

ARCORO®

Building From Within

The ROI of Leadership Development
in Construction





Many construction firms are concerned about labor shortages, but they should be focused on reducing leadership bottlenecks.

Too often construction firms watch their best supervisors and foremen walk out the door, taking years of project knowledge and crew relationships with them.

It's estimated that it costs [\\$4,000 to hire and train a new employee](#) – for leadership positions, that number can skyrocket. What's more, a bad leader may prompt your best workers to disengage or leave altogether.

While strong leaders can make a huge difference in retention, many construction companies aren't training their leaders effectively – or at all. Only 32% have a formal, leadership training program in place, a whopping 68% offer limited training or none whatsoever, according to [Arcoro's 2026 State of Construction HR Report](#).

Either training is considered a one-and-done event or top workers get promoted to leaders, without having the soft skills – like people readiness - needed to be successful in the role. This leaves the construction industry with serious gaps in leadership.

What Most Firms Get Wrong

- Over-promoting top performers with no leadership support
- Treating leadership training as a one-time event
- Measuring attendance, not outcomes



The Cost of Leadership Gaps

A lack of leadership training can cause gaps in your workforce that your best leaders can't fill. When leaders lack training in management, communication and engagement, satisfaction suffers, pushing workers to leave. [LinkedIn](#) research shows seven out of 10 workers would leave a job if they had a bad manager.

Constant turnover and disengagement can cost your company thousands of dollars. According to Gallup, disengagement cost the world economy \$438 billion in 2024. It's not hard to believe considering how quickly costs add up like: recruiting, lost productivity and, even worse, safety issues because you don't have enough experienced employees.

But there is hope. There's a direct connection between formal leadership programs and reduced turnover, employee engagement and company growth.

The Measurable Impact on Turnover

Many firms track turnover like it is largely out of their control. Workers quit, right? But high-performing construction companies treat turnover differently. They see it as a leadership signal.

In construction, where high turnover within the first 90 days often signals management issues, this pattern is particularly concerning: 39% of survey respondents report 90-day turnover rates between 5 and 30%.

But here's the good news: formal leadership training can reverse this trend. Firms that invest in leadership training report significantly lower first 90-day turnover (<5%) compared to those with no structured program (11-30%).

If leadership training reduces turnover by even 5-10%, contractors can see huge savings on reduced hiring costs alone. Lower turnover also translates to less time recruiting and more time being spent on strategic initiatives.



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Consider this example:

If you have 100 employees with 10% annual turnover, that's 10 replacements at \$4,000 each equaling \$40,000. If leadership training reduces turnover to 5%, you save \$20,000 annually in hiring costs alone, not counting productivity gains and reduced recruiting time.

Leadership Development as a Growth Driver

Leadership development doesn't operate in isolation; it amplifies every other investment a company makes. The impact of leadership development directly drives company growth. Safety programs rely on leaders who reinforce expectations daily. Productivity initiatives depend on leaders who can prioritize and motivate. Even technology adoption succeeds or fails based on a supervisor's ability to coach through change.

It's not surprising that companies with formal leadership development programs frequently report growing faster than their peers, with 26% reporting they're growing faster than their peers while 49% are growing at industry average.

High-growth firms recognize that trained leaders improve team productivity, project completion, safety scores, and employee engagement. That's why they make leadership development a priority, not an afterthought.



What Effective Leadership Development Looks Like

What does effective leadership development look like? It's not offering limited or occasional training. One-time workshops without reinforcement,

accountability, or measurement rarely lead to sustained behavior change. And exposure is not the same as development.

Effective leadership development is ongoing. It reinforces expectations, tracks progress and supports leaders as they apply new skills under real-world pressure.

Effective leadership programs should focus on:

- Communication skills
- Conflict resolution
- Team management
- Safety leadership
- Employee engagement strategies

These competencies form the foundation, but the most successful programs go further by tying leadership development to business outcomes.

Operationally strong and highly strategic construction teams – who are growing faster than their peers with turnover rates below 5% - have:

- Dedicated HR director or manager leading the function
- Most HR systems integrated and sharing data automatically
- Structured or automated onboarding program with consistent delivery
- Fully or mostly integrated HR technology platform with workforce analytics
- Company-wide adoption of AI for data analysis and strategic planning
- Use data to inform HR decisions

With the right tools and data, strategic HR teams can track retention rates, safety scores, project completion and employee engagement – offering direct insights for where costs are occurring most, ultimately improving ROI. These metrics can then be used to identify high-potential leaders for succession planning.



Leadership growth happens when learning carries into everyday work, supported by feedback, tracking, and practical experience.



Your Roadmap to Building Leadership Capacity

The question isn't whether to invest in leadership development, it's where to start. The answer depends on your current

maturity level. Follow these practical steps to start building up your leadership program.

You're Just Starting Out (Level 1):

- Begin with basic leadership training for supervisors (communication and conflict resolution)
- Focus on your frontline leaders who directly impact field employees
- Set foundation for measuring participation

You're Building Your Structure (Level 2):

- Formalize your leadership development program
- Create structured quarterly training covering core competencies
- Begin tracking participation and measuring impact on team retention and engagement

You're Advancing Your Strategy (Level 3):

- Build advanced leadership development tied to measurable business results
- Connect training to retention rates, safety scores, project completion
- Use data to identify high-potential leaders for succession planning
- Consider leadership development as part of broader talent strategy



Effective leadership development isn't a one-time workshop — it's ongoing reinforcement, accountability, and real-world application.



