

Putting the “success” in succession plan for your construction company

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When you’ve spent years growing a company, cultivating a client base and training a work force, you don’t want all of that hard work to disappear after you are no longer involved.

The good news is that you can ensure your legacy and your construction company’s future through a succession plan – but only if you take the time to make one.

A 2017 industry survey by FMI shows that firms with a formal succession plan in place are better prepared for the future.[1] Yet as recently as 2013, more than half of construction companies did not have a formal succession plan in place.[2]

Mapping out a succession plan requires careful preparation, but it isn’t rocket science. Here’s what you need to know to make succession planning a success:

Start early.

If your business is in its prime, now is the perfect time. You want to begin the succession planning process while your business is flourishing and all of the key players are still active. That way you’ll have plenty of options to choose from.

Figure out your end game.

Maybe you want your kids to inherit the family business. Or you’d just rather sell it and sail off into the sunset. Make a plan for how you plan to transfer ownership, and to whom – whether that’s your family, your employees or a third party. These days, more construction company owners are recognizing the challenges of third-party sales and opting instead for employee stock ownership plans, or ESOPs, which allow owners to sell up to 100% of their stock to a benefit plan the employees own.

Assemble your dream team.

Identify the key players in your current operation, and determine who you would want calling the shots when you’re gone. Consider incentivizing these employees to stay with the company after its transition.

Communicate carefully with family.

The construction industry tends to be a family affair, but transferring business ownership is particularly challenging for family-owned businesses. Although 88% of current family business owners believe their families will control their business in five years, only 30% of family businesses survive into the second generation; just 12% make it to the third, and 3% operate into the fourth generation or beyond.[3] That’s why succession planning is critical. Start having conversations with family members now, and keep them involved in the planning process.

Get it in writing.

Expressing your wishes verbally is never enough. After you've taken the time to develop a formal plan, write it down the same as you would with your own will.

Train.

Only 59% of construction company leaders are confident in their successors' ability to lead the business in the future. Don't be that guy. Start training people now to carry out your vision and to meet the goals you've set.

Incorporate technology.

Modern succession planning cannot exist without IT resources. Investing in systems management software will enable you to centralize project information, client communication, billing, payroll and other important data. You can also rely on human resources software to track employee records and performance. Whatever system you choose, make sure you are digitizing processes and institutional knowledge so you can easily pass that on to the next generation.

Call on consultants.

Don't try to go it alone. Business expert Edward Sundberg recommends that before executing a succession plan, an owner should involve at least three advisors: a certified public accountant, a corporate lawyer and an independent business consultant.[4]

Decide when succession will begin.

When is the best time to hand over the keys? It might be when you reach a certain age, or when your children have proven that they're ready to take over. Build in a transition period to allow for plenty of time to make sure everything is running smoothly. Then you can finally buy that retirement RV and hit the road.



[1] https://www.fminet.com/wp-content/uploads/2017/09/OTMSSurveyReport_2017_WEB.pdf

[2] http://p.fminet.com/rs/583-MEF-388/images/OTMSSurveyReport_2013_FINAL.pdf

[3] <https://www.familybusinessinstitute.com/consulting/succession-planning/>

[4] <https://www.constructionbusinessowner.com/strategy/business-management/4-steps-succession-planning>

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