power, liquefied natural gas and upstream offshore megaprojects can count on substantially higher pay than their counterparts at firms in the environmental, pulp & paper, food, water, government and heavy civil markets. "Firms in high-margin markets are the ones that pay the most," he says.

The booming market has meant boosts in bonuses, as well as salaries. "The number of companies providing executive bonuses was up from the 2006 survey. And the dollar amount of the bonus was also higher," says Robinson.

One scary trend for contractors is that pay and bonus levels are such that some executives feel they have the financial freedom and independence to strike out on their own. "We had one client who had been grooming someone as an heir apparent," says Bruckner. "But the candidate had invested his bonuses in real estate and decided to become a developer. He ended up leaving the company."

The contractor was able to find a suitable replacement, he says. Not everyone is so lucky in the current hot job market.

By Gary J. Tu/acz

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