

Hi, everyone. This is Wayne Rivers at FBI, where *We Build Better Contractors*.

This week I would like to talk about succession. Contractor succession is not an event, it is a process. And every week, sometimes multiple times during the week, we get inquiries from people all over the US and Canada, and they want to talk about succession. What do I do? How do I do it? When should I start, et cetera, et cetera? And so, I want to go into this succession discussion a little bit. We spend an enormous amount of time not just talking about it with our members, but actually executing succession plans all over the US and Canada.

So, before I get into it, I want to talk about Boot Camp. Boot Camp is over half subscribed for February in Raleigh. It's February 9 and 10. So go ahead and sign your folks up now so that you make sure that they get a seat. And then later we're going to be announcing our other Boot Camp offerings across the US for 2023, right around the corner.

All right, so when you read about succession in the financial press or even in industry trade publications, 90% of the time or more, you're reading about ownership succession. How do I transition the ownership of my company from a set of senior generation leaders, whether family or not, that really doesn't matter to a group of next gens or junior people? Now, they could be family members, but they don't have to be family members. It could be me and Dennis selling a company to any number of non-related parties, right?

So, what you read about is always ownership succession. Well, there are two more super important components. I mean, super important, holy moly. The second one is management succession, and the third is leadership succession. So, if you think about management succession, if I'm going to retire and our COO is going to step up to CEO, well, he's already got a full-time job. There's going to be a big hole in the organization because now suddenly we don't have a COO anymore. Who's going to do all this stuff that the COO did? So, there's got to be management succession. You've got to adjust the whole chain of command, your entire management group.

And then there's leadership too, all right. So, leadership is often about personality and the way leaders inspire people. But no two people are the same. So, Dennis's leadership is different from my leadership, is different from John's leadership. So, leadership succession also has to be a part of the mix. So, I want to show you a couple of graphics here. You'll see them on the screen.

The first is what I think, this is a graphical representation of how I think contractors view succession. So over here, see, we've got responsibility, knowledge, skills and abilities on this axis. On this axis, we've got time, as time goes by. And people tend to think of transition as an event. I'm going to retire December 31st, such and such a year. Boom. I'm out. You're in. That is a transition event. And that really puts a lot of pressure on people and the organization. It's unfair to your customers, it's unfair to your trade partners. That is a bad way to do it.

Inevitably, most of the time, the vast majority of the time, both the departing senior leaders and the rising next gen leaders overestimate the next gen's capacity for leadership. There comes a crisis, a vacuum of leadership you might say, not to mention the management succession headaches. And the way I think about that is if you don't have your management succession ironed out perfectly, and your leadership succession really, really, really thought out, who cares about ownership succession?

I mean, your company is going to go down in value. Suddenly the investment that you may be relying on for your retirement years is worth less and less. The capability of that next gen to pay you back if you're the departing leader, diminishes year after year because you haven't addressed management and leadership succession, okay. What's a better way to do it then? So, here's my second graphic. Again, you'll see this on your screen, okay.

So, the axes are the same. Responsibility, abilities, knowledge, and then time over here. But you'll see this, but you've really got to ramp up your successors well before the transition event. So, if I'm going to say I'm going to retire December

31st, 2026, it is time right now to begin preparing the next gen leaders, my future org chart. What does that need to look like? Who's going to take management responsibilities? Who's going to have leadership responsibilities? Who's responsible for what? How do we hold people accountable? All that stuff needs to be in process. And for us, it is. Thank you. We're trying to take our own medicine. But all that stuff needs to be in place well before the transition event.

Now, Wayne or Dennis, Dennis answers this question all the time. How long should I allow for my succession plan? Do I need a year? Do I need six months? My friends, you need seven to 10 years. Seven to 10 years is ideal because you're going to stumble. Somebody's going to scrape a knee once in a while. It's not going to be perfect because we're human beings. We're incapable of being perfect. So, allow seven to 10 years.

Oh, Wayne, I don't have seven to 10 years. I'm already 72 and I'm just plum worn out. Maybe I'm good for two or three more years. Okay, that's fine, that's fine. But you still, you've got to plan all this stuff out. So, I mean, you wouldn't walk on a job site and start work without having the plan, right? So, this is your biggest project ever potentially, is your succession. Why would you begin a succession process without having your plan well thought out years in advance, right? It makes perfect sense.

All right, five quick tips. Five quick tips for making this easier. First, get your entire leadership team involved. Just like when you do strategic planning, you get your best hearts and minds involved with the process. Same thing here. Get everybody involved so you think through everything, you check all the boxes, you don't just miss things and have huge blind spots.

The second thing, communicate the succession plan. This is really important. Your employees are smart enough to know that a leadership, management and ownership succession is going to change things. And they want to know that you have a handle on this so that their careers are secure, that their jobs are going to be there two years and five years from now. So, communicate this among your team.

Also, communicate it to your bank, your bonding company, your customers, your vendors, your trade partners and everybody else. They don't need to know. They don't need to see dollars and cents, they don't need to see your timeline. Just talk to them and relate to them what's going on. And believe me, you will get many, many, many thanks internally and externally for doing that.

The third thing is, allow for changes in style and tone. So, I was with a father and son who are going through a transition and the son has already taken the business to a dramatically different level from what dad had. But dad's in his 70s, son is about 50. And they were talking about some upcoming changes, and they were developing a strategy to get the employees on board with the changes. And dad just shook his head, 70 something year old guy. Why don't you just tell them what to do? Why don't you just make them do it?

And the son was very patient, and he said, dad, that just doesn't work anymore with today's employees. It just doesn't. You can't. I could do that but it's not going to be effective. And if you think about, for those of you that are my age, when you came into the workforce, when the boss said jump, you said how high. We didn't need to know what the motivation was and know what the plan was and what's in it for me. We just did it because it was by gosh, our jobs. Well, today's employees aren't that way. They want to have a stake in the outcome. They want to know how they're going to be affected, how they can contribute to a successful succession effort. So, allow for changes in tone and style.

The fourth thing is, get outside objective input. Get your advisors involved, your lawyer, CPA, financial planner, banker, whoever. Get your peers involved. Professional advisors are wonderful, but to me the best business advice comes from peers. So, our peer group is coming here to Raleigh to dissect our company pretty soon. I'm a little nervous. But the best advice that I get is from my peers. The best advice most contractors get is from their peers. So, by gosh, get your peers involved and just make sure that you're learning from their successes and maybe more important, their mistakes.

And the fifth thing, you may have already guessed this, start early. Give yourself seven to 10 years. Even if you're 60 and you're still going strong, you feel great, you have energy and all that stuff, still go ahead and start thinking about it because as the years go by, you have a little less energy, et cetera, et cetera. Go ahead and do the right thing, not just for your benefit, but mostly for the benefit of the other people on your team.

You might not need a plan. You might feel very comfortable here that it's just going to work out because things have always worked out for you. The succession plan is not for you, it's for everybody else on your team. So, I'd like to hear what's worked or maybe failed to work for you. This is Wayne Rivers at FBI, where *We Build Better Contractors*.