The Future of Your Business

The odds are long, but careful planning can produce a succession program with a chance

The family business, where a man passes his career, accomplishments, ambitions, and visions onto his son, who accepts the challenge and carries the family name and fortune onward and upward, is an ancient Judeo-Christian concept. There are nearly 12 million privately-owned businesses in the U.S., and almost every one of them is headed by a man or woman who hopes, is attempting, or had hoped to turn the business over to a son. It is the 'natural' thing to do— in theory, at least. In practice, there are problems.

As pointed out in the first of this three-part series, well over half of all contracting businesses are sold or liquidated by their owners because there is no suitable successor. Only about a third will be passed onto a successor, and some 80% of those will be liquidated or sold within the first two years. So your son’s chances for successfully taking the helm of your business are only about 1 in 18!

There are many reasons for this miserable performance in something which most businessmen expect to accomplish without effort. First, businessmen are often quite inept as fathers, being so preoccupied by their business that they turn off their sons, losing contact in the early years and never regaining it. Second, most businessmen are miserable teachers; instead, they are doers. Entrepreneurs are, as a group, instinctive, gut-directed big frogs in their own little ponds. They have spent so many years being secretive that they find it almost impossible to open up and explain to their sons why they made (or did not make) a decision. It is not at all unusual to find a son who has worked for his father for years and has never even seen the firm’s financial statement. So it is not surprising to find that fathers do not teach their sons how to run the business. Instead, they teach a brief series of JOBS, then expect their progeny to ‘fit in’ and to ‘pick it up’ as he goes along.

As described in my last article, a business owner may deliberately organize a training program for a nonrelative employee. Yet seldom for a son; apparently father believes that junior inherited entrepreneurial ability with his genes. But the real culprit in the father/son relationship—and the disappointments it so often produces—is simply bad communication. Father and son must both recognize that effective communication is difficult in such a vertical relationship, with the father always on top and the son always ‘one down’. Since father and son have probably been tuning each other out for years, the problem is actually acute, and their first big job is to learn to listen to each other. Father, especially, LISTEN TO YOUR SONS. Fathers tend to bulldoze ahead, certain that they know their ‘boy’, and his interests, aspirations, and values, when in fact they seldom even know why he is working for them.

Once father-and son learn to talk

Continued on page 26
together and LISTEN TO EACH OTHER, they will quickly discover that they are not alike. The father is older; he has lived with his business for years, enjoying the good years and surviving the bad years. He is probably in his late 40s or his 50s, and has become a realist. He has settled for what is, rather than what might be. He no longer takes the wild gambles of his beginning years because now he has something to lose—and not enough years left to recoup if he should make a bad decision. And he knows from bitter experience that many of his decisions are bad ones. So now he wants only to protect and enjoy his winnings. He has established a standard of living for himself and his family and does not want it changed; he will not risk what he has for what he might obtain. He is tired and avoids boat rockers like a plague. Nobody is as conservative as a successful middle-aged contractor, and rightly so.

Into this atmosphere of self-satisfied stagnation charges the son, full of energy and ideas and dreams and ambitions and ways to show his father how smart he is. Small wonder if he is immediately stepped upon, fenced in, and rendered harmless. Fathers claim that they want their sons to be like themselves, yet if the son actually is an entrepreneur, the two will soon find each other intolerable. By definition, an entrepreneur is a supreme egoist, oozing self confidence, bullishheaded, immune to advice, and a troublesome employee. If father and son are to survive working together, the son must remember that his father is the entrepreneur—free and independent—and that he, the son, is an employee. Aping his father’s manners is fatal. Yet most fathers expect their sons to be a sort of chameleon, an independent plunger when turned loose then flipping to a yes man when he is told to do something. That is a hard role to play.

So the son must learn to live with his frustrations, the duality of his job, and the fact that father will probably veto any idea which threatens the hard-won status quo, then complain because his son does not “take a real interest in the business!” Yet the situation is by no means hopeless. Sometimes, as is typical of human affairs, father and son just muddle through and things work out fine. In others, the son cannot cut it but the grandson comes on as a competent successor. But in the best examples I have seen, the father and son faced their mutual problems directly and worked out a deliberate plan for successful continuity of the firm. Here is how it is done:

**THE FATHER**

Continuity does not come naturally. If your contracting business is satisfying and profitable enough to warrant preserving and building during the next generation, you must plan, at an early point, for this to happen. Successful continuity requires a long-range plan, put into effect over a period of years, and it will require as serious and deliberate attention as anything else done in the business. Ideally, you will start before your son is 10 years old. Every little boy wants to help daddy. If you encourage this, his interest will add fresh momentum to the business, carrying it far beyond your life span. Since it is part of a business plan, you will find it easier to spend time with your son. You must become friends, be certain that communication gaps do not develop, and hope that he will adopt your goals and ambitions as his own. At home, downplay the problems and frustrations of running your contracting firm—in fact, stress the challenges and satisfactions. Always show the positive side. Children listen and are impressionable, and endless complaining...
will turn them away. Involve your children (sons and daughters) in the business early—by 14 at least. Let them come in after school, and weekends, and during the summer, at first to play and then to help out and then do useful work. Start to teach technology as early as possible; let them learn to pound a nail straight and to toe nail and use a wood chisel, and to become carpenters. Teach them how (and why) to take inventory and hang a door and operate your power tools.

Of course they will interfere with your employees and reduce efficiency accordingly, but that is a minor cost considering the value of having them grow up in the business (and having the other employees get used to the idea). Keep them away from drudge work—roofing and siding and unloading trucks, sweeping the office, and so on. Hire labor for this. Keep your kids involved in things they consider interesting and important. Then gradually show them the challenges and fascination of your job—of running a business, or being a president. This is your “carrot”.

When it comes time for college, avoid hard preconceptions. College may be a requisite to obtaining a good job in a big company or for going on into the professions, but nobody has yet proved that it has any significant value to the entrepreneur. IF your son wants a formal education, fine. If not, if he would rather stay with you, that is fine, too. In this case, encourage him to go part time, taking those courses which he can put to work—accounting, law, architectural design, or whatever. College education is very valuable but a degree is not. Play it by ear when the time comes.

By the time your son is in his mid twenties he should have his knowledge of the technical side of the business down pat and start to be involved in sales, estimating, work scheduling, and other responsible areas. Be careful to encourage him to shift back and forth within these areas; he must be a generalist, rather than an expert in one thing. Making your son into your best foremen or salesman is a common trap which you must carefully avoid. His knowledge of each function must be great enough for intelligent decision making, for appraising the work of other people, for hiring and training employees, and for knowing when he is being lied to. He must learn much of what you probably know too little about, specifically people management and money management. These he can learn at college, attending seminars and tradeassociation meetings, and by reading. By the time he takes over, your business will be bigger and more complicated and the world will be a different place, so do not tie
him to your own experiences. They are of yesterday and your son’s time to manage is the distant tomorrow. He will go on from where you leave off, not repeat your early struggles.

Give your son freedom to have ideas and to try them out. Many will be no good, but he must be permitted to make and rise above his own mistakes, just as you have done. Be very careful with your criticism; it can cause wounds which will never heal. Remember that your son is, by nature, thoughtless, tactless, and frustrating. A man becomes mature at 30 or so; until that time, he will do and say things which are stupid, irritating, and hurtful. But try to hold your temper and dismiss your disappointment. He will grow up in time—and then you will wish he was young again.

By the time he is in his late twenties, certainly by his early thirties, it is time for him to have some sort of independent command—a certain type of service, a specialty, a branch or acquisition—where he can learn presidenting in the only possible way, which is by doing it. Do not make him your helper or your second in command. You can hire people for that. Instead, set up something where he can develop his ability to make decisions and take risks. This is the only possible way for both of you to find out if he has the ambition and ability to succeed. If he does, he can step into your job when you retire, confident of his abilities because he has been demonstrating them. And finally, stay flexible; your son must be working WITH you, not for you.

If your eldest son is not the man to run your business, then move him into a suitable job and look at your other sons. The next president must be the best—not the oldest nor your favorite, nor Mamma’s darling. In many cases, the entrepreneur’s daughter marries a better man than the entrepreneur himself produces. If so, then invite him in; a son-in-law makes a fine successor. So does a nephew. And if none of your offspring or relatives can cut it, then look at your nonrelative management trainees. A surrogate son can be just as satisfying—and vastly preferable to growing old in your business, watching it degenerate around you, and whining about the son who got away.

THE SON
You have only one job in your father’s business—to learn his job. Although you will learn various jobs and hold various positions, these are not to become your career nor your speciality. They are merely to justify your paycheck. Learn constantly. Listen to your father, to the other employees, to suppliers and customers. Ask questions. Not everything which people tell you will have value to you (or even be true), but much of it will and it may be years later when you are able to sort the wheat from the chaff, so pay attention. A know-it-all kid (of any age) turns off adults who would otherwise be happy to help him.

Continued on page 31
Do not try to be like your father. You and he are two different people, born in different times, raised under different circumstances and by different parents, and exposed to different careers, experiences, and challenges. Your situations are totally unalike, as will be your abilities, ambitions, aspirations, and personal lives. If you really want to run your father’s business, then tell him so. If you decide that you do not want the responsibility, then tell him this—and get out. Do not hang around, raising false hopes in your father if you do not want to accept his dream. Get out and let him find somebody who does want to carry on his work.

Marry when you are both adult and mature—and select your wife with care. A wife who is interested in the business is a tremendous asset. If she wants to be involved, that is better yet. But if she is totally disinterested, then there may be trouble ahead. A wife demands and deserves much of a man’s time and attention. So does a business. If she will share the business with you, fine. If not, then the two can easily tear you apart—and the future may spell mistresses, alcoholism, and divorce. You, too, must build your future as you want it to be, so try to avoid long-term commitments until you are adult enough to have long-term convictions of what you want.

Go to college if it is a productive and enjoyable investment of your time. If not, then take just the courses you want and need. The presence or absence of a degree will have no effect upon your ability as a president someday. You can always hire the educated specialist. What you need to become is an adroit generalist. While you work around your father’s business, beware of becoming departmentalized—with strong leanings toward carpenter work or sales or whatever. It will weaken your judgement and your presidential ability.

Keep up to date. Read the trade magazines in your field. They are invariably a decade or so ahead of their industry and from them you can foresee the future of your father’s business. Seek out those who can teach you—banker, lawyer, accountant, customers, suppliers and even your competitors. Most older men are eager to help an interested young man. With competitors, play innocent and interested—and be very careful of what you say. You can learn a great deal if you try. Some of what you learn will make you question what your father has done or is doing. But beware here; the business is not perfect, but neither is your father—or you. That business is your father’s to do with as he pleases. Someday it will be yours, but now it is not, and your father must not—cannot—let his kid push him around or question his decisions or indecisions.