



THE BLUEPRINT

Owners of businesses operating within the construction industry, who are considering ownership succession, are looking at a number of options besides an open market sale.

FOR FUTURE LEADERSHIP

STANLEY H. DAVIS

According to the Bureau of Labor Statistics, there is near-term hope in the construction industry. While unemployment (for private wage and salary workers) peaked at 27.1 percent in February 2010, the numbers have been in a declining trend since then. For August 2012, this unemployment figure was down to 11.3 percent — still nothing like the numbers found in earlier years, but definitely promising.

Granted, it's not clear whether this improvement is a trend or an event; vigilance and prudence remain essential. Still, let's not ignore the same data sources, now indicating a positive direction, which were readily embraced when they were relentlessly negative. In fact, historically reliable surveys persuasively suggest that the recession is weakening and a period of recovery is now beginning. Rising capital expenditure commitments imply growing confidence. Concerns about liquidity are abating.

We know that an improving economy will not sustain a straight-line recovery as it starts slowly and endures dips as a new trend develops. Still, great companies are positioning for the approaching upturn. They are fine-tuning their operations and differentiating their offerings. They are engaging new customers

and claiming the market shares of faltering competitors. And . . . they are on the hunt for great leadership to power their transformations.

Moving on

Many construction business owners have been waiting for an improved market to begin so they might initiate their own succession plan and move on, retire, and/or sell their businesses. There is always a flow of business sales, but in the past few years that flow was dammed to a trickle as buyers were uncertain, funding was tight, and ready owners waited for better prices. Couple the release of pent-up transactions with expiring tax advantages and with the demographic slug of baby boomer owners eyeing retirement, and a surge of business deals may be imminent. (It is estimated that 10,000 baby boomers are retiring every day.)

Owners of businesses operating within the construction industry, who are considering ownership succession, are looking at a number of options besides an open market sale. Among their options are:

- hiring executives who may buy the business;

STANLEY H. DAVIS is founding principal of Standish Executive Search (www.standishsearch.com), the executive search firm advising mid-size and smaller companies.

- transitioning the business to the family's next generation (should it be a family-run business currently); or
- shifting business ownership to employees.

These and other options are not new. What is different is the escalating activity.

A quandary faced by most exiting business owners, especially from family businesses, is in part rooted in a concern for their legacy and for their employees. Will a new owner or leader sustain the business and its reputation? How would a business sale, or its failure, adversely impact loyal employees? Are current executives the right new owners? Might well-loved family members, in their accession to ownership, incapably or inadvertently squander their inheritance?

Obviously, when thinking about succession, the goal is to find the right new leader. But who is that person? First, understanding a clear definition of the needs of the company is vital. What's the long-term objective? What are the opportunities for the business and what are the operating hazards to be overcome?

With that direction in mind, the next questions to answer are what are the backgrounds, skills, and leadership assets needed for the business to realize its objectives? To determine this, the development of a detailed profile is incredibly helpful. Define all the characteristics of this replacement — his or her education, level and breadth of experience, track record, and personality traits that will be essential to meet the immediate and longer-term expectations.

Developing a profile and assessing leadership

In passing the baton, it is important to prepare yourself to select a candidate even more qualified than yourself to address the company's long-term changes. Sustaining the enterprise may depend on your honest self-assessment. A courageous, insightful, and timely response

will greatly increase the likelihood of your venture's continuing success.

When developing your successor profile, it is helpful to consider the thoughts on leadership of Dr. Edward Mazze, distinguished university professor and business school dean, former CEO, corporate board member, and author. According to Dr. Mazze, a simple yet effective way of assessing leadership is to take clear and definitive stock of an individual's *attitude, skill, and knowledge*.

Attitude. Evaluate the elements of ethics, respect, commitment, and kindness. Strong ethics will foster a credible and trusting environment. Likewise, a leader who exhibits high levels of respect and commitment encourages open communication and ensures that the leader stays well-informed. Kindness furthers these traits by developing relationships that are collaborative and supportive and that encourage employees to rally around an organizational cause.

Skill. The right skills are obvious requisites, developed from education and relevant experience. Still, one can be extremely skillful in a professional or industry sense and not be a great leader. The addition of strategic skills and motivational skills, and foresight into where the company needs to go, will be required. Moreover, there must be insight into what needs to change in order to get it there and the essential true buy-in from employees. Finally, the right new leader will have previously demonstrated a willingness to be decisive and accountable and a propensity to share the credit for success with the company team.

Knowledge. An expansive knowledge of business in general, as well as the construction industry and operations, will be invaluable. Moreover, a willingness to tap the expertise of others will augment the leader's perspective. All aspects will ultimately be measured by company results.

An internal successor

Once you have developed the profile of a right new leader, use it as a template to assess the strengths and results achieved by your current talent. With per-

A SIMPLE YET EFFECTIVE WAY OF ASSESSING LEADERSHIP IS TO TAKE CLEAR AND DEFINITIVE STOCK OF AN INDIVIDUAL'S ATTITUDE, SKILL, AND KNOWLEDGE.



IF YOU DO HAVE AN EMPLOYEE OR TWO WHO YOU CAN GROOM TO SUCCEED YOU, IT IS IMPORTANT TO BE ATTENTIVE TO THEIR CURRENT JOB SATISFACTION.

sonal attachment or feelings aside, rate your current employees based on this template and determine whether you have anyone currently in the ranks who is ready or can be developed to optimally serve in this role.

Without question, the best long-term solution is to build an internal talent pool. Recognize your employees' proven abilities, skills, and knowledge based on their prior results. Assess not only their past performance, but also their demonstrated potential to grow in their new role.

If you do have an employee or two who you can groom to succeed you, it is also important to be attentive to their current job satisfaction. As a recovering economy presents your employees with attractive options, it is possible that you could lose your standout performers, especially if you don't provide them with clear opportunities, substantive challenges, and meaningful recognition. Build a sense of mutual commitment. In doing so, they will be less receptive to calls from other companies that are tenaciously in pursuit of new leaders.

Leadership from the outside

However, what if there isn't anyone currently within the business to take the reins of leadership in the foreseeable future? You are now in pursuit of great new talent.

First, you will need to decide how you're going to source this new leadership — either with in-house resources or with the help of an executive search firm. Be sure that you are honest in your assessment of the amount of time, energy, and money you will need to correctly conduct the search. After all, you are looking for the person to succeed you, sustain the greatness of the company, and lead it to an even better place. You want to make sure this search is done right. Your risk is that the wrong candidate might not last . . . and then you will need to restart the search — with the same time and money commitments all over again.

No matter which resource you choose — in-house or outside firm — you want to cast the widest net for potential new leaders. If you are building your candi-

date pool solely with active job seekers — those who read and respond to postings — their statuses, not you, are defining your options. If you happen to be a bit more enticing with your postings, you might also attract some casual job seekers, those who occasionally peek at available positions. However, what you are still missing are the 70 percent or so of talented potential candidates who aren't looking at all — the untapped mother lode.

The time has now improved to attract these "passive" candidates. Early in the economic recession most everyone who was lucky enough to have a job was not about to risk their livelihood by embracing the uncertainty of a new opportunity. But now, more and more currently employed job seekers are emerging, looking to reclaim personal challenges, delayed careers, or lost compensation prospects.

In any search, the best run businesses require a third-party background check on every executive hired, including the details of their employment, credit history, driving and criminal records, address tracking, and their education credentials. Occasional discrepancies may be resolved by a further review of the information or, when appropriate, by discontinuing the candidacy of an otherwise impressive prospect. (The lack of integrity exhibited in a false statement on an individual's resume is most definitely cause for concern, even if the executive otherwise brings a professional track record and impressive references. Once inside your business, an executive's susceptibility to "compromise" one small truth could morph into a habit of compromising more and larger truths.)

In the search for a long-term successor to take a leadership role in the competitive construction industry, no business can afford to settle for mediocrity. Select a highly competent leader of whom you will be proud. The value of your business, throughout its life, will be substantially bolstered by the caliber of its leaders. They will be evaluated not only by prospective investors and bankers, but also by customers and suppliers who may be considering a long-term relationship with your company. Assure that he or she is organizationally committed, goal ori-

ented, and selfless enough to get the best from others and to hire others of equal talent. In the competitive deployment of strategy, capital, and people, great leadership is the ultimate tiebreaker.

In the recruitment process, do not let your head be turned by unrelated attributes or pedigree. Stick to your profile template. Assess relevant, quantifiable accomplishments, how they were achieved, and under what circumstances. That said, however, don't ignore your gut feeling or the chemistry of the potential new leader and his or her fit into the culture of the company. They must fit with you personally, with the culture you have built, and with other leaders already on board. The multiplier impact of a cohesive team, compared to a collection of individuals, is stunning. In fact, the most common reason for failure of a new hire after an otherwise well-done search is a culture misfit. New executives who are inadequately matched to the culture will have difficulty collaborating with peers, marshaling the support of subordinates, and establishing their own credibility.

Set up for success

Finally, once you have made the selection, prepare for the impact that the

introduction of a new leader will have on the rest of the organization. Be ready for the business and personal challenges that come with a leadership transition. Map out the changes and the essential transfers of responsibilities beforehand. Build a support consensus with your internal team and your external stakeholders. And prepare yourself for some potentially difficult changes to your own role, especially as it lessens. Put a plan in place to integrate the new executive, to get them down to work and up to speed.

And once you've hired the right person to succeed you, you have another challenge. Be prepared to retain them. Assure continuing challenges and opportunities for professional growth. Cultivate their sense of belonging in the organization and provide meaningful recognition and rewards — including compensation. As importantly, do not minimize or suppress their role by not transitioning your own.

Executing your plan to leave an enterprise that you have led, or maybe even built from scratch, will be difficult. Having the right person in place to sustain and expand your legacy will help you to step away — and ready you for your next adventure. ■