

Hello, everyone. This is Wayne Rivers at The Family Business Institute. Thanks for tuning in. Don't forget about our next bootcamp class, Bootcamp Foxtrot, October 21st. So that is our sixth bootcamp class. We're really excited about it. It's been better than expected. It really has exceeded expectations. So, enroll your up and coming high potential next gen leaders, and we look forward to seeing them in October.

Last week, we had our quarterly strategic planning meeting. Due to COVID and rules, we had to reschedule and a bunch of times. But anyway, we had our meeting and Dennis presented his updated economic forecast and it looks like construction is in for boom times as far as the eye can see, at least through next year. There are some troubles, obviously. Material shortages and constraints, and maybe inflation, certainly inflation in the price of commodities. There are some dark clouds on the rise of potentially, but it looks like a pretty good time.

So why is this important to you? Why are we talking about boom times in construction? Because boom times have a profound effect on contractor business succession. Business succession comes up at all of our bootcamp meetings, all of our peer group meetings. It's always a hot topic among contractors and so I want to talk about three specific ways that boom times affect contractor business succession. So, the first place, complacency. Complacency is the killer of construction businesses over time. As Bundy says, "Construction is a tough business for tough people who make tough decisions." And the last thing we can afford is complacency in our thoughts as we continue to grow and build our businesses. So how does complacency show up? Well, lack of adherence to SOPs or lack of development of new SOPs as necessary. Lack of accountability, a failure to focus on the fundamentals like days gained and days lost on projects.

Business development efforts get soft because the phone is always ringing. Arrogance or overconfidence in go/no-go decisions, that kind of thing. I mean, I guess psychologically, as the company prospers and as things seem so easy, getting new business seems so easy, we just get a little bit lax in our procedures and all that. And pretty soon we see that our margins begin to erode, or our biz dev efforts fall off or whatever. So, complacency is the number one thing that you have to watch out for in boom times. When it's a recession, oh my gosh, everybody's tightening the belt, but no, no, in boom times, things can get a little bit lax. So be on the lookout.

Okay, the second thing, senior leaders hang on too long. So you've got a 65 year old who says he or she is going to retire in three years, but now the company is making more money than it's ever made in its lifetime, more money than the senior leaders ever thought they'd make. And, in a sense, that they can't afford to retire. The money is so good right now, they can't afford to retire.

Another thing, the cost for next gen rising leaders that want to buy into the company goes up. So, whereas \$100,000 that was bonused out to me could buy 10 shares of company stock last year, well, maybe this year, it can only buy five shares. So, the cost of entry goes up. As the senior leader hangs on, the rate of change, maybe going back to number one, the rate of change, the rate of innovation, slows down and things get lax. And we just don't have our eyes on the ball the way we need to.

The next thing, the fourth thing, next gen leaders get discouraged, because they saw themselves, if I'm 50 or 55 years old and I see myself owning shares and being part of next generation senior leadership and I'm 50, now the senior leader hangs on for another three to five years. I'm 55, as I go up in age, it's a little less exciting to take on all the risk associated with being an owner of a commercial construction company. And then senior leaders inadvertently damage the thing they love. They damage the companies because they don't innovate, they don't change, they don't groom their next gen successors. It's just, after all these years of peddling the bicycle so hard, the money's good and I'm going to grab all of it I can. And you can't blame them, but on the other hand, you can see why that would be a business succession problem.

Okay, the fifth thing, flip that coin over, the money's so good suddenly the senior leaders can't afford to retire and they just say, "Golly, I've harvested all this money, more than I ever thought we'd make in this company, I'm out. It's April of

2021. I'm out in December." Well, that means they've probably failed to prep their next gen successors properly. There are a lot of things that have to happen. If you've got one senior leader who's passing the company down to three leaders, those people, those men and women, have an entirely new communication regimen they need to create.

Because if I'm an individual owner, I own 100%, I can have a board meeting between my ears. But if I've got three people now who have to make joint decisions, they've got to decide how they're going to decide. They've got to have a way for making decisions. They've got to have a way for holding each other accountable. They've got to have a specific rhythm of how they're going to communicate, weekly, quarterly, et cetera. And if those things aren't in place, then the management, it doesn't matter who owns the company at that point, the management of the company is going to not be as it should. And so, the value of the company goes down over time. So, you've got two sides to that coin, senior leaders hang on too long, senior leaders get out too fast without grooming the next generation. The third thing creates a leadership vacuum and that's the thing that you mostly don't want.

Now, these are the problems of success. It's crazy. These are the problems of success in boom times, in good times, in high margins again, and all those things, but they are problems, nonetheless. Construction is a tough business for tough people who make tough decisions, and we can't afford to take our eye off the ball in boom times any more than we take our eyes off the ball in lean times. I'd love to have your thoughts, maybe a little pushback. This is Wayne Rivers at The Family Business Institute. Thank you.