



Building Blocks

Construction Financial Management Association
Honolulu Chapter

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Management Succession Planning

Succession planning is vital to every company's future, but sadly, the majority of family business owners neglect to plan for their company's future.

An owner's entire life can be spent developing a company and despite the knowledge that many family businesses do not survive through the second generation many owners fail to take the time to develop a succession plan.

A company's strategic plan is its vision of the company's future. Without a succession plan, how will the company develop and mentor the next generation of employees to lead the company? Failure to have a plan may cause hardship and burden on family members and employees.

Developing a plan and putting it in place is difficult and can easily be overshadowed by everyday events which beg for more immediate attention. Employers often agree that succession planning is a sound business decision, but the key is to "just start." Failing to plan is planning to fail. A simple and clear outline may help to facilitate the process.

All in the Family?

Begin by deciding whether to keep the business in the family. This can be complicated if some family members feel they have a right to the business, or if other family members feel slighted if passed over for a position. Be sensitive to those passed over if you do not want to lose them.

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President's Message

This message marks the end of CFMA Honolulu's fourth quarter and the end of my two year term as president. As my last message, I would like to thank the board members who served during my two years as president. Despite being in the midst of one of the busiest construction periods ever you unselfishly volunteered your time and made my life as the president easy.

Although, all of the committees worked unselfishly to bring members opportunities to learn and socialize, I would like to highlight a few committees: (1) Education, CFMA's accounting class has educated industry professionals and reaffirmed CFMA's role as a construction industry resource, (2) Events, our committee allowed members to get a sneak-peek at Hawaii's latest construc-

tion projects, and (3) Golf, committee members continued the tournament's infamy and attracted sponsors for the past two years.

Although, I am a little reluctant to turn over my duties, I know the new president will serve CFMA and its members well. In closing, to the board and the membership, thank you for your support.

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Identify and Develop a Team

If you want your children to take over some day, your succession plan must spell out who will be the immediate successor, as well as the subsequent ones. You may need someone to mentor your children until they are ready. Identify the most competent members to head the management team. Determine what type of manager you will need to lead the company in the short term and in the long term.

Designate consultants and advisors to support the team and keep them posted at least twice a year. Good professional advice on how to transfer the company to the succession team is invaluable and may be necessary for tax planning. The ownership and management transfer agreements should be clear, precise, easy to understand and execute. It should be free of complicated transfer techniques, especially if the transfer is within the family.

Envision how your death or incapacity would affect the company, employees and family members. List all of your critical tasks and decide who you can pass the duties on to. The old adages of “keep it simple stupid” and “who’s on first” can be critical in an untimely or unexpected transfer. If an owner dies suddenly, the succession team will have enough issues to deal with without spending untold hours trying to figure out the transfer plan.

Start early and involve your successor and succession team in key decision-making processes to prepare the team as well as to allow other employees to adjust to the new management styles. You want them to fumble while you are still around so you can correct mistakes and mentor the team. In the process, you transfer your valuable experiences to your successors.

Include CPAs, business consultants, bankers, bonding and insurance companies, attorneys and other related consulting firms in your succession planning process. Bring them into the fold early and keep them up to date on matters pertaining to the company.

If you do not have a designated successor within your company, you may have to hire from outside. Finding a successor now will give you time to train that person. Your consultants and advisors may be a resource in finding the right successor, and even if you do not hire immediately, your consultants and advisors will know what qualities you are looking for.

Once you have a succession plan, write it down and share it with the successor team and consultants.

Don't Fix It If It Isn't Broken

Once the successors are at the helm and the firm is going forward, instruct them to refrain from making large decisions or changes until they can understand what is really happening or going to happen to the company.

Every firm has a distinct personality, style and way of doing business, but with a change in management, it may be difficult to duplicate the exact style of the prior leader. Instead of forcing prior management's style upon the successors, it may be more suitable to take small steps in another direction. Just avoid big initial changes. Taking big steps when you head in a different direction generally results in stumbles.

Manage and Preserve Cash

After you step aside, the company may have money coming in from ongoing jobs, savings, key man proceeds, or other benefit payments. Until the new team can get a handle on the business and the books, they should manage and preserve cash. Avoid buying or paying out anything and request deferrals wherever possible, at least until the estate and key issues are settled.

Aloha Spirit

People within a trade develop a sense of camaraderie and develop close friendships even with their competitors. When something happens to an owner, competitors tend to help each other. Other businesses are willing to offer some sort of help. Accept their offers graciously and another day you may be on the giving end.

*Contributed by:
Gerald Takeuchi
Atlas Insurance Agency*



Our Tour Guides - Clint Brink, David Koseki, and Glenn Yee of Hawaiian Dredging.

909 Kapiolani Site Visit

On March 29, members were treated to a VIP tour of Honolulu's newest luxury condominium, 909 Kapiolani. Staff from the project's general contractor (Hawaiian Dredging) took members on a top to bottom tour of the building.

The tour began with a trip to the penthouse level for a first hand look at how the other half will live. From the building's 35th floor, units will have unobstructed views

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Announcements

Installation Banquet

Please plan to support the 2007 – 2008 board at the installation banquet planned for April 12th at the Oahu Country Club.



2007-2008 Board of Directors Election Results

In a landslide never seen before in CFMA history the following individuals were elected to the 2007 – 2008 Board of Directors:

President	Carl Williams, Detor & Williams, CPAs
Treasurer	Sequoya Borgman, KPMG, LLC
Secretary	Thalia Choy, Thurston Pacific
Director	Sandra Brewer, HIS Electric, Inc.
Director	Neill Char, First Hawaiian Bank
Director	Michele Kaneshiro, Carrier Hawaii
Director	Darlean Kiyokane, CF Tile, Inc.
Director	Wesley Mikuni, Ralph S. Inouye Co., Ltd.
Director	Jay Miyaki, Detor & Williams, CPAs
Director	Erik Snyder, Kaikor Construction Co., Inc.
Director	Frank Wirt, Marsh
Director	Glenn Yee, Hawaiian Dredging Construction Company



Jan-Jan Shardon and Sequoya Borgman enjoy the views from 909 Kapiolani's 34th floor.



The Contruction Financial Management Association, Honolulu Chapter

Frank Wirt, Marsh USA, Inc.	President
Carleton Williams, Detor & Williams, CPA's	First Vice President
Thalia Choy, Thurston Pacific, Inc.	Secretary
Ralph Kanetoku, KPMG, LLP	Treasurer

Directors

Neill Char, First Hawaiian Bank
Michele Kaneshiro, Carrier Hawaii
Darlean Kiyokane, B F Tile, Inc.
Wes Mikuni, Ralph S. Inouye Co., Ltd.
Danford Oshima, American Savings Bank
Lianne Uyehara, Jade Painting & Decorating
Glenn Yee, Hawaiian Dredging Construction Co., Inc.



Ocean view from the Penthouse Level of 909 Kapiolani.

of Punchbowl, the Ewa plain, and the Pacific Ocean. The tour then moved to the completed units where members got a peek at the building's one and two bedrooms units. The units feature granite countertops and stainless steel appliances.

909 Kapiolani is scheduled for an August completion. For those interested in living in the heart of Honolulu there are still units available.



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