Editorial | Good Fortune or Planned Opportunity?

By David W. Mykins, P.E., Chair CASE Executive Committee

"Luck favors the prepared mind". This adaptation of a quote by Louis Pasteur is one of my favorites because it very succinctly describes the ingredients that make up what many of us consider our good fortune. The truth is, we are presented with opportunities for success all the time. Luck happens when we are prepared to take advantage of those opportunities. And most of those opportunities don't just happen to us. They are really the result of hard work, combined with careful, thoughtful planning. One example of that can be found by examining those lucky firms that are able to undergo successful ownership transitions.

From the outside, we may be tempted to say things like "How lucky those owners are to have those talented young people in their organization." Or alternatively, "They sure were lucky to have been hired by that firm." But was it really luck? Or was it good judgement and the result of years of careful mentoring that produced that next generation of talent? Of course, some of this is due to chance. Random events will lead individuals to decide to live in a certain place and accept one offer over another. But once we're in the game, we all play a role in making our good fortune happen.

Over the past several years, at conferences around the country, a recurring topic of discussion has been the challenge of ownership transition. Planning for ownership transition is difficult for any firm, but for small firms it presents some special and unique challenges. One inherent truth is that the pool of potential future leaders is smaller than for large firms. So let's examine a few key considerations to create some "luck" for small firms in finding the next generation of owners.

Most of today's successful small firms were founded by one or two entrepreneurial engineers with a singular drive and enthusiasm for both engineering and business. They poured their heart and soul into the business and developed a loyal client base that looks to them as the experts in their field. The founders have, in a sense, given birth to the business, nurtured it and watched it grow. And their dream is to see it survive and thrive after they have retired. Often, it is only as they approach retirement that they begin to seriously think about transition. One of the most important lessons in Ownership transition is that it is never too early to start planning for it, but it can be too late. Consider that, in nature, most living things have at birth everything they need to help produce the next generation. Thus, at the beginning of life, the process of regeneration begins. Possibly, the planning for ownership transition should begin with the hiring of the first employee.

Another reality is that successful small firms are often identified by the personalities of the founders. Because of this, as these leaders age and look for candidates suitable for ownership, the natural tendency is to look for mirror images of themselves. But as most anyone over the age of 50 can tell you, the Generation X and Generation Y (otherwise known as Millennials) think and work differently than the typical Baby Boomers who started the firms. Perhaps the firms that successfully transfer ownership manage to embrace the strengths of the new generations rather than trying to mold them into their image. This means actively engaging younger staff in discussions regarding key management decisions related to the future of the firm. By involving younger members of the firm in this type of dialogue, owners are able to identify individuals that have both the ambition and the talent to lead. This has the added advantage of providing fresh, unique ideas to improve the company's business practices and having the younger staff's buy-in to those ideas.

Once you are fortunate enough to have identified the next generation of leaders, you'll want to effectively communicate the advantages of ownership. These include, principally, the financial and leadership opportunities. According to a recent article on the website *Business Insider*, "Millennials who watch their elders struggle to escape the creditor want to avoid debt at all costs." How, then, do you convince them that ownership is a good investment? The first step is to have a valuation formula that is simple to understand, and financial risks and benefits are easily comprehended. An overly complex stock purchase agreement can be a real turn off to a financially unsophisticated potential investor.

In addition to the future financial advantages of ownership, you must promote the opportunity owners have to shape the future of firm. Let's face it: the major stockholders in a small firm make the key decisions about how the firm operates. This includes short term decisions like promotions, salaries, and bonuses, as well as long term decisions like geographic expansion, mergers and acquisitions. It is important that the individuals targeted for the next generation of leadership understand the responsibility and tremendous opportunity that ownership will provide them, and that they are ready to embrace it with enthusiasm.

These are just a few of the many things that need to be considered in ownership transitions. So where can you find more information and tips? Obviously there are lots of publications with different ideas, and plenty of experts ready to help you. But one important, often overlooked resource, is networking with your peers. That can be difficult, or at least awkward to do locally. But by actively participating in professional organizations like CASE, you have a unique opportunity to talk to other structural engineers from large and small firms across the nation who have successfully navigated the same path you are taking, and can often offer examples of winning strategies. If you are already a member of a national structural engineering organization, take advantage of one of the truly great benefits of membership by taking a more active role in it. Who knows, you might find out that you're already one of the lucky ones.▪

*David W. Mykins is the president and CEO of Stroud, Pence & Associates, a regional structural engineering firm headquartered in Virginia Beach, VA. He is the current chair of the CASE Executive Committee. He can be reached at **dmykins@stroudpence.com**.*