You who own wall and ceiling contracting firms are members of an extremely large minority; business owners.

In the U.S. alone there are approximately 12 million businesses of one kind or another—agricultural establishments, proprietorships, partnerships, and corporations. Despite the fact that we are involved in smaller businesses ourselves, we still tend to think of large firms when we think of business—General Motors, DuPont, U.S. Gypsum, etc.

Yet there are less than 20,000 corporations whose stock is actively traded either on the big markets or over the counter; only 20,000 completely or partially publicly-owned corporations. The remaining five million-odd corporations in the U.S. are privately owned.

Compared with 5 million, 20,000 hardly counts. So, for practical purposes, we can say that those 12 million U.S. businesses are privately owned.

One would think that anything which millions of people have been doing for thousands of years would have become natural to us; that we would know how to manage our dream—that a business we spend our lives developing would attract our children, who would follow in our footsteps and continue the business onward for us.

Unfortunately, and ironically, that is seldom the case; all too often the business and the dream disintegrates as the owner ages. Talk to a few retired contractors; you will find too many of them disappointed and bitter.

Of all the businesses represented in the plaster/drywall contracting field, more than half will be sold or simply closed up by their owners at retirement time or when failing health forces the owner to step back from his business. The odds are nearly 2:1 that you will outlive your own business!

By Frank M. Butrick

That makes a lot of us.

Further, a privately-owned business is nothing new; it is as ancient as mankind. In fact, one of the few reference sources available on the long-term management of the privately-owned business is the Old Testament of the Bible, wherein you can read about planning and succession development—and the problems involved — in the privately-owned flock, tribe, and even the privately-owned country.

The Future of Your Business . . .
In Succession of Your Company Will You Plan For It, Or Settle For Whatever Happens
About a third of your businesses will pass to sons, daughters, sons-in-law, nephews or other heirs—and 80% of those will be sold or shut down within two years!

So, all-in-all, your chances of having that great business owner’s dream come true are only about 1 in 18! One chance in eighteen that you will successfully pass your business to a chosen successor and see it continue successfully to support you, your widow, and your heirs.

Odds Are Long
On Continuing

Why the dismal odds? Mostly it is because the average business owner is so busy running his business today that he does not have time to think about long-term continuity. He simply does not do long-term planning. Of course, there are a number of perfectly natural and human reasons for this.

First of all, the business owner is not going to live forever, and who wants to contemplate a world after he is dead and gone? Second, he has learned from experience that long-term planning is unreliable. For instance, he does not know (or really care) what his sales volume will be in 1979. For that matter, he does not know what it will be for 1978—because 1978 is not over yet.

When it is over, he will know how it turned out. Sales or cash forecasting? Forget it. When a typical business owner goes to buy a piece of equipment on installments, he studies his checkbook and if he can figure out how to make the first three payments, he assumes good luck and inflation will take care of the rest.

Now everybody knows that this is not how a business should be run—indeed, many progressive (or larger) contractors are active in forecasting, planning, budgeting, and other forward-oriented practices. But for most contractors, the here-and-now completely overshadows tomorrow.

Since the business owner has learned from experience that he does not know what tomorrow will bring, why worry about it until it arrives?

COULD YOUR DAUGHTER BE THE NEXT PRESIDENT OF YOUR BUSINESS?

The ladies have always been at home in the privately-owned business. Beyond those who work in the office, there is always the occasional wife or daughter who is a toolmaker or truck driver—or winds up running a stamping plant or a packing firm. So if your daughter wants to run your business some day, will take the time to prepare herself for the task, and is willing to accept the long hours, hard work, and responsibility involved—then why not?

Really the key question is does your daughter really WANT to run the business—enough to accept the impact of that decision on her life—and if so, for HOW LONG will she want to run it? There is a great deal of noise about sex discrimination, but what it really boils down to is this:

A woman’s place is in the home—IF that is where she WANTS to be. If she WANTS to be in a business, then that is her place. Of course, if your daughter marries and becomes a mother, her children and her work interfere with each other. But still, the inconvenience of a few pregnancies does not preclude a woman working in a company, nor should it prevent her heading it up. Between nursemaids and nursery schools and day help, she can work full time, virtually the same as a man.

Ironically, only her husband can prevent her being a candidate for your successor; if she marries a career executive with a large firm, or a military officer, and he is transferred to another location, she will go with him. So look to your son-in-law: if he will stay put, your daughter could be your successor. The only real difference between an ambitious, interested daughter and an ambitious interested son is that you and she will probably get along together better.

So if your daughter wants into your business, hold the door wide open.

As the years pass by, long-term planning shrinks until it becomes what he will do Monday or next week. Short-term planning is what he will do tonight.

