



Executive summary | Roundtable XVI, September 14, 2022

Wipfli Construction CFO Peer Exchange

Host: Brian Bohman | Wipfli

SMEs: Tom Wojcinski and Jared Heimerl | Wipfli

Facilitator: Austin Evans | Profitable Ideas Exchange

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Introduction

Twelve chief financial officers (CFOs) from the construction industry met virtually to share leading practices and discuss topics of mutual interest based on an agenda created through a series of pre-interviews.

From Wipfli, Brian Bohman, construction practice leader, hosted the exchange. Tom Wojcinski, a principal in Wipfli's cybersecurity and technology management practice, and Jared Heimerl, a tax and senior manager at Wipfli, provided subject matter expertise. Austin Evans of Profitable Ideas Exchange facilitated.

The focus of the discussion covered the following topics over the course of the hour:

- Inflation Reduction Act
- Successes in the war for talent
- Cybersecurity
- Rising insurance rates

Inflation Reduction Act

Jared Heimerl of Wipfli opened the call with a brief summary of the provisions in the Inflation Reduction Act that could benefit contractors.

- For companies that have been taking the 179D deduction, there has been a significant enhancement to the deduction, increasing from \$1.88 a square foot to \$5 a square foot. This presents a significant opportunity for a lot of companies, as there are also some decreases in the eligibility thresholds in addition to the increase in deduction. Heimerl added that it is a good idea for construction companies to build strong relationships with the owners and demonstrate the value of these changes to them.

- The Inflation Reduction Act also increases the 45L energy tax credits from \$2,000 to up to \$5,000 per dwelling or unit. In addition, the legislation removes the cap on energy credits at buildings that are three stories or less. Heimerl advised that if construction companies are working on large, multi-unit and/or high-rise projects, the savings could be substantial. These changes are retroactive to the beginning of the year, so companies should take advantage of the changes and use them in their planning for 2023.

Related Article

[How you can claim the Inflation Reduction Act's green building tax incentives](#)

Successes in the war for talent

The construction industry has been contending with the war for talent for the past couple of years, and leaders have been looking for innovative ways to address it proactively.

- Like all industries, the construction industry is looking to attract a young workforce to replace retiring baby boomers. The executives shared different ways they are working to engage potential employees, catching them right out of college or even earlier. One CFO's organization is participating in college conferences, job fairs and career days, which has been a new engagement channel for the company.

Companies are also partnering with local high schools to help provide education around commercial construction management as a way to get them interested and prepared at an earlier age.

- Another successful strategy is to not only offer a sign-on bonus but also referral bonuses. One leader described how they implemented a referral-bonus structure to their employees that was a huge success. The company offered a \$5,000 bonus “finder's fee” to employees who referred the candidate, if the company ended up hiring them.

Successes in the war for talent

- A related strategy is to create a workplace environment where everyone enjoys working. One executive explained that when they founded their company, they wanted to create a work culture that was not only a good place to work but also an enjoyable place to work. They shared that, regardless of candidate ages (although younger candidates certainly appreciate it), when they interview candidates for key positions, that workplace culture really comes through, making the company a place where people want to work.



Cybersecurity

Cybersecurity has grown as a priority across industries.

- For several executives, their focus is on ensuring that their cybersecurity efforts center more on educating people than with the technology itself, which one executive referred to as “social engineering.” Many CFOs are working to educate their entire companies around cybersecurity risks, such as phishing schemes. One leader described how they meet monthly with different teams, and then annually with their entire staff, to educate them around email security. As part of those trainings, they send out several fake phishing emails the week prior, and a few employees always click on them.
- Likewise, construction executives are working with their partners and owners to ensure that cybersecurity protocols are followed, since a system is only as strong as its weakest link. Leaders are educating partners and clients on what to look for, and also to call them if they see something suspicious.

- One CFO shared that they have clients in K-12 schools and nonprofits, and they work to educate their clients on security threats. Another thing they recommended doing is setting up the billing system up front with the client so that they know that they won't be billed or asked for any identifying information via an email.
- CFOs are also building resiliency into their systems. Most have moved some or all of their digital operations off premises and into the cloud, and most email systems have been outsourced to providers. At one organization, everything they are doing requires multi-factor authentication, and they are using the company KnowBe4 in their training. The results have spooked many people and provoked much greater interest in cybersecurity.

Related Article

[Top 6 cybersecurity tips for construction companies](#)

Rising insurance rates

With premiums for cybersecurity insurance skyrocketing in the last year and continuing to rise, executives shared strategies they are using as they approach insurance renewals.

- One CFO shared that insurance companies are using a new “cybersecurity scorecard” to assess each company’s security risk along different domains, which in turn determines the premium rate. This executive was able to obtain their company’s scorecard, which had them at a D rating. In the four months leading up to their next renewal, they were able to improve their rating not just to an A rating, but to 100%. They recommended finding out a company’s scorecard rating as early as possible.
- The pandemic created a lot of vulnerability in cybersecurity. With workers worldwide working remotely on unsecured networks, the door was opened to an unprecedented number of cybercrimes.

Many digital leaders are now working double-time to ensure their networks and partner networks are secure.

- In some ways, the insurance industry has been lagging behind this trend, and one executive gave the opinion that the insurance companies are just catching up with the reality of the situation by raising their rates.
- Cleaning up a company’s scorecard can help mitigate cyber insurance costs, but CFOs foresee premiums continuing to go up regardless. While the increases in premiums is causing pain, executives agreed that it is really just a correction for the sector, which has been maturing and hardening, partly due to more sophisticated cybercrimes. Companies need to invest in backups in case they get attacked by ransomware and because insurance companies may begin to require a special rider for ransomware.

An overhead, high-angle shot of three construction workers on a wooden grid floor. The workers are wearing hard hats and safety gear. One worker in the center is holding a large set of blueprints. The entire image is overlaid with a semi-transparent blue filter. A white rectangular box is centered over the image, containing the text 'WIPFLI' and a URL below it.

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