wasn't hard for me to let go of that control because I trust the people I work with."

However, the ESOP would not have been possible for Benning's father or grandfather, who preferred a more rigid control structure. When the company was founded by Benning's father and grandfather in 1953, several outside investors were involved. For the company's first 10 to 12 years, the goal of Benning's father and grandfather was to retire the initial investment from all investors except for an investment from the Shell family (close personal friends of the Benning family).

This joint ownership continued until 1972, when the Shells gained full ownership of one portion of the company and the Bennings took full ownership of the other portion (now Benning Construction Company). Once Ted Benning joined his father in running the company in 1976, they decided an ESOP would be the next step.

"Certain factors went into that decision," Benning says. "We needed to determine how to maintain financial strength through generational changes and how to affect change in a way that the appropriate leadership team would be in charge after stock transfers."

The ESOP officially launched in 2007, but Benning still faces the task of choosing a successor. Though this is a new process for Benning Construction Company, it is one leadership has been thinking about for a long time, knowing that developing a good construction executive can take up to 20 years.

"The number one thing we look for is who the leaders are and who has the skill set to be involved in the decisions they will need to be involved in," Benning says. "We are doing things such as skill gap analyses to determine if candidates need more knowledge in certain areas, like accounting or bonds."

While these strategies work for Benning Construction Company, Benning warns they might not be the best fit for every firm.

"It's not an exclusive way to migrate a construction company," he says. "But the laws are not favorable on inheritance taxes or closely held companies, so if you're

Q & A WITH TIM HUGHES

Attorney - Bean, Kinney & Korman, PC, Arlington, Va.

What are the benefits of having a succession plan?
Failing to plan is planning to fail. That applies not just to establishing a business plan and implementing it over time, but also to providing for the sustainability of that business over time. We all face threats to our businesses, whether from the economy or life events, including death, disability and people at the top of the company moving on. Unless you think through the ramifications of these possibilities, you're putting your business in a very precarious position. Every company needs to think about the long-term growth trajectory to develop leadership that will keep the ball moving down the field when current leadership moves on to other things.

"FAILING TO PLAN IS PLANNING TO FAIL."

Smaller companies that rely on their founder will face a real challenge when that person is gone if they don't prepare for it. Companies with a bigger, more established national presence that are much more corporate and have more stock ownership especially need strategic planning to develop future leadership.

When should owners begin thinking about a succession plan?
You must be thinking about the end game from the start. Ideally, you should have the right foundation in terms of corporate documents from the beginning. I cannot tell you how many times I get calls from two partners with a business they own equally who can't get along but have nothing in terms of documents. Proper documentation provides a vehicle for people to talk about what entry into and exit out of the company will entail, as well as the rules of engagement. This ensures everyone is on the same page, all participants have the same expectations, and the way risks are allocated and responded to is clear.

How long does the process usually take?
Sometimes you can put documents together and knock it out quickly, but you want to have a structured conversation that allows you to set a timetable and create urgency to get it done.

What are some of the construction-specific challenges to succession planning?
The construction industry is by nature heavier in real estate holdings, which implies more liquidity, greater impact of capital gains and huge losses if you exit the market at the wrong time. For example, what happens if the market crashes when a construction company is involved in a joint venture with holdings? You can minimize destruction if the right measures are in place to set up trust documents, guide transition of control and take care of cash flow. The goal is to maximize upside gain and provide for the company's long-term survivability.

What role do taxes play in succession planning?
Everybody should think about taxation, but this can get a lot more complicated when you add a real estate holding element and lack of liquidity. Taxes are tough to plan for; you can start to plan for these things and try to develop leadership, but strategic succession planning must continue to be a conversation because tax laws and corporate laws change. For example, lack of consistency on estate tax has created short-term impact in terms of how people are thinking. It has been very unpredictable because the estate tax expired and now it's back in place.