

The logo for FMI (Federation of Manufacturers and Industries) is displayed in white text on a dark blue background. The letters 'FMI' are in a bold, serif font, with horizontal lines above and below them.

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The top of the page features a composite image. On the left, a construction site is visible with steel beams and a crane against a blue sky. On the right, two men in business suits are shaking hands in front of a large window with a colorful, abstract painting on it.

The Executive Handoff: New Succession Insights Gleaned from a New Horizons Foundation Study

By Jake Appelman and Ariana Thompson

Three best practices that will increase the odds of sustaining organizational success and continuity in the face of leadership transitions.

Senior leadership teams preparing for an executive transition face one of the most challenging obstacles in today's business world. From the sheer uncertainty that these shifts can create to concerns over the sustainability of such changes to the time and expense associated with finding replacements, the stakes are always high. This makes the transition an extremely tense event that must be handled with the utmost of care and based on strong buy-in from all stakeholders.

"The most important job I had was to transition the company," one CEO pointed out in a recent FMI survey. Like many other executives in the industry, this CEO recognized that, when handled effectively, an executive transition can launch an organization to new heights. On the other hand, when managed poorly, these shifts can quickly undo decades of work while creating myriad organizational issues.

About the New Horizons Foundation:

"We are HVAC and sheet metal contractors, industry partners, and leading researchers.

Our Foundation mission is very simple: We do everything we can to turn good ideas into solid research that will help give HVAC and sheet metal contractors a chance to grow as positive, knowledgeable partners in the construction process. For more than a decade, we have worked together to develop a cutting-edge research and education portfolio that is making this industry stronger, more efficient and more profitable."

The leadership handoff from one executive to the next constitutes the final stage of succession and is critical for organizational continuity. This precarious point represents the culmination of years of preparation. When handled improperly, it can create major issues—despite all of the work it took to get to this point. Yet, surprisingly, limited objective data is available to inform industry practices.

Thankfully, new data from the [New Horizons foundation](#) and FMI sheds light on what goes into a successful executive transition, which presents a serious concern for the construction industry. We explore the findings in this article and show what companies can do to ensure the smoothest possible leadership transitions now and in the future.

Generational Shifts

A growing number of baby-boomer CEOs and executives will be heading into retirement in the very near future. Improperly executed, these transitions will present significant risks to company health and performance, especially in a business world where poorly facilitated organizational changes can lead to collapse and bankruptcy.

Previous [FMI research](#) highlighted the importance of timing in executive transitions as well as the impact that these transitions can have on companies' top and bottom lines. This evidence suggests that spending time, energy and money on leadership succession planning is by far the highest yield investment you can make for your company.

In a recent interview, one retired CEO from a midsized general contractor recalled the value of doing succession well: “The company has improved since [my effective] transition. My successor has had great success with share prices; the shares have gone up...almost doubled in value. This is a huge success. My successor is a force in the market and continues to return really respectable profits to the company.”

Given the criticality of achieving a successful handoff and the growing number of imminent executive transitions in the industry, FMI partnered with the [New Horizons Foundation](#) to answer the following key questions related to executive transitions:

- What goes into a successful transition from one executive to the next?
- How much planning is needed?
- What are the critical steps all organizations must take?
- What is the role of the predecessor in this transition process?

To answer these questions and identify data-driven best practices, FMI interviewed over 20 CEOs from the construction industry. According to our research, businesses that adhere to these three best practices increase their chances of sustaining organizational success and continuity in the face of leadership transitions.

Best Practice #1: Transition Planning Is Vital

It comes as no surprise that a handoff from one executive to the next requires proper planning. In our study, we found that many of the most successful executives developed a “playbook” for the entire transition process. “We had a document that was our playbook,” one CEO commented. “It was an 18-page document that

we used and developed specifically for this process.” This playbook should detail each step of the transition process, including:

- A detailed timeline
- Action items
- Roles of key stakeholders
- Assigned accountabilities
- A communication plan for keeping your organization informed of the upcoming changes

Developing this playbook on the front end helps you set clear direction and expectations for all relevant stakeholders; hold key players accountable for next steps; and ensure your transition process goes smoothly and according to schedule. It’s important to remember that an executive transition is the last stage of succession, meaning that planning for this stage should only occur once the business strategy is solid, a successor has been objectively and meticulously selected, and the successor has been sufficiently developed.



Because an executive transition typically entails countless moving parts (e.g., transfer of equity, leadership handoffs, organizational restructuring, etc.), you’ll want expert assistance to assure that all areas are adequately addressed. “Get the right people around you to help you transition,” an interviewee explained. “For instance, we had a good financial team among our banks, the bonding company and our accountants.” Leveraging expertise can take numerous forms, including (but not limited to), hiring experts internally, employing external professionals and/or requesting your board of directors’ assistance in this process. No matter which path you take, be sure to invest the appropriate amount of time and resources to ensure a smooth transition and future success.

Action Items

- Create a “playbook” for your entire transition process.
- Leverage experts, peer groups, trusted advisors and/or your board of directors during this process.

Best Practice #2: The Best Transition Is a Slow Transition

Our study also revealed that the most successful executive transitions occur as a gradual, intentional hand-off from predecessor to the successor. Start by slowly transferring core responsibilities and decision-making authority. Ideally, the departing executive will have helped his or her successor(s) build coalitions, ensure deep relationships are being formed, and shore up any credibility gaps the successors have in advance of this process. Thus, when the decision-making authority transfer begins, the successor’s organizational trust and support are both already in place.

“As the CEO, I was responsible for pre-construction, finance and accounting, and business development,” an interviewee explained. “I slowly began turning the pre-construction aspects over to my successor; then I slowly began to turn all of the business development responsibilities over to him; and, finally, it culminated with turning over all of the financial responsibilities.”

As key executive responsibilities shift to the successor, decision-making power will also be transferred for these duties. For instance, for a successor to effectively run new departments, lead board meetings and/or engage in strategic business planning, he or she must maintain decision-making authority in these areas. This helps successors establish themselves as competent and capable executive leaders.

As the predecessor begins to transfer his or her daily tasks and responsibilities, it is inevitable that the predecessor's role within the organization will shift. The predecessor's new role is no longer "the man or woman in charge," but rather a facilitator of the best possible transition. In practice, this usually finds the predecessor placing a more substantial focus on coaching and mentoring. This new emphasis on development allows the predecessor to provide the guidance and the space needed for the successor to "try out" the executive role, learn from mistakes and ask for on-the-job advice prior to the final transition-out date.

Action Items

- Gradually shift core responsibilities from the predecessor to the successor.
- Transition decision-making authority over as well.
- Use this transition period to mentor the incoming successor on areas of development.

Best Practice #3: The Predecessor Can Make or Break a Transition

Most exiting executives do not handle the transition period well, often either abdicating their position too soon or holding on too long. "After all, it's human nature to want to hold tight to a familiar and important role—often, this dedication is what makes senior leaders great in the first place." The transitioning-out experience can be personally challenging for senior leaders, as their leadership role may be an essential part of their personal identities. Our study revealed the same conclusions. For example, a CEO from a general contracting firm described his own personal challenges with transitioning out as, "The difficulty is I am not the company, I am a person, and when I step down, I will no longer be perceived as having the power. At that time, I'll be standing on my own. I'll be thought of as just me, not the company. That's a big change."

So while successors certainly require coaching and development (as confirmed in our [recent research](#) around executive coaching), departing executives will too. Our study found that the leaders who experienced the most success with stepping away from their executive position, letting go of decision-making authority, and finally leaving their organization in a timely manner were the ones with positive, forward-thinking mindsets. The most successful CEOs could acknowledge that it was time for the next generation to lead, accept that their successor would never be 100% ready, and know that under new leadership, their companies will be successful (or become even more successful in the future).

Change is challenging—even for seasoned executives. For this reason, departing executives will often require outside help and coaching to mentally prepare for a smooth transition. Our study revealed that the exiting executives who were able to identify their top passions, and who made plans for their next stage of life, felt ready and well-prepared to transition out.

In nearly all cases, golfing and spending time with family was not enough of a retirement plan; exiting executives were most satisfied when they had more concrete work to challenge them. This work should be intrinsically motivating, utilize their advanced skill sets and take up about 20 hours each week. However, executives who have never known anything other than a life in the industry may struggle to identify their next steps by themselves. Therefore, we recommend that organizations seek expert assistance in helping the exiting executive transition forward.

Action Items

- Remain positive and forward-thinking as a leadership team and as a predecessor.
- Help predecessors look forward to their next life stage.

Don't Wait Too Long

Executive transitions are sensitive, complex and require copious amounts of planning to get right. Far too many executives build successful careers, only to fumble as they're transitioning out of that position. This can undermine their legacies and create unnecessary challenges for the company they poured so much of themselves into building. So, while succession and transition planning can feel daunting, starting today is imperative. "Don't start too late," an interviewee advised. "Your chances of success are so slim unless you do the preparation; so don't wait too long." For greater insight and advice in this area, please see the comprehensive [white paper](#).



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We serve the industry as a trusted advisor. More than six decades of context, connections and insights lead to transformational outcomes for our clients and the industry.

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FMI has more relationships in the industry than any other consulting firm. We leverage decades of focused experience and expertise to advise on strategy, leadership and organizational development, performance, technology and innovation.

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Over 10,000 industry leaders have completed FMI training programs, which span the entire management spectrum, from new managers to senior executives.

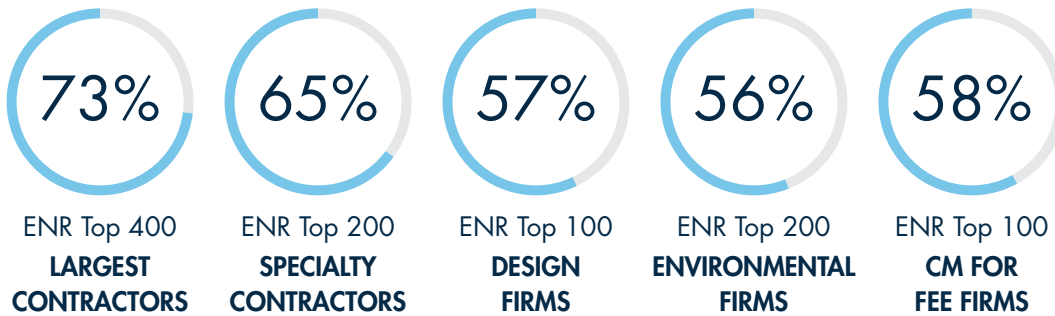
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- Ownership Transfer & Management Succession
- Acquisitions in the Construction Industry

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FMI manages nearly 50 individual peer groups across the industry. Connecting businesses through networking, expanding visions and providing feedback.

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