

# The Dispatch

## July 2021: The Transition Conundrum

Every family business that lasts more than one generation faces the challenge of management transition. Though each business is different, there are certain common themes and questions that each business must face. In this issue we look at some of those challenges. Davon provides helpful advice regarding practical or tactical steps a family business in transition ought to consider. Lance speaks about what we might call the “mental challenges” of generational transition. Finally, Bill presents a Biblical story where transition didn’t go well at all. Keep in touch with us as you engage in this most important business challenge!

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### Obstacles to Management Transition

[Davon Cook](#)

Most business leaders hope that the transition to the next generation of leadership—whether to a family member or other professional—is as smooth as possible. But *hoping* is not the same thing as actually *doing so*. Not having a concrete plan to train successors and transition decision-making is a huge obstacle. Just as in dieting, it’s easy to *say* you’re going to do it, but without a specific daily action plan, it’s harder to make it happen.

What specific tools could help? First, make sure you have a full accounting of the responsibilities and decisions the current leader carries. See the method I described in a previous article using the [Responsible/Consulted/Informed](#). Or use a calendar of duties to document the role throughout a year. Enter major decision points and tasks for each month of the year (for tasks that vary by month), as well as daily, weekly, monthly, and quarterly tasks. This helps successors make sure nothing falls through the cracks when institutional knowledge is in transition.

Second, make a timeline for upcoming years of transition. Identify when key players hope to partially or fully retire. Define what those intervening years look like. Maybe it starts with more vacation time and evolves to being absent seasonally and then to full retirement. Literally draw the Gantt chart of those transition years on a whiteboard or spreadsheet. This is a powerful tool to visualize the coming transition, especially if multiple leaders are approaching retirement. Then work backwards to create the action plan starting today. If you need to hire new expertise, in what timeframe should you hire to allow for adequate overlap and training? If you’re handing off to folks already on the scene, set specific goals *by year* to transition the tasks on the Responsible/Consulted/Informed list or on the calendar of duties. And remember that handoff includes the training and skill-building to be successful at it.

While other mental and emotional hurdles to management transition exist, focusing on tactical planning to move from good *intent* to productive *action* can help you gain momentum.

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### Questions are the Answer: Overcoming Mental Obstacles to Management Transitions

[Lance Woodbury](#)

As Davon suggests, family businesses often suffer from inaction on management transitions, and a tactical plan offers a way through the paralysis. There are also a number of mental obstacles to the transition, and by specifically framing those hurdles as questions to be addressed together, you can work through the underlying challenges in a handoff.

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**How will the money work?** In a transition with role changes, how people will get paid in relation to their history of remuneration, coupled with their shifting management contribution, creates a new problem to solve. Sit down with your accountant to talk about practical, and tax efficient, strategies for compensation.

**Is the next generation adaptable?** A frequent fear is that the younger generation hasn't seen enough, or experienced the full range of agriculture business cycles. Instead of readiness, focus on adaptability ([as described here](#)). If the next generation is adaptable, they will figure it out — which is probably what the senior generation did when they were younger!

**Will they hold it together?** If there has been conflict between next generation members, the older generation feels like they might be the glue that binds everyone, and in their absence the business will fall apart. Talk explicitly about how the next generation will work through differences. Ignoring this issue increases the odds of a split-up.

**What's next for the senior generation?** Farmers and ranchers' identity is often connected to the business, and without a vision for their future role, letting go is more difficult. Talk openly about how that identity will be fulfilled in their next chapter. Whether they "retire" to become an employee, or whether they become Chairman of the Board, find a meaningful next role.

The answers to each of the questions above will be different for each family business, but naming the questions helps move past the mental obstacles to management transitions.

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## **A Biblical Cautionary Tale**

[Bill Long](#)

Davon and Lance have both discussed practical issues that can be addressed in assuring a smooth leadership transition from one generation to the next. But the Biblical story of the royal "transition" from David to Solomon is riddled with so many problems of such great magnitude that it makes us wonder if successful transition can EVER really happen. My point here will be that unless your personal or relational house is in order, it may not matter what great insights or what a great team you have leading your transition effort.

King David had, by one count, nineteen sons. Succession ought to have been easy for him—hand off the kingdom to his oldest son, Amnon. But Amnon took a page out of his father David's book by deciding to sleep with someone who was forbidden (in this case his step-sister Tamar). This action enraged David's third son Absalom, who eventually arranged to have his older brother killed. Rather than coming down hard on his children for this immoral and murderous activity, David just bemoaned his fate. After a short exile, Absalom returned to Jerusalem and became the apple of King David's eye.

But then things really fell apart. With no discipline, Absalom decided that he ought to be king, and then led a rebellion against David. The upshot of it all was that Absalom was killed by one of David's generals. David was devastated, and the palace intrigue continued.

While one can read this story as just the piling up of human tragedies, one can also see it as the lengthened shadow of the unwise decisions of King David to sleep with Bathsheba, have her husband killed and then cover it up. Though Solomon eventually became King, David's family was nearly destroyed by the ordeal. His family story shows how bad behavior in one area of life had repercussions in every area. By all means, use your advisors and make good management and ownership transitions. But take care to cultivate the basic relationships in your family and life—for they will certainly outlive you.