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Why Succession Plans Stall

Today I'm again bantering with family business mediator and DTN-Progressive Farmer Columnist Lance Woodbury on farm family succession tips. Based in Garden City, Kan., Lance has been facilitating business transitions and mentoring heirs for more than 20 years. As a professionally trained mediator, he knows the complexity and emotions involved in talking out priorities and managing personal dynamics. Often, it's the psychological barriers that block effective transition plans.

Taylor, DTN: Lance, I hear a lot of 20- and 30-year-old producers frustrated at the pace they transition into an existing family business. Some feel their parents just won't let go of the reins. They may want to take on more risks of expansion or investment than a retiring generation. What are the big issues that arise when the senior generation is thinking about succession?

Woodbury: Marcia, I like to suggest there are at least three ways the senior generation thinks about success in a transition plan. Each one might be considered from a perspective of "security," that is, if they feel good about the direction or solutions in each area, a transition has a good chance of succeeding.

The first area of security people often consider is FINANCIAL. This is also the most tangible because they can calculate dollar amounts that either lead to a sense of relief or to a feeling of anxiety. For example, the senior generation is often concerned about mitigating estate tax. They might also be worried about the availability of cash in retirement. Health care costs are often an uncertainty. Or they may be apprehensive about their share of costs or their production risk in a crop-share rental arrangement. In short, people are wondering what their financial future looks like. If you can make reasonable projections in several of the areas mentioned above based on their current balance sheet, you can often solve the concerns in this arena.

Another area of security is VOCATIONAL. If the senior generation doesn't have something else on which to focus their time and energy – hobbies, other business ventures, volunteer or church mission work – or if they are concerned about whether the next generation has the skills to succeed, they will often postpone "letting go" in a way that creates a difficult handoff. Eliciting the senior generation's expectations about business management, and helping them focus on other activities that offer personal satisfaction can help in this area.

Yet another matter in which people want to feel secure is in FAMILY RELATIONