

Exiting Requires More than a Thought

By Preston Ingalls



"Life is a succession of lessons which must be lived to be understood. All is riddle, and the key to a riddle is another riddle." **Ralph Waldo Emerson**

In June 1968, General William Westmoreland was relieved of his command in Vietnam when his new boss, Richard Nixon, lost confidence in his approach. His second in command, General Creighton Abrams, was suddenly thrust in command. Abrams was a WWII hero at Bastogne and was well respected by the rank and file.

Abrams immediately switched from Westmoreland's failed "Search and Destroy" strategy, put in place in the early 60's, and moved to the more successful counterinsurgency. General Fred Weyand said, "The tactics changed within 15 minutes of Abrams's taking command." The unassuming Abrams was in sharp contrast to the flamboyant Westmoreland who loved briefings and the press.

Abrams focused on developing the South Vietnamese military (ARVN), which had been fairly neglected to that point and enacted numerous efforts to change the war's direction to include focusing on hamlet security. The results were phenomenal ... but too late. The US population had grown weary of the war by the Tet Offensive in 1968, several months before Abrams took over. He no longer had support. All military experts stated his approach, had it been implemented earlier, could have turned the tide of the war. Even Abrams called the war winnable.

Sir Robert Thompson, a British counterinsurgency expert who observed General Abrams closely during the Vietnam War, pronounced him America's greatest general since Ulysses Grant. Lewis Sorley, Abrams biographer who stated in his book *Thunderbolt: General Creighton Abrams and the Army of His Times* that Abrams was the "most influential general since George C Marshall."

Then why wasn't he allowed to enact those policies as Westmoreland's second-in-command? Westmoreland was strong-willed and believed his own strategy was the right one. He wasn't prepared to listen to the advice of a subordinate. There was no succession plan for someone else to take over. One day Westmoreland was in charge and the next day he was out. There was no real transition plan. Westmoreland had a failed strategy with enormous public and presidential support while Abrams had a successful strategy with no support. Abrams was set up to fail in his succession efforts.

HOW SUCCESSION PLAYS OUT IN BUSINESS

Business owners will go to great lengths to put policies and procedures in place to ensure day-to-day operations run smoothly. They see the value of having standardized processes to prevent variation in methods. These same owners will develop 3- to 5-year plans to prepare and sustain growth in their businesses.

However, many procrastinate developing an exit strategy. As key players, owners and stakeholders, we all want to believe we are somewhat indispensable and a critical lifeline to the enterprise. But that dependency can create a weakness and vulnerability. After all, we are all mortal. We plan to retire someday. As we age, we are subject to prolonged illness. Despite these possibilities, we prefer not to consider the eventual exodus from the business, retirement, disability, passing on, or some other cause.

It takes great bravery to think about what's next ... how do I prepare for such a transition? But failing to do so could be considered selfish with negative implications to clients, employees, and families.

After 46 years in industry, I believe everyone in my situation should have a transition plan to exit the organization. An exit strategy ensures continuity of care for the customer, employees, and the owners' family.

Rather than sharing the conceptual elements as to how it should be done, I will explain how I set mine up.

MY SUCCESSION PLAN TEMPLATE

First, I had attempted to engage several family members as a possible successor years ago without luck. Hiring a family member strictly as a favor is not a good reason to give someone a job. The intent was to make them part of the succession plan for a variety of reasons, which is pretty common, but nepotism doesn't guarantee competence or loyalty.

Besides, in a study of 1,600 family-run businesses conducted by the consultancy PriceWaterhouseCoopers, only 36 percent of the family businesses surveyed survived passage into the second generation. But it got worse from there with only 20 percent of businesses surviving into the third generation and a mere 7 percent continuing into the fourth generation. That's pretty poor generational succession odds.

I decided to "grow my own" and focus on developing and grooming those with potential talent. In the leadership

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courses I teach, I always say, the “leader’s job is to identify and develop the next generation of leaders” so that is what I did. I spent years and considerable investment (even when the money wasn’t there) to train several of my most promising folks to form a partnership.

DETAILING THE SUCCESSION PROCESS

I explained to each a process how they could become owners via a partnership through a buyout process over a period of years. They were excited to gain some equity in the enterprise. This gave me an exit process in the years to come. The process consists of the following:

- I used a Job Task Analysis (JTA) to identify several hundred tasks they would need to be able to perform in their roles and I had them assess their abilities to perform those tasks to identify training needs.
- We used every opportunity to work together and would brief prior to the assignment and

debrief at the end (what did you like, what would you have done different) and then I would provide coaching and guidance.

- We look for the things that were repeatable and those that needed changes as well as lessons learned as part of a process of constant evaluation and coaching, which helps the learning process and growth.

I also developed various instruments that captured my knowledge and experience by illustrating how I make decisions through the use of a database and spreadsheet to reduce the reliance on recall or memory. We would have sessions where we would collaborate for hours how we would reach a decision together on the phone or on conference calls. Time consuming, yes—worth it, of course. They needed to understand the logic, not just the steps.

I soon began transitioning the decision-making to my operations manager to avoid second guessing. If I saw he was possibly making a

precarious decision I may point it out and simply warn of the risk, then recommend he come up with various options. He may ask me for options, which I will freely offer, but only if asked. I wanted him to understand the reasoning versus relying on me.

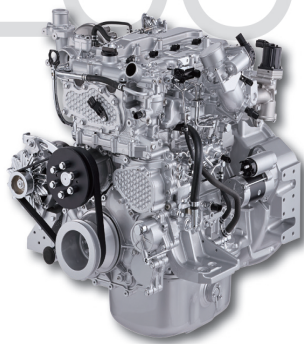
I encourage him and the other future partner to discuss business matters routinely during the week. They stay in touch frequently, even daily. I freely share financials (P&L, Balance Statement, Cash Flows). This includes how to interpret and make compensation decisions.

I have handed off all estimating, bidding, and pricing over the last year. The intent is to be prepared to leave at a very specific date versus an estimated or rolling date as some folks do. I will reduce the time I am here to about 20 percent for the changeover but I am confident the years of transitioning will have paid off and the exit plan will have bred the confidence and competence needed to continue the business. Eight years of grooming both, with 3 years of direct preparation, will help me to rest easy at night. ■

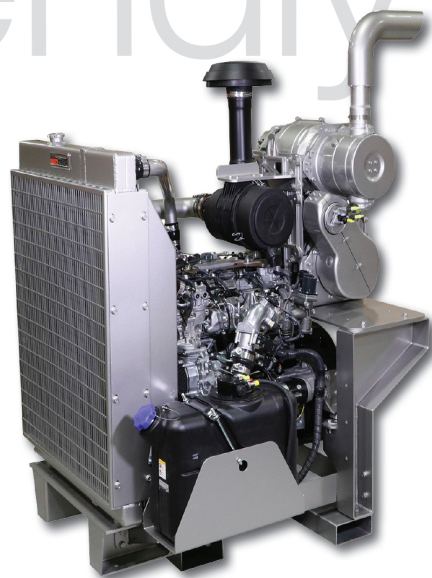
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