

About This Study

For Whom Is This Work Written?

A construction firm's success depends upon its composition of work and people. That's why company leaders spend so much time and energy trying to find just the right balance of people and organization in order to successfully grow and develop the company. This leadership task is not easy. The questions that must be answered are often complex with no black and white answers.

For example, here is a list of just a few of the questions with which organizational leaders must struggle. To a large extent how these questions get answered and implemented determines company success in one of the most competitive industries in the world.

- How many employees should a firm have?
- How many managers should a firm have?
- How important are college graduate employees?
- How many engineers are needed?
- What about construction technology graduates?
- How many owners makes sense?
- Should ownership be shared?
- What is the right mix of work?
- What about union versus non-union?
- What should the organization look like?
- What titles should be given?
- What about subsidiaries vs divisions?
- Centralize or be project oriented?
- What services should be offered?

Periodically all of these questions are important and must be answered in the course of an organization's development. *Contractor Organization and Structure* is designed to aid company leaders in answering these questions by describing how the industry is currently organized and structured.

Naturally, this study can not answer every organizational question one might ask. What it can do, however, is help company leaders formulate reasoned questions and answers. It does this by providing clues, ideas, suggestions, and models as to how other successful firms have addressed these same issues. In short, it is a source from which to begin.

What's New In This 2nd Edition

Contractor Organization & Structure is a study of the organizations and structures of selected construction companies across the United States. This second edition is an update and amplification of the original study completed and published in 1994.

Completely rewritten, this second edition includes three new sections. These three new sections are: 1) Benchmarks for employee composition; 2) Composition and functions of contractor boards of directors; and 3) Model organization mission statements.

Where The Information Comes From

The information contained in this book comes from several different construction industry studies all conducted by PAS, Inc. The organization information comes from the original study of some one hundred contractors invited by PAS to participate in an organizational study project. Each of these firms in the original study supplied PAS with their organizational charts describing corporate, division, subsidiary and project organizations, reporting structures, and job titles. In addition, each firm was asked a series of questions regarding the size and composition of the firm. Here is a sample listing of some of the questions to which firms responded.

- Number of private corporations verses public corporations
- Percentage of U.S. versus foreign ownership
- Number of principal owners (employee owners)
- Number of shareholders (non-employee owners)
- Listing of foreign countries worked in during past three years
- Percentage of cost plus versus fixed price contracts
- Total number of craft employees
- Total number of non-craft employees
- Titles used and number of employees with each title
- Number of employees with four year college degrees
- Number of employees with four year engineering degrees
- Number of employees with construction technology degrees
- Number of employees who are managers or supervisors
- Number of companies perform some merit shop work
- Number of board directors who are shareholders
- Number of board directors who are employees
- Amount of retainers and fees
- Priority functions the board performs

Answers to these questions along with the collection of organization charts make up a significant portion of this book.

In addition to the structure information gathered in the original study, this second edition includes an employee ratio section. This section, designed to benchmark overall composition of employees, comes from a query project of the PAS Construction - Construction Management Staff Survey data base. This data base covers fifteen years of historical data from over 17,000 construction companies.

The new section on boards of directors is drawn from the past five years of survey data gathered as part of the PAS Executive Compensation Survey. Finally, the section on mission statements and company values is drawn from an extensive 1998 PAS study of construction company employee policies and procedures.

Confidentiality Is Important

Because some of the information included in this book is competitively sensitive, PAS is committed to maintaining company anonymity. Consequently, a listing of the names of participating companies is not included in this publication. Though such a list might satisfy the curiosity of some, we believe the addition of participating company names adds little to this kind of study. What is far more important is knowing the mix and types of contractors from whom the data is drawn.

Participant Company Profiles

Of the companies that participated in the organization structure study, overall, ninety-four percent are private corporations, four percent are public corporations and ten percent are subsidiaries of larger organizations. Forty-nine percent of the firms have revenues less than 25 million dollars, forty-one percent have revenues between 25 and 250 million, and ten percent have revenues in excess of 250 million. More detailed composition information is provided in the Global Composition Section that follows.

How The Information Is Organized

The information included in this study is presented in multiple sort formats consisting of organizational structure, employee composition, reporting relationships, and commentary or analysis. Where information is sufficient to establish meaningful comparisons, organizational data is displayed by revenue size, type of contractor and the type of construction performed.

The organizational charts that make up the core of this reference work show key interfaces and relationships between and among functional groups of employees. These charts are usually composites of several charts. They are constructed by identifying the key functions, levels, titles, and configurations of each submitted chart and then constructing a composite chart that illustrates these key features. Where meaningful, these charts are presented in a corporate, alternate corporate, divisional, subsidiary, expanded or project level format.

Firm structure and employee composition information is provided in the **Key Characteristics** at the beginning of each organizational chart section and in the **Employee Ratio** section.

Use Of Model Organization Charts

An organization chart serves an external and internal purpose for an organization. Externally, a chart describes for customers and prospective employees how the firm works, its important features, and names of people to contact. Internally, the organization chart describes for employees, levels of leadership, decision making, functional interfaces, accountabilities, and career paths. In addition, a chart visually

shows the functional units and specialties needed to achieve the mission of the organization.

The charts provided in this reference work should be used as examples of how contractors typically organize. If constructing a chart from these models, do not fail to look at several different types and sizes of companies. Look at the titles and the functions performed. Finally, consider what the chart communicates to internal and external constituents.

Use Of Titles

The section on "commonly used titles" is a catalog of titles reported by the participating companies. Keep in mind that one of the most important decisions a manager makes in designing an organization is the selection of titles. Most research shows that an individual's title is as important as that individual's pay. For example, if an employee perceives that a title is downgraded, even if pay actually increases, the result is a dissatisfied employee. Conversely, titling an employee with a title that makes a job appear more important than it actually is causes conflicts in perceptions of status and relative worth. In other words, pick titles carefully. Use titles that are truly descriptive of what an employee does. The **Titles Section** of this book alphabetically lists over four hundred and thirty titles from which to choose.

Use Of Composition Data

Composition data is found in the "Key Characteristics" at the beginning of each organization chart section. It is found in the board of directors section and in the employee ratio section. When using this data, the reader should carefully review organization size and type differences and be careful to consider the specific circumstances and uniqueness of your own firm. Particularly when using the employee ratios to evaluate employee mix, the reader needs to recognize that these ratios are benchmarks that represent an industry range. No single number is the *correct* answer.

Retainers & Meeting Fees

The only portions of this reference work that are particularly time sensitive are the dollar amounts provided for the retainer and meeting fees in the board of director section. The amounts shown are correct as of January 1998. These amounts are updated annually in the *PAS Executive Compensation Survey For Contractors* should the reader need the most current retainer and fee amounts.