

## "Thought Leaders" Professional Builder Magazine

### Leslie Dashew: Succession Strategies

*by Bill Lurz, Senior Editor*  
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Most of Leslie Dashew's clients are not home builders, but a lot more probably should be. For 28 years, she has advised families with businesses how to handle the transition of ownership and/or management from one generation to the next or to an outside successor. It's hard to imagine an industry with more of those problems than home building.

Dashew is president of Human Side of Enterprise, a Scottsdale, Ariz.-based consulting firm. She has written two books, *Working With Family Businesses: A Guide for Professionals* and *The Best of the Human Side*. As a family therapist as well as an organizational development consultant, she tackles the tough problems inside families that often affect a company and hinder succession planning. Her clients come from large and small businesses in many industries across the United States and around the world. Her combination of expertise and experience could benefit many home builders.

Tom Bradbury, principal of Giant niche builder Colony Homes in Atlanta, says Dashew brings an objective point of view to transition planning that is desperately needed. "Leslie has done great things for my family and my company," he says. "And I know there's a lot more builders facing challenges similar to mine. In fact, among privately held builders, it's harder to find one that's not challenged in some way by succession planning."

The challenges come in three general types: 1) the transfer of ownership and management from a founding principal to one or more children; 2) the transfer of management to professionals outside the family because the kids don't want to run the business but do want to own it; and 3) packaging the business for sale, to employees or an outside bidder, because the children don't want to own or run it.

Of course, the mutations on those general themes are as varied as the people involved. "Most entrepreneurs are highly creative people," Dashew says. "They want to do their own thing. And to do transition planning, the entrepreneur must confront his or her own mortality -- never a favorite topic. Sex, death and money are supposed to be the three taboo topics, but people will talk about sex before they'll discuss death and money, and those are the two that are involved in succession planning. The easy thing is to let it slide and do nothing. My work is helping families deal with the disastrous consequences of that course of action."

Dashew advises entrepreneurs to begin transition planning with a personal assessment: Where are you now? Where do you want to be in five or 10 years? What's important as a legacy?

"Many builders view their company as an extension of their family, especially if they don't have children working in the business," Dashew says. "They don't want to sell it because they fear what might happen to the employees. I can't tell you how many times a principal has said to me, 'If I sell the firm, the culture I built here will be gone, and I don't think the employees will be able to handle that.' I tell them to begin with a vision of what they would ideally like to see happen, then work toward that goal. Sit down with the family and discuss where the business is going, what each member wants from it and how the alternatives will affect each life."

Dashew is adamant that a family council should be formed as a first step to keep internal family issues from disrupting strategic decision-making in the business. That's always a danger when an iron-willed entrepreneur suddenly begins talking about retirement. "The family council is the right forum to allow family members to create a vision for the future," she says. "If the family will retain ownership of the firm, it's essential that it speak with one voice to managers and employees. Don't put outside managers in a position where they have to take sides in internal family disputes."

High on Dashew's list of recommendations for almost any succession situation is the formation of a strong, independent board of directors. "That's especially important if the family plans to retain ownership but bring in professionals from outside the family to manage the company," she says. "You should pull board members from different areas of the country if they are involved in the home building industry so there's no hint of competitive conflict of interest, and from different industries."

"Building a strong, effective board takes time. You need to find people who can be objective and add value via their contacts, perspective and expertise. People who have been through a transition themselves can be helpful. I often recommend retired builders for a building company board. Strong financial backgrounds are a plus. And look for people who can fill holes in the cumulative knowledge of owners and managers."

Developing the skills to build an effective, independent board of directors is often just the right challenge for an entrepreneur facing retirement and easing out of day-to-day management decisions, Dashew says. "Moving up to chairman of the board, and building a good one, is a new and different challenge. The board has to be independent enough to be more than a rubber stamp. Six to eight members is a good number -- the CEO and one or two family members, then four or five outsiders."

"Most builders I've helped through formation of an independent board say they wish they'd done it sooner, that it really adds value and that building a board is a new adventure for the entrepreneur."

An entrepreneur's decision to retire never comes easily, and perhaps the stickiest issue is who will ascend into leadership of the company. "That's a different issue from ownership," Dashew

says. "It involves succession of knowledge. One of the big barriers to turning over the company to another person is that the successor 'doesn't know what I know.'"

This gets back to the whole issue of vision, Dashew reasons. The entrepreneur is often a cowboy, good at shooting from the hip, but not great at managing a large, growing company. If continued growth is one of the objectives defined in the vision, a new model for management of the company might be the answer.

The successor in such a situation might not be one person, Dashew says. "Leading a growing company today is so complex that many entrepreneurs are now developing succession teams. One person may be really good at strategy, while another is good at day-to-day operations. Shared leadership models can be very effective."

Dashew has one guiding principle for entrepreneurs determined to kick themselves upstairs to chairman of the board: "Nose in, fingers out. Understand where the business is going and how it's doing, but give the successor or succession team the reins of power. The chairman's role is advisory."

That said, Dashew advises the new leader -- whether second-generation family member or outsider -- to seek advice from the retiring leader whenever critical decisions must be made. "Too many second-generation owner/leaders dismiss dad as over the hill, but there's something to be said for the gut feel experience brings to decisions that require a balance of risk and opportunity. Instinct is really wisdom and knowledge."

Dashew has lots of it.