Informal System
Usually Works

And despite the horrified groans of the business professors, consultants, attorneys, accountants, bankers and other observers and advisors to the business world, this seat-of-the-pants technique very often works just fine. It is a management style which each business owner develops to suit himself.

No two run their businesses precisely alike, but most businesses are similar in that they are run from day to day. And it works; it works very well. It produces healthy businesses with a large proportion of wealthy owners, and even a scattering of millionaires.

And if this management styles works, then there is no reason to change it. Except in one area, and that has to do with planning for the business owner’s retirement years.

I had an elderly man at an association father’s seminar last year. He sat quietly through the proceedings until the middle of the afternoon. Then he stood up and said, “I have a problem—one unlike anything

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which has been discussed so far here today. I am 83 years old; I have spent my entire life building up my business for my son. And by golly, do you know what my boy wants to do? He wants to retire!” It turned out that the “boy” was 64!

A contractor called me a few months ago. “I have reached an age where I want to retire. My son used to work for me as a drywall installer, but he went on to college and is now a partner in a CPA firm nearly 1000 miles away. What are my chances of getting him to come back here and take over my business?” What could I tell him? His chances are zero. His son got away.

I have been deeply involved in acquisition consulting for some years, and I would estimate that in over half the businesses I have helped to sell, there was a son involved—a son who was never developed into management status, who was ruled out as the successor because the father/son/successor relationship either had never been developed or had gone sour.

Careful Planning Is Essential

And there is no safety in numbers—in fact, the larger the family, the worse job the average businessman does of developing his succession dream into reality. Not very far from where I lived in Michigan for some years was a man with a man with a little manufacturing company—which had 15 vice presidents! Twelve sons and three sons-in-law. Out in the shop doing all the work were only 30 people. So when the owner passes away, each son will inherit two helpers and 7% of the stock. Big deal. The company will disappear in a blood path as the 15 fight for control.

On the east coast is a contractor, now in his mid 80s and still very active in his business. In this company are his two sons, both in their mid 40s. They are bright, ambitious, reasonable men—but they share one defect; they hate each other. They just can’t get along.

The father has both in charge of work crews and they make it a point not to meet in the office. Because when they do, they fight. I don’t mean verbally—I mean fists, black eyes, and broken teeth.

Now all these years their father held off writing his will, hoping his boys would “work out their differences and get together”. And so for years, the sons have had the same prayer, “Please make my half 51% so I can run this business right and take care of that blasted brother of mine.”

But finally the owner was talked into writing his will—and can you guess how he divided one business between two warring sons? Of course you can. He split it 50-50. How can the business possibly survive?

This is the family business as it actually is; not the stuff of dreams but the stuff of hard reality. Of course, you do not plan on having any of these horror stories develop in your business—nor do I in mine. But this is what is happening to the contractor on the other side of your
town—and to most of the other businesses in your city.

Because businessmen just plain do not do a very good job in these personal areas. So what will happen to your own business in the years ahead? Will it support your retirement years or ruin them? There are surprisingly few options. In fact, there are only four (possibly five):

First, we can develop a nonrelative successor—a hired general manager to take over when we retire. I list that first, not because it is the most popular, but because it is the classic or text-book way to continue a business. It is the way the big companies keep rolling along getting bigger and bigger, year after year, generation after generation. Unless, of course, they pick the wrong man—in which case they are bought out or go the way of the Penn Central.

Second, every businessman recognizes the value of developing a manager, but he is often afraid that such a man might demand too high a price—or quit and start his own business. So he searches for cheap and loyal labor—and picks his son. A son is the all-time favorite potential successor. But few relationships are as intricate as that between father and son in business, and all too few business owners successfully work their way through it and end up with an enthusiastic, affectionate, and competent successor.

Third, sell out. Not an admission of weakness or failure, properly managed this can be the pinnacle of a successful career. And it passes the hot potato of the successor problem on to somebody else.

Fourth, dial down. The business gets too big and too complicated, with OSHA, EPA, FTC and who knows what other government harassments. The aging owner longs for a simpler day when the business was smaller—and so he just chops it down to his size.

Fifth, not exactly an option, but nonetheless the all-time favorite: Do nothing, and hope that old age will go away.

In the next two articles in this series we will look at the first two options, because (despite the odds) any business owner can develop succession if he wants the rewards greatly enough to work for them.

(Editors Note: The author of this article, Frank Butrick, is also a convention speaker and businessman. He is managing director of the Independent Business Institute of Akron, Ohio, and president of Butrick Manufacturing Company which produces tools and machine accessories for the metalworking industry. This is the first of a three-part series for CONSTRUCTION DIMENSIONS MAGAZINE.)