

# EXTRAS

A Quarterly Publication from the Western Michigan Chapter  
of the Construction Financial Management Association

Summer 2008

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## Acknowledgements...

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## Letter from the President

### “Filters” by Todd Miller

We are bombarded daily with information and news that is mostly “negative” in nature. Inflation, war, crime, taxes, and unemployment are just a few of the headlines. Let’s pick that last one to look at differently. National unemployment increased to 5.5%. That certainly sounds bad. Yet, National Employment is at 94.5%, which means that more than nine in ten people looking for a job find it!

This is an example of how the information we receive is filtered by someone else for their own motivation. Sensational news sells. Reports of inclement weather make people watch. How many people in San Diego turn on the weather channel to track the latest 74 degree and sunny day?

It is a challenge to maintain perspective in the face of so much

negativism which is designed to sell newspapers, TV news, and satellite radio spots. There is a great story that I heard tell of a famous person that only read the sports section of the paper, simply because it is the only section that celebrates human achievement and accomplishment, whereas the front pages tell only of human failure. I believe that was Ronald Reagan.

The core purpose of CFMA is to help its members provide financial leadership to their organizations

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“National  
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in order to best position the business for the challenges that they face. The “filter” of CFMA, therefore, is the continual improvement of its membership. A sample of the resources of

CFMA can be seen with a quick visit to the website [www.cfma.org](http://www.cfma.org). You can download articles and conduct research to assist in giving you some tools to gain a different perspective. As we gain

perspective and tools to address some of the unknowns, we are positioning ourselves to better combat the perils of a “negative” press.

# 3<sup>rd</sup> Annual

## “CFMA Uncorked” Picnic Pops Event

If you didn’t attend this year, you missed relaxing with us at our 3rd Annual “CFMA Uncorked” at the Grand Rapids Symphony Picnic Pops on July 11<sup>th</sup>. As usual, we had a wonderful picnic lunch catered in by Quiznos Downtown. We had plenty of time to visit with each other, eat our dinner to the pre-show music and try some wonderful wines.

For the 2<sup>nd</sup> year, we encouraged making this a family event by including the kids. There was a tent with kid’s activities before the show where they could decorate boxes or have their faces painted. They also were able to try out instruments: flute, mini tuba, violin, mini trombone and the trumpet!

At concert time, we could sit back and relax or lie down and relax even more while listening to the live music. We had perfect picnic weather – no rain this year! We had lots of desserts that we passed around between songs: brownies, key lime pie and cookies. Yummy!!

As the last song ended, the fireworks began. They were spectacular! Please consider joining us next year!



# Who Should Be A Share holder?

By Robert C. Geyer

Most owners of closely held businesses are aware of the dismal statistics that show that most of those businesses don't continue after the founders are no longer there. There are really only three things an owner can do with their business:

**1. Pass it on to future generations of the family**

**2. Sell it**

- a. To outsiders
- b. To insiders (either select individuals or all employees through an ESOP)

**3. Liquidate it**

Most closely-held construction companies do not have the opportunity to sell their businesses to outsiders due to capital requirements, bonding restrictions and the lack of potential buyers. Construction company owners really don't want to liquidate their companies, but, as we start discussing the alternatives, this may be the best option. Since an outside sale is a remote option, the owner is left with the following: pass it on to

future generations of the family, sell it to insiders or a combination of the two. As owners contemplate these options, they should ask themselves: are any of these people qualified to be a shareholder?

I once had a client that strongly felt that employee ownership was in the best interest of the business. He wanted to make almost everyone a shareholder in order to motivate them to do better for the organization. After about a year, he was surprised at what happened. He found that it really had very little impact on motivation. He complained that about the only thing it accomplished was that these owner-employees didn't feel the need to turn in an expense report anymore since they were "owners."

In other words, many of these qualified employees felt that there were rights to ownership but didn't understand that, with those rights, come obligations. The primary motivation that my client wanted to achieve was a feeling of entrepreneurship – the feeling that reward comes with effort and pride comes with ownership. It is my experience that just because a person is a good employee, it doesn't mean they will be good owners. An entrepreneurial spirit comes early with people. Those that have it and aren't given the opportunity for ownership will leave the organization to either start their own company or get involved with an organization that has ownership potential. Those that are left are good employees but, in many cases, not good owners. Following are some of the thinking that needs to occur to determine if these family members and/or employees will make good owners.

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### Why own stock?

- ◆ To build wealth
- ◆ Financial wealth
- ◆ Other components of wealth
  - Human wealth
    - building strong relationships
  - Intellectual wealth
    - building a team with diverse knowledge
  - Social wealth – wanting to give back to their employees and communities
- ◆ Achieve enduring purpose
- ◆ Build an enduring organization
- ◆ Create and develop construction-related businesses
- ◆ Build people
- ◆ Benefit communities
- ◆ Protect values

### What are the risks of ownership?

- ◆ Capital risk
- ◆ Significant portion of net worth is in the business
- ◆ Lack of liquidity
- ◆ Business does not achieve financial goals
- ◆ Financial risk

- ◆ Debt
  - Company must maintain debt covenants
  - Shareholders typically provide personal guarantees
- ◆ Bonding
  - Requires high level of equity be maintained in the business
  - Shareholders typically provide personal guarantees
- ◆ Other liabilities (lawsuit potentials)

### What are some of the tangible rewards of ownership?

- ◆ Income
- ◆ Compensation
- ◆ Dividends
- ◆ Build wealth
- ◆ Growth in share value
- ◆ Ability to sell shares

### What are some of the intangible rewards of ownership?

- ◆ Respect
- ◆ Sense of belonging
- ◆ Sense of purpose
- ◆ Sense of accomplishment
- ◆ Sense of pride

Many employees feel that they obtain many of the personal tangible and intangible rewards by being good employees. However, many good employees really don't relate to the concept of building something beyond themselves; and they, and their spouses, have real problems with the financial risks involved.

If individuals, after considering their risks and rewards, still want to pursue ownership, they need to understand their rights and obligations as owners. The only real right of an owner is to elect the board of directors. This right becomes irrelevant if the owner is a minority owner in a majority owned business. In addition to this tangible right, the ownership group typically has the opportunity to establish the values, vision and goals of the organization – if the majority owner allows it.

Owners also have a right to adequate information from management and the board of directors. With these minimal rights come obligations - the obligation to assure excellent governance, to assure an ownership succession plan, to work as partners with the board and management to develop and support sound business strategies and to insure that the business reflects the values, vision and goals that the owners established.

They also need to assure that the business meets performance standards, has processes for accountability and achieves other non financial goals established by the ownership group.

Good owners don't think of themselves as owners but as stewards of the business. "Ask not what the business can do for you; ask what you can do for the business. Ownership is not my right, but my privilege. The business depends on me looking after its best interest. As an owner-employee, I will not knowingly abuse the privilege of business ownership, nor jeopardize the well-being of the whole for the benefit of any one individual. The business is not mine, but is mine to care for and nurture so that there will always be individuals who desire to become owners in the future."

Now, review your family and your employees – do you have people that truly think like that? Remember, having the right owners impacts the future of your business and, more than likely, the future ability to receive the financial value out of the business that you may depend on for a comfortable retirement. One of the reasons owners never retire is that they don't feel they have quality future owners. I am currently working with an individual, 68 years old, with two children in the business, who is struggling with this issue. He has never cultivated future owners, including his children. He does have a potential outside buyer, but, if it doesn't happen, his only other alternative is to proceed with an orderly liquidation.

In a future article, I will discuss the personal attributes and characteristics of individuals who make good owners; answer the question - does ownership matter, and discuss good governance in closely-held businesses.

When it comes time to move away from the business that you started or had the privilege of owning, the question that all good owners must ask themselves is: Will it last? A positive answer to that question only comes if they spent the time cultivating future owners.

**Rob Geyer is a partner in the Grand Rapids office of Crowe Chizek**

# FOCUS N

## Plante & Moran, PLLC

### Experience the Plante & Moran Difference

What makes Plante & Moran a leader in the world of accounting and business consulting and one of the nation's best companies to work for?

The answers to that question are as varied as the clients and Plante & Moran staff you ask. Some say it's the depth and breadth of their service offerings. Others cite the unparalleled expertise of the firm's more than 1,600 staff members. Still others believe it's their culture—the fact that they genuinely care about their clients and the communities in which they live, work and play.

Truth be told, it's all of these and more. Most organizations like to think of themselves as unique. More often than not, however, if you delve more deeply, these same organizations tend to be a lot more like their competitors than they'd

care to admit. Plante & Moran really is different. Different in terms of service and philosophy and different in terms of culture.

#### **Not Just Audit & Tax**

When most people hear “Plante & Moran,” they think “audit and tax firm.” However, the firm provides a variety of consulting services to clients in the real estate & construction, manufacturing & distribution, financial institution, health care, public sector, not-for-profit, and service industries. This includes everything from employee benefits consulting, litigation, valuation, & investigative services, and strategy & global services to operations improvement, financial support, and technology consulting & solutions. The firm also formed Plante Moran Financial Advisors, P&M Corporate Finance, and Plante & Moran CRESA (Corporate Real Estate Service Advisors) to meet their clients' wealth management, investment banking, and real estate needs, respectively.

What specific services does the firm provide to its real estate & construction clients? Very simply, all of the operational, financial, and technology services they need to grow, stay competitive, and provide quality products to the marketplace. This includes everything from tax structuring, real estate financing, and financial modeling to strategic & business planning, process improvement, and information system design & selection.

#### **Culture—More Than Feel-Good Corporate Speak**

At Plante & Moran, culture is more than feel-good corporate speak. Their core purpose is to be a caring, professional firm deeply committed to our clients' success, and they genuinely care about those clients, their staff, and their communities. In fact, Plante & Moran was recently named to FORTUNE magazine's list of the “100 Best Companies to Work For” in America for the 10<sup>th</sup> consecutive year—a remarkable accomplishment, given that two-



thirds of the total score come from confidential responses to a survey distributed to randomly selected staff members.

In the 10 years since Plante & Moran first appeared on the FORTUNE list, the firm has tripled its revenue and nearly doubled its number of staff, all while maintaining the culture that promotes staff development, retention, and focus on client service. The fact that Plante & Moran is on the FORTUNE list is recognized as an asset by both new recruits and clients.

What makes Plante & Moran such a great place to work? A

lot of it comes down to culture and a philosophy developed by founder Frank Moran called the “Wheel of Progress”: hiring good staff who do good work results in good clients, which allows them to continue to grow and hire good staff.

From its inception, Plante & Moran has drawn the connection between client service and providing a caring and encouraging work environment in which staff are given the training, mentoring, and personal flexibility they need to grow. These core values encourage their staff to become exceptional ‘client-servers’ who drive great results,

boost client satisfaction and promote successful and expansive long-term client relationships.

### **Going Forward**

So what’s next for Plante & Moran? Continuing to provide their clients with the responsive, attentive service that’s been their hallmark since 1924. Plante & Moran remains committed to their growth of their firm, the growth of their staff, and the growth of their communities.

## **Plante & Moran at a Glance**

- ◆ Founded in 1924, Plante & Moran is among the nation’s largest certified public accounting and business advisory firms.
- ◆ Plante & Moran has offices throughout Illinois, Michigan, and Ohio, as well as in Shanghai, China.

- ◆ Plante & Moran employs more than 1,600 professionals, more than 150 of whom are dedicated to serving the real estate and construction industry.
- ◆ Plante & Moran serves more than 1,000 real estate and construction entities including private equity/hedge funds, private/public

REITS, commercial real estate developers and managers, home builders, hotels, affordable housing developers and operators, general contractors, subcontractors, road builders, and heavy equipment operators.

# Riverhouse Walk-Through

All chapter members are invited to tour the Riverhouse project **August 11 at 4:00 PM**. Riverhouse is the new thirty-four story condominium project being constructed at I-196 and US-131 in downtown Grand Rapids. The project is scheduled to be topped out by the end of July, so we should be able to get a pretty good look at the finished lower floors and the upper floors just recently poured.

Contact *Theresa Sickles* by August 5 at [tsickles@beenegarter.com](mailto:tsickles@beenegarter.com) or call her at 616.235.5200 if you would like to attend. Directions and parking instructions to follow. A special thanks to Tim Gabrielse of Wolverine Building for coordinating the tour of their project.

If you have a project you feel members may enjoy touring, please contact Theresa or any other member of the promotions committee.



**August**  
**11th**  
**at 4 p.m.**

**TRADING TOOL BELTS AND HARD HATS FOR A SOFTBALL AND BAT.**



Presents the First Annual



**west michigan construction**  
**SOFTBALL CHAMPIONSHIP**  
**generals vs. subs**

**Wednesday, August 6th, 2008**  
**4 pm to 9 pm**

Fifth Third Ballpark, Comstock Park

**For player registration, contact your employer or call (616) 437-0305.**

face painting • photo frame and pennant decorating • field games and activities  
free admission • concessions available

A joint project of:



Benefiting:



# Membership Update

by Ann Plummer

Welcome to our newest member since our last issue of Extras!

*Joseph Belsito*

Smith Haughey Rice & Roegge  
Replaced Aileen Leipprandt

**Welcome to  
you!**

## Membership Statistics as of July 2008:

### Chapter Membership Composite

|                   |            |             |
|-------------------|------------|-------------|
| General Members   | 66         | 63%         |
| Associate Members | <u>39</u>  | <u>37%</u>  |
| <b>Total</b>      | <b>105</b> | <b>100%</b> |

If you have any questions about membership, please contact any Membership Committee member listed below:

- **Ken Bos**  
Hylant Group  
[ken.bos@hylant.com](mailto:ken.bos@hylant.com)
- **Ann M. Plummer**  
Beene Garter LLP  
[aplummer@beenegarter.com](mailto:aplummer@beenegarter.com)
- **Suzanne Strauss**  
Great Lake Systems, Inc.  
[suzanne@glroof.com](mailto:suzanne@glroof.com)
- **Mircea Dobre**  
R.W. Baird  
[mdobre@rwbaird.com](mailto:mdobre@rwbaird.com)
- **Michael Poggi**  
Pinnacle Insurance Partners  
[mikep@pipgrmi.com](mailto:mikep@pipgrmi.com)
- **John LaBarge**  
Owen Ames Kimball Co.  
[jlabarge@owen-ames-kimball.com](mailto:jlabarge@owen-ames-kimball.com)
- **John D. Koscielniak**  
Walburg & Associates, PC  
[jkoscielniak@walburg.com](mailto:jkoscielniak@walburg.com)
- **Todd Hanson**  
Connect Resources  
[todd@connect-resources.com](mailto:todd@connect-resources.com)

# General Membership Meetings

All meetings will be held at the University Club on the tenth floor of the Fifth Third Bank building located at the intersection of Ottawa and Lyon in downtown Grand Rapids.

Parking will be at the attendee's expense.

Registration begins at 11:30 a.m., with lunch served at 12:00 p.m.

| <b>Date</b>        | <b>Speaker</b>  | <b>Host</b>    |
|--------------------|---|----------------|
| September 25, 2008 | <i>Political: Election Update</i><br>Speaker: Rick Albin            | Jon Lunderberg |
| October 23, 2008   | <i>Economy: Michigan Future</i><br>Speaker: Lou Glazier, Director   | Roger Tjoelker |
| November 20, 2008  | <i>Tax: MBT Update</i><br>Speaker: Representative from Beene Garter | Ann Plummer    |
| December 2008      | <i>No Meeting Scheduled - Happy Holidays!</i>                       |                |

## CFMA

### Western Michigan Chapter Mission Statement

As the source and resource of construction financial management in West Michigan, our Association unites individuals having financial responsibilities in the construction industry. We provide a forum through which the Association's members can meet to network and exchange ideas. We promote and encourage leadership within the construction industry, as well as our Association. We develop and coordinate educational programs dedicated to the purpose of improving the professional standards of the industry and enhancing the value of construction financial managers to their respective companies.

WEST MICHIGAN  
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FINANCIAL  
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ASSOCIATION