

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

This week, I want to talk about guidelines for successful family transitions in construction. This is a white paper. This is my copy, obviously. It's a mess. It's for editing. But Dennis wrote a short, four-page white paper for a member who requested some solid guidelines, actually, for a peer group. They wanted some solid guidelines to help assist them in their family business transitions.

When we started The Family Business Institute 30-something years ago, all of our clients were family businesses, and that was the norm in construction back then. Today, just doing some quick surveying of our members, about 50% of our members are not family businesses. That is, they're owned by one or more unrelated people. But still, half of our construction companies are family businesses, hence, the white paper. By the way, the link below, you can download the white paper, and please take advantage of that.

Family businesses are different. That's just a fact. Lyon Denka wrote in the 1970s that family businesses are the perfect mix of entitlement and opportunity. You've seen that in family businesses, right? You've seen people that subscribe to the entitlement piece of it and they coast along because they have the right last name, they enjoy maybe more vacations, a higher salary, a better office, better opportunity, et cetera. They view the family business as an opportunity to coast along and enjoy the country club, and "I'm a member of the XYZ family," and that's great.

That's not the way it is anymore. I'm sure it is somewhere, but in most construction companies, they are meritocracies these days. That's why such a percentage has transitioned in the 30 years. It used to be 90% of contractors are family businesses. Now, by our count, it's about 50%. It's all based on merit now. I think that's a good thing for businesses. They're more professional than they once were. Also, it has increased opportunity for people who don't have the same last name as the founder perhaps.

Why is being in a family business harder? Why is being a family member aspiring to leadership harder than just anybody? The reason is that family members are always under the microscope. They're under the microscope from mom and dad, from uncles and aunts that are in the business, from other family members that may be there, from the senior leaders in the family business who wonder, "Is this guy going to take my job?", the field workers who think, "Ah, she doesn't know anything about construction. She went to college and she doesn't know a thing about it." Everybody has those... Even your trades and your trade partners and your professionals are like, "Oh, well, here comes Mary," or "Here comes John," and "They don't know anything about construction and I'm going to have to educate them. Holy moly."

Anyway, they're really under the microscope and there's this intense pressure from all these other people, this microscopic examination of their selves and their performance. But the main thing is the pressure, it comes from within, because nobody wants to let down the family legacy. Golly, my family business has been here for 50 years or a hundred years. I don't want to be the one that stalls the growth or, worse, causes the family business to decline. There's immense individual pressure on people.

All right, so the paper's divided into three things: the basics, earning respect, and then how to ascend into senior leadership. The basics are what you expect: get an education. We strongly recommend that post-education, that family members work three years, preferably in construction, preferably for a company that's larger and more sophisticated than your own. Get out there and learn some stuff. Make mistakes on somebody else's nickel. Earn a promotion, earn accolades, get educated. Do all these things so that when you come into the family business, you're genuinely ready to contribute rather than coasting in there as a wet behind the ears college kid who knows that they worked in the field in the summers, but not much beyond that.

That's the next piece. We do recommend that family members start in the field for a short period of time perhaps. They probably already did that when they were in high school, pushing brooms and cleaning up job sites and things like that,

so that's good. But having that appreciation from working side-by-side with people in the field, experiencing their ups and downs, the ebb and flow of their days, the kind of work they do every single day over sometimes 30-year construction careers, that's an important thing, and that leads to empathy later on.

The project engineer pathway is the normal way now, the sort of best practices way to integrate high potential young people into the construction business. They should also be hungry, in my opinion, for internal and external training. That of course makes me think of bootcamp. Don't forget about the Contractor Business Bootcamp, January 27th. Class is already almost a third full. Here we are, we're filming this in September, so don't wait. This one's going to fill up quickly, too. Contact Charlotte for more information.

All right, the second part of the paper is earning respect. Respect cannot be demanded. It cannot be bestowed on someone. It absolutely 110% has to be earned. What's the pathway to earning respect in construction? It is leading people to success across a project. That's always the way it is in construction. That is the best pathway. Operations is the kind of normal pathway, but you could earn respect in BD, [inaudible 00:06:07], any number of different ways. The main thing is you need to execute your job. You need to do your job well. You need to build teams. You need to build collaboration. You need to meet schedules and budgets, of course. But you've got to demonstrate project success because if you can't run a project, you can't run a business. I guess there might be a 1% exception to that rule, but it strikes me if you can't run a project, how could you be expected to run an entire business with all the infinite complexity associated with that?

You've got internal respect, of course. You want your coworkers to respect you but think about it. If you're going to be a senior leader, you've got to also earn the respect of your trade partners, your professionals with whom you work, your customers, your advisors, your banker, your bonding company, et cetera, et cetera. Earning respect never stops. The thing about that is earning respect takes a lifetime. You can destroy respect and trust like that. It only takes one transgression, one colossal slip up. Sure, there's forgiveness, but golly, nobody ever forgets when we fall flat on our faces, do they?

Then I would say, there's not a prescribed time period for this training and respect earning period. Some people will drive through that period really fast, and some people like me, for example, are more late bloomers. It took me forever, I think, to demonstrate any real, sustained success as a young adult. Be patient with your folks. There's not really a prescribed time period.

Finally, we won't talk about young people, young professionals, high potential people exceeding into senior leadership. If there's no respect, don't even bother. If they haven't built and earned respect over a period of years prior to getting that senior leadership title, VP of something, director of something, don't even bother because you're going to collapse morale. We talked about family businesses being this mixture of entitlement and opportunity. If you're going to make errors, please don't make them on the entitlement side. Nothing is a bigger morale buster in a construction company than promoting, rewarding people that really, really haven't gotten it done. You're going to lose people over that potentially, and that is a big risk in today's construction marketplace.

Respect and trust are the two prerequisites, of course. Senior leaders need to be able to listen. They should be listening more than they talk, which is rare, I think, among some senior leaders. They've got to have demonstrated a track record of sound decision-making. They've got to be reliable and consistent. I worked with a guy once and he was up and down. One day, he's your best bud. The next day, he's ill and ready to snap at you at the least little thing. That inconsistency was troubling. You didn't know if you were supposed to walk on eggshells or put your arm around the guy. Really disconcerting. Reliability and consistency are important. Relationship. Being able to build, but also sustain relationships is a key component to senior leadership. Then finally, and maybe most important in today's construction world, demonstrating true care and concern for your employees and also their families, because they're just an extension of their families. If

people come first in today's world, and they do, if the most important decisions you make in construction are people decisions, and they are, then you've got to demonstrate real care and nurturing for your employees and their families.

We'd like to hear, what are your rules? What are your rules if you're a family business? What are your rules if you're not a family business? What rules would you suggest? How have you gotten it done? What are your secrets? What are the secret ingredients that you've used to cause your business to succeed where some others have stumbled and even fell?

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