



Woodbury: Farm Family Business

Who Owns Your Succession Plan?

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Succession planning is a hot topic in agricultural circles. The average age of the American farmer has increased from 48 (in 1945) to 57, and the percentage of farmers age 65 or older was over 30% in 2007. While I see many operations in which family members have come home, I'm concerned that if those working on their succession plans fail because of family business conflict and miscommunication, it only deepens the crisis and fuels the consolidation facing our industry. We all know of friends and neighbors who "sold the farm" because the parents and adult children couldn't work together, or siblings who didn't get along or lacked a similar vision for the future. How do you make sure you don't become a family business statistic?

BEYOND BUY-IN

For a smooth transition, the next generation not only has to own assets, but they have to own the succession plan. They have to do more than "buy in" to something you and your accountant or attorney develop; they have to help create part of the solution themselves, so that they are invested in making it work when the going gets rough -- as it almost certainly will at some point in the process.

Several years ago I had the good fortune to work with a farmer who, absent any returning heirs, wanted to help his key staff member take over the farm. Over the course of several meetings, the farmer, key employee, lender and accountant developed a plan to communicate with landowners, purchase the retiring farmer's equipment, and obtain financing. The result was a smooth transition for all, despite low grain prices and a drought that tested the new owner's skills, temperament and appetite for risk.

Succession planning is a process that involves all parties both letting go and grabbing hold simultaneously of new roles, responsibilities and perspectives. It involves the ingredients of emotion, communication and ego, and if not mixed in the right proportions, can generate a recipe that results in significant heartburn!

I often define a good succession plan as the process of "co-creating" psychological ownership of the vision, strategy, goals, roles, decisions, performance and results of the business enterprise between two or more generations. Said in more pragmatic terms, it involves the right family members or key staff determining where you are headed, how best to get there, who will do what, and how that should be rewarded. I put as much emphasis on the process of planning as the plan itself, because a great plan -- if developed without good communication and clear expectations -- will fail in its execution.

KEYS TO SUCCESS

-- Include the right people. My advice is to involve, in some fashion, anyone who can throw a wrench in your goals. If your son is taking over the farm, ignoring his wife in the process will cause problems down the road -- I've seen it over and over again. That doesn't mean you need to ask every in-law's permission, but it does mean you should, at key times, present your thoughts to those that will be affected by your succession plan and be open to their observations. I sometimes interview or survey family members or key staff who are not direct parties to the planning process, gaining their input on the direction the plan is headed.

-- Clarify your expectations. Succession planning necessarily means that some of what both parties do now will in the future be done by someone else. You have to decide which methods or approaches are "non-negotiable" in terms of how you want to see things done. What are the areas in which you are willing to let the next generation do things "their way?" Communicating priorities and expectations is not easy, but if you don't get your standards on the table, frustrations will build and one day blow, jeopardizing the transition.

-- Revisit progress. Because succession planning is an ongoing, often multi-year process, it is important to step back and ask, "How is it working?" Many families meet once or twice a year just to ask that question, unload

some frustrations, deal with changes in roles, plan for new challenges, and generally get on the same page.

Unlike an estate plan that deals with the passing of financial assets at a particular point in time, succession planning permeates your daily activities. If you are within five years of a hand-off and your successors are not aware of your intentions or plans, or if you are not articulating your expectations, or if you are not discussing the process as owners or partners, you are putting a successful transition at risk. There is no better time than right now for you to begin the succession planning process.

Editor's Note: Lance Woodbury is a Garden City, Kan., author, consultant and professional mediator specializing in agriculture and closely-held businesses. Over a 20-year career, he has guided many families through inter-generational farm transfers as well as mentored successors. Email questions for this column to lance@lancewoodbury.com.

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