

Good morning, everybody. Dennis Engelbrecht with FBI, where *We Build Better Contractors*.

Today I wanted to talk about passing the torch, and this really came to mind, we're going through the US Open now, you may see this a little bit later, but Serena Williams is having her swan song and read an article about the difficulty of passing the torch. And I thought, well, shoot, that's something we all have in common in our businesses, is how do you pass the torch to the next generation and all of that.

And why is it hard? Why is it for Serena supposedly to pass the torch? And why is that so difficult for so many of us? And in thinking about it with Serena in particular, it's hard to get out of the way. She still sees herself as a champion, still wants to be a champion, still wants to get that 24th Grand Slam title and all of that. She's not really interested in going out there and letting someone else have the spotlight and be the better player. And I think that's very true with a lot of us executives as we hit the end of our career, we see ourselves as necessary to success, and maybe even we get a certain addiction to being able to make the decisions, to get the credit, to create success, and it isn't just an addiction, there's a lot of pride in doing that. A lot of pride in the success we've created and that we continue to create.

But it's hard for us. We want others to do the work, to take on the responsibilities, to make the decisions, but so often there's sort a, so long as they do it the way we would want to see it done, the way we would do it, or make the decisions we would make. Of course, that's not really fair and that's not really getting out of the way either. But I do think that's one of the challenges we face. So, we have to work on that. We have to clear the way for the others to make those decisions, make those mistakes and that's hard for us to do. The other aspect of passing the torch is the role change is difficult for many. And that role change takes a lot of different forms. I mean, if you're cruising into the sunset, what are you going to do with your time?

What are you going to do with your energy? What's going to keep you motivated? What's your purpose going to be after this? And I'd say for everybody, it also involves a different set of skills as you're trying to pass the torch in your company. By stepping aside, you have to become more coach and counselor than doer and manager. And that's important to bring the next team along. You also will have different routines because you'll be doing different things. So, you got to figure out what that day looks like. How do I add value now as I go through the day? And how do I stay out of the way of those that are trying to take on those jobs or responsibilities that I used to have? And even there's a different way of talking, listening and reacting that's required. Instead of jumping in and being the lead, you want to sit back, and you want to let others take the lead in the discussions and take the lead in the idea generation, you want to help guide them.

But again, that takes more listening, and it takes a more subtle approach perhaps to how you react and how you give your feedback and how you do that. So, it's a very nuanced thing. I think the way your role changes as you're trying to pass the torch. The one area where a lot of people have trouble, of course, is if you're going to pass the torch, you need someone to take the torch and again, Serena comes to mind. We look at tennis and we look at women's tennis, and there is no next person really that comes to mind. Of course, we're in the early rounds right now of the US Open, we've already lost both of last year's finalists, one of whom, the gal who won Emma Raducanu, everybody thought, oh wow, here's the next great one. Well, she's lost 10 out of the last 12 first round matches.

She was sort of a flash in the pan it appears, we hope not in the end, but that's what it looks like right now. And it seems every Grand Slam, there's a different winner. There is no clear leader coming through there. And you may have a similar situation. It's difficult to find the right person to take the torch because you've advanced the ball a great deal during your leadership, and now you need somebody to take the ball from here and move it forward. Your company's probably a lot larger, a lot more complicated, probably a lot more people than it was when you took it over. And now you need somebody who can take it from here and go the next step. The interesting part of that is it's probably not a person who looks like you did when you took it over, and we're all humans.

So, we kind of think, "Well, where's the next me?" Well, you don't really even need the next me. You need somebody completely different with a different set of skills that can move on. And that can be difficult. A lot of times you think you have that person, you start giving them responsibilities, and sometimes their flaws start showing up at that point. Or even as you try to bring them into ownership, all of a sudden you realize, well, they're greedy, they're not really for the organization, and maybe they're not built right, but sometimes you have to get people to a certain level and you find that up, find that out. So, it's tough to find the right person or people to take that torch. And as I say, people, a lot of times now it really takes a team, you may have been a single leader, but you really need a team of leaders because the organization has grown.

And certainly, you need cohesion going forward. And that's one of the issues with passing the torch as well, is sometimes you've got the person who's maybe the right next one, but they're not coalescing so well with the other two or three leaders there, and the others maybe don't see it the same way you see it. So, we have that issue too. So certainly, important to get folks ready to pass the torch and have somebody to do that. And then I think the other thing that's very difficult about passing the torch, and I don't think Serena has any problem with this, is the financial headwinds. I think Serena's probably set for the rest of her life. I'm pretty sure. Not to mention she married a billionaire, but so I think they're set for the rest of their lives. But sometimes when you get to that point, there can be financial headwinds.

Right now, we're looking at a potential recession for the economy and possibly for the construction industry. So we are in a cyclical business, and any financial transition, basically the money to support that's going to come out of company profits. Well, in a cyclical industry, we're going to have these periods and perhaps we have one shortly ahead of us where profitability's not going to be that great, not going to be as good as it was over the last five or six years where we seem to have hit an extended-up period. So, where's the money going to come from to pay for the company? And it always has to come from the company, by the way. Either today and sitting in the balance sheet or into the future. And if you empty the balance sheet, if the plan that you have is to take money out of the company and that's how it's going to happen, well we still have to replenish that balance sheet.

And again, that comes from after-tax profits, no matter how you're structured. So, that can be one of the challenges. So, if you're looking to pass the torch soon, hopefully take some of these tips, it's very important to plan. Most folks think it takes at least a 10-year horizon to really plan and execute a successful transition. So, if you haven't started yet, get on it. Work on getting the right people, work on finding your role and transitioning your role and getting out of the way. And probably most importantly, get the financial parts started early. It's probably even best if by the time you completely retire, the financial part is complete. I know personally, I'm nearing the end of my career and retiring very soon, and the financial part is already done. So, all I have to do is step aside in the operational roles that I have and make sure there's somebody to pick up the ball there. And that certainly is a lot easier. So, recommend it to you as well. Again, Dennis Engelbrecht, Digging Deeper. Thanks for tuning in.