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# Family Business Transition in Construction Companies

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# A tale of two companies...



# What we will be discussing:

- Challenges family businesses face and how to address them
- Common ways to structure an internal transition
- Setting the next generation up for success



# How family-owned construction firms are different:

Ownership structure

Decision making

Longevity/stability versus short term growth/profit

Culture

Succession

Ability to adapt to change

Process maturation

Loyalty, commitment, longevity

Diverse perspectives and expertise





# Family Challenges



# Common family challenges

- Communication issues
- Fair versus equal
- Family conflict
- Generational differences
- Entitlement
- Blurred boundaries
- Professional standards
- Financial and estate conflicts
- Current generation is stuck
- Emotional impact
- Lack of succession planning



# Strategies

Clear roles and responsibilities

Open communication

Succession Planning

Professional development

Accountability

Reward for performance

Utilize external advisors

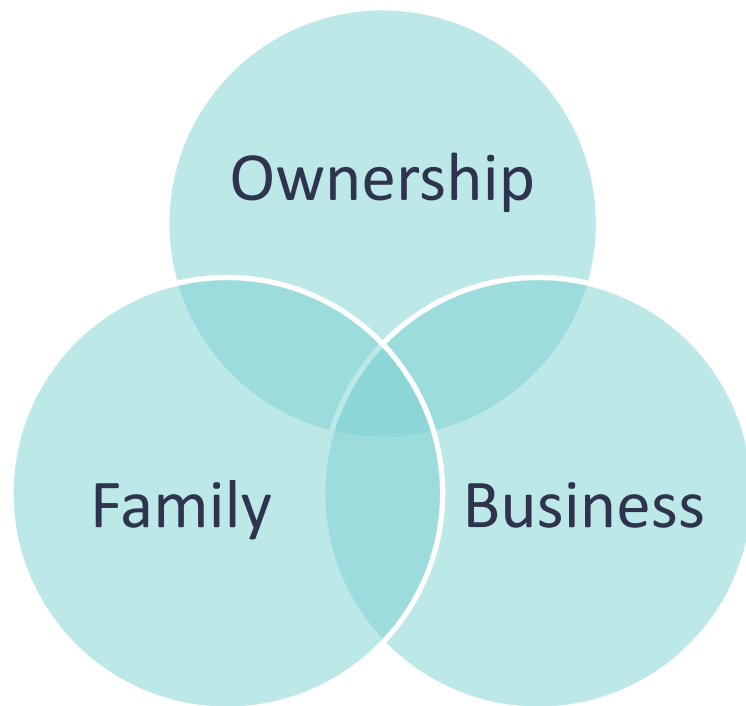
Implement family governance





# Family governance seeks to answer:



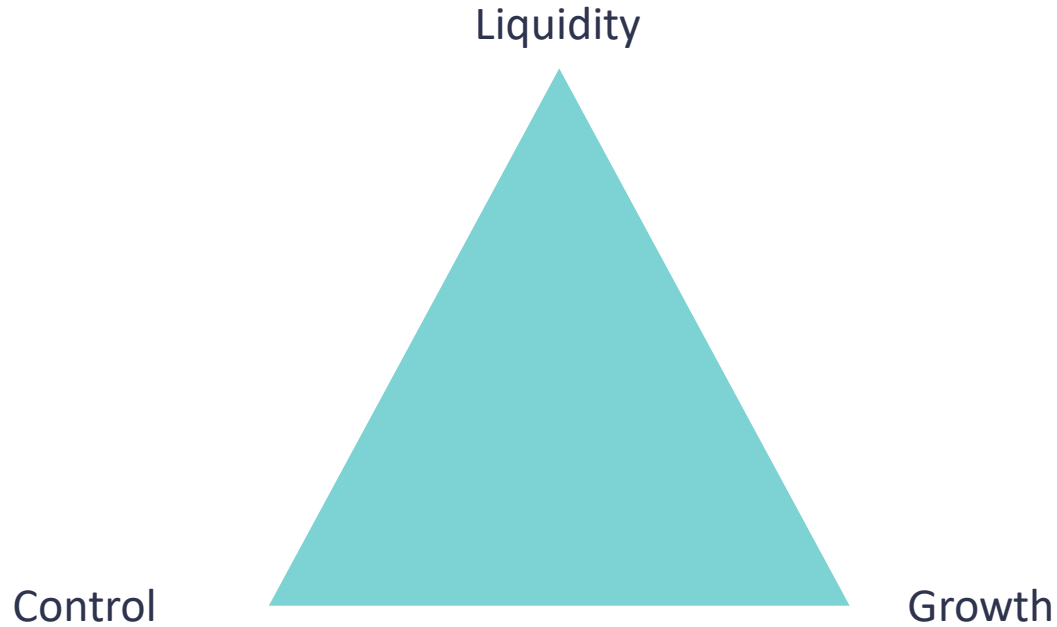




# Structuring Transitions



# A delicate balance



# Why families choose:

## *To sell externally*

Lack of capital to grow

Liquidity demands of owners

Lack of successors

Potential for greater wealth from reinvesting assets elsewhere

Threats from competitors

## *To keep it in the family*

Pride of ownership

Legacy/heritage

Business as wealth creator

Opportunities for next gen

Role business plays in uniting family

Role business plays in family values/work ethic

Potential for risk associated with investing elsewhere



# Structuring an internal transition

Giftng/Trusts

Installment  
purchase of  
stock

ESOPs

Recapitalization

Funding  
Source

Private equity

Liquidation



# Factors to Consider in Structure Choices



Financial needs  
during retirement



Timeline of  
transition = planned  
or reactive



Taxes



Estate Planning /  
Wealth Transfer



Operational Cash  
Flows / Capital  
Needs



Financial Position of  
Successor



Banking and Bonding  
reliance



In Place  
Management



# Choosing and Preparing a Successor





# Transition Planning vs. Succession Planning



Transition Planning: How do I transition out of ownership in a way that meets my personal and financial goals and leaves the company sustainable?



Succession Planning: Who will lead our company when the current leader(s) are gone?

# When you don't have a succession plan

- Confusion and anxiety about the future
- Drop in morale
- Reduction in quality
- Delays
- Drops in productivity
- Lack of ability to respond to changes in the market
- Decline in reputation
- No clear path/strategy for the future



# When you do have a succession plan



- Avoids employees choosing their plan B
- Builds confidence in employees.
- Better ability to deliver consistently on quality
- Maintains company's reputation
- Benefits talent retention, culture, sustainability
- Create opportunities for developing leaders to learn and fail...and learn from failing

# Steps of an Effective Succession

Make succession planning a windshield, not a review mirror, exercise.



Identify



Define



Develop



Transfer



Monitor



# Take-aways

01

Start early

02

Proactively work through family challenges

03

Set the next generation up for success with family governance

04

Implement succession planning for owners as well as other key team members

05

Know your options for structuring and plan accordingly



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Let us help you achieve  
peace of mind, reach a  
place of choice for your  
future, and *make your  
transition the  
celebration* you've  
been working for.



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