IS YOUR HEIR APPARENTLY INCAPABLE?

Who will succeed you in running your construction company? This is always a tough question to answer. It becomes even more difficult when there are children who are or might become active in the business. Being an employee is one thing, but do they have the capability to successfully run the company some day?

Deciding on the competency and potential of an heir apparent is by its very nature difficult and subjective. When family members become involved, the task may appear to be ominous. How do you know if they can cut it? Certainly part of the decision is based on a “gut” feel, but this must be accompanied by objective measurement. This article will focus on children in the business and the role formal performance appraisals play in determining if the company will survive and prosper under a new generation of family management.

Keep It in the Family

It is important to recognize that the desire to see children carry on the family business is normal. Parents often underestimate how influenced they are by this phenomenon. An entrepreneur/parent has two connections with the future: their children and their company. Combining the two has both natural appeal and historical precedent.

The reasons for this are both emotional and pragmatic. Trust levels in families are usually higher. Many owners are reluctant to transfer or sell a family business to outsiders, even if they are long-term employees. Parents who received the business from their parents want to provide the same opportunity for their offspring. Sometimes parents assume that the children expect to be given the business and fear alienating them. Often it is a combination of all of these.

What Experience Do the Children Have?

Being born into the family business does have its advantages. Part-time summer work is always available. There are opportunities to gain experience not available to others. Children can learn what is really involved in running a closely held construction business.

Growing up working in the family business also has its disadvantages. Too often the child’s only work experience is in the family company. Working for someone else, even in an unrelated industry or business, can be beneficial for both parent and child. Children learn “the real world” of working from someone else, gain a sense of confidence and bring back new ideas.

Both generations must ask themselves whether working in the company is a genuine career decision. Unfortunately, in many cases it represents a compromise; a desire not to let parents down or to fill societal expectations. It may be simply a case of “what else would I do?” Unless the desire to be there is strong and sincere, successful management of the business any time in the future is unlikely.

What Is Their Position?

Often a son’s or daughter’s position in the company is poorly defined. Early on, he or she may be rotated through several positions in the field, gaining experience and learning from the ground up. Later, estimating or project management becomes home.

With key roles already being played by the owner and other employees, often a position has to be created for a family member. Sometimes this job is an “assistant to” position. These types of jobs involve...
serving in a support role to the president, chief estimator or a project manager. Such a role might be appropriate for training purposes, but too often it ends up becoming a full-time position. Learning takes place, but true hands-on accountability is always absent.

Performance Reviews as Company Policy

Unlike many other industries, construction with its job orientation lends itself to greater accountability for performance. Individual project managers, estimators and superintendents are tied to specific projects, where results can be readily measured. Despite this, many companies avoid computing, analyzing and using these data. Not using actual vs. estimated job data can be a sign of lack of accountability on a company-wide basis. The owner may have beliefs about the capabilities and performances of individual employees, yet these may or may not be accurate.

Evaluating individual performance on a job-by-job basis provides valuable information, yet many firms don’t use it. Why? The most commonly sighted reasons are that it is too time consuming, can create unhealthy competition and doesn’t incorporate specific job nuances. Each of these certainly has some validity. The real reason may be that the owner doesn’t want to know. Such a process necessarily involves measuring the performance of one employee against the other. What if it is a son or daughter who is the poorest performer?

Measuring the performance of a child involves more than just monitoring job results. Factors such as amount of work performed or sold, quality of work and job difficulty need to be part of the evaluation system. Areas that are not job specific, such as supervisory skills, ability to work with others, training and personal development, should also be part of the program. Goals and objectives should be set annually and progress reviewed on a regular basis during the year.

Let Them Stand on Their Own

A son or daughter may be put in charge of estimating, marketing or managing specific jobs, yet there is the guiding hand of a parent in the background. A little help here, a little help there; no harm done. Or is there? In order to grow and learn individuals must be exposed to risk and allowed to fail. A safety net retards growth, undermines confidence levels and ruins the chances of gaining respect from other employees.
A performance evaluation system should not be viewed as a tool strictly for the owner’s benefit. The objective is not to “get” somebody. The purpose is to become aware of both the strengths and the areas that need improvement. Progress will never be made if weaknesses are not brought to the surface or ignored.

Formal evaluation of a son or daughter requires courage, particularly if no real evaluations have been used in the past. A system that covers all key employees should be implemented. Not only does this benefit the entire company, it can help mitigate some of the natural tension that results when major change takes place.

An owner must always keep sight of the fact that the goal is the have the business survive. Remember that only one in five closely held construction companies survive their current owner/manager. Placing an incapable child in charge of the company will benefit no one.

About the Author
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