

Woodbury: Farm Family Business

How to Build Your Farm's Talent Pipeline



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While we often link succession planning to family businesses, the reality is that management transitions happen in every organization, from the closely held to the publicly traded. Most privately held production agriculture businesses may not have thousands of employees or the management team of a public company, but there are lessons to be learned from the succession planning processes used in larger companies and other industries.



The first phase of any succession is sharing the values of your family business. (Progressive Farmer file photo by Greg Latza)

A recent book that takes a deep dive into succession planning is Noel Tichy's "Succession: Mastering the Make or Break Process of Leadership Transition." Tichy describes the lessons from decades of guiding transitions at large, well-known organizations (GE, IBM, etc.), and many of those lessons apply to family businesses, too. In this column I'll offer three of the ideas I found most useful in my work with family owned agriculture companies.

START WITH A TEACHABLE POINT OF VIEW

Tichy believes that succession planning is first and foremost grounded in a "teachable point of view." At its core, this is the leader's perspective about what strategies and practices will lead to the company's success. Tichy offers four areas that the point of view should cover: strategy, values, motivation and tough decision-making.

Applied to the agriculture family business, I can see the importance of the senior generation making sure everyone understands the core beliefs in those four areas. For example, what is our business strategy around risk management and marketing, major capital expenditures, renting versus owning farm and ranch land, communicating with land owners and compensating employees? What values are most important in our family members and employees, and how do we demonstrate those on a daily basis? What are our strategies to motivate our people? And when business gets tough -- when margins get tight or we encounter a crisis -- what will guide our decision-making? Tichy argues that a clear articulation of such answers will provide a foundation for the succession planning process.

CREATE CRUCIBLE EXPERIENCES

Most leaders go through some period of testing or crisis that shapes how they guide the company. Think about how you or your parents were shaped by the agricultural economy of the 1980s, or how our parents or great-grandparents were shaped by the Depression. While we hope to not repeat those experiences, the lessons such times provide can be invaluable in shaping a perspective on managing assets, caring for people and creating wealth.

As we move away from higher grain and livestock prices over the last few years, many are wondering how the next generation will manage the business. How will they perform having never experienced tough times? Well, this may in fact be their crucible moment, a time in which their philosophy on finances, people and operations are shaped and refined.

Crucible experiences, however, are not just about the period of time you are going through as a company or industry; they are about the leadership position you are in at that point in time. Are you in a position where you are responsible for decisions? Do your adult children in the business feel the weight of having to get it right? Do they have real financial and managerial responsibility? Or are you holding on to all of the major business decisions? The key is to make sure that the succession planning process includes experiences and responsibilities that shape the leadership philosophy of the next generation. And there may be no time like the present for such opportunities.

VALUES ARE KEY

A final lesson in my reading of Tichy's book is his straightforward evaluation of candidates in the succession pipeline. One of the tools he uses looks at the performance and the values of a candidate. In short, do they perform well in their current role, and do they demonstrate the values you believe are important to the culture of the business?

My takeaway from this simple assessment (and it's not the only tool but is key in his analysis) is that you can't predict or guarantee how someone will perform. But the odds are higher if they have a visible track record of performance -- helped along by crucible experiences -- and they demonstrate the values that you, in your teachable point of view, have articulated as critical to the culture and success of the organization.

As you undertake the succession planning process in your organization, note that the lessons I describe from my reading of Tichy are not limited to a succession event. Having a teachable point of view, creating crucible experiences, and identifying and articulating your family business values are good business practices that build the talent pipeline in your organization, so that whenever succession might need to occur -- which sometimes is when we least expect it -- you are well prepared.

Editor's Note: Lance Woodbury writes columns for both DTN and our sister publication, "The Progressive Farmer." He is a Garden City, Kan., author, consultant and professional mediator with more than 20 years of experience specializing in agriculture and closely-held businesses.

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