

Hello everyone, this is Wayne Rivers at FBI where *We Build Better Contractors*.

A quick announcement, our final Boot Camp of 2023 is November 9 and 10 in Raleigh. We'll be announcing the '24 Boot Camps here soon, but if you want your folks to get into Boot Camp, and I think you probably do, November 9 and 10 in Raleigh. Contact Charlotte for more information.

This week, I want to talk about the six reasons contractors fail to do something vitally important, and that is succession planning. Ultimately the acid test of leadership is are you planning for your company to be successful after your working lifetime is over, after you're sort of stepped away from your senior leadership responsibilities? Everybody wants to be successful both now and they want their company and their employees to be successful in the future. So why would they put off succession planning?

Well, I think there are six reasons. Number one, they don't know how to. They don't know where to begin. You only have to do it once a generation, maybe once every other generation. It's not like estimating a project or creating a project management plan or updating your safety plan. That's stuff you do all the time. Planning for succession is something you might do once every 20 or 30 years if even that frequently, so it just doesn't come naturally.

And there's a corollary to that too, and that's the business press. You'll pick up an industry magazine and it'll have an article in there about ESOPs or it'll have an article about private equity, or who knows, some lawyer wrote an article about gift techniques or, I don't know, generation skipping trust. You're putting all this into your brain, you're loading all this succession information into your brain, and then you have to wonder, how does it all fit together? How does it all connect? If I do this one, does it cut off alternatives over here? It's just kind of overwhelming. In fact, I had a contract in Illinois say that, just two weeks ago, he'd say, "This is overwhelming. I don't know where to begin." But that's why you should get help.

Second thing, succession planning is rarely urgent until it is, right? You can always put it off until '24 or '25. It's not urgent unless all of a sudden someone gets struck by lightning or there's a terrible accident or something, and then all of a sudden it might be too late because you literally have cut off alternatives that may have been very beneficial to you had you not had the accident. If you think of Eisenhower's matrix of urgent and important, it's always important succession planning, but it rarely rises to the level of urgent unless someone is deathly ill or there's an accident or some other weird thing comes along.

The third reason contractors don't do succession planning is, I'm afraid to say, the professional community. What do I mean by that? Every contractor has the following professionals, an attorney, a CPA, insurance professionals, financial planning professionals, and bankers. All those professionals are urging you to do succession planning. And what they mean when they say succession planning is ownership succession planning. That's where they work, ownership succession planning. They encourage you to do succession planning. You do wills and trusts and buy sell agreements and who knows what else. And you go, "Whew, golly, man, that was an ordeal. I feel really good. We've got a succession plan in place." That succession plan only triggers, usually, when someone passes away. What if you live? But what if you make the mistake your plan doesn't help you if you live. What if you live another 20 or 30 working years?

Two things have to happen in addition to ownership succession planning, you've got to have management succession planning. Who is going to estimate? Who is going to manage projects? Who is going to buy equipment? Who is going to contact customers and develop business? Somebody's got to manage the company, right? So, management succession, and the final component is leadership succession. If you don't have management and leadership succession in place, there's not a great deal of point in doing ownership succession planning because the company's not going to be worth much. If you haven't planned for who's going to run, manage, and lead the company in the future, then your ownership succession planning has far less value than it would've been otherwise.

The fourth reason, it's always, always, always, always easier, and safer to not do it. Do you understand what I'm saying? If you don't do succession planning, you don't risk upsetting potential successors. You don't risk upsetting trade partners or customers, even. Nobody has to change anything. The human condition is to resist change, right? If you don't do succession planning, there's no need for change until there is, of course. In the short run, you can get away with it. Over the period of the next 24, 36 months, whatever you can get away with it. In the long run, of course, if you don't do succession planning, your company will be a shadow of its former self.

The fifth reason contractors don't do succession planning, we talked about this in a vlog, oh, I don't know, a month or two ago, the excessive deference of junior generation folks for their seniors. Whether it's parents or just whether it's senior executives that you respect a great deal, I think younger folks feel like it's ungrateful to push for succession planning. Even though I might be 40 years old, even though succession planning might be on the tip of my tongue every day when I wake up, even though succession planning is vitally in the best interest of the company, I feel a little bit like an ingrate if I go to my senior leader and say, "Boy, we really, really, really need to get this succession planning done."

I think that excessive deference, the fear, the lack of courage, you might say, is counterproductive when it comes to succession planning. If you are in business and you're age, whatever it is, and you're rising to senior leadership, you must think of yourself and you must advocate yourself as a peer in that business. It doesn't matter if the senior leader hired you right out of high school and you respect and revere that individual at some point in business you have to think of yourself as a peer. We're all in this together, and if we don't do succession planning, my career is in jeopardy, my future's in jeopardy. How do I explain to my people at home? How do I explain to my family that I'm waiting, waiting, waiting, waiting for the seniors to wake up one day and decide that we need to do this? I need to advocate for myself and my own career as a peer in the construction business.

The sixth and final reason, I think contractors see succession as an event, not a process. We talked about this in a vlog in the last couple of years too. It's December 31st, such and such year I'm going to retire, and we've decided that Jane Doe or John Doe will be the new president of the company. It is not that way anymore than your projects are events. When you hand the key over to the owner, okay, that's an event, but there was a long process. There may have been a multi-year process to get that project to a point where you could hand that key over, right? It's not an event, it is a process, it is a project. Succession planning is nothing more than another project for you to manage. And let's face it, you are a project management expert. Treat succession planning like a project, and you'll find that it's much less daunting and much easier for you to get your mind around.

I'd like to hear what you think. What are the reasons you think contractors don't do succession planning? Or what might be the reasons that you have undertaken succession planning in your company? We'd like to hear from you. This is Wayne Rivers at FBI where *We Build Better Contractors*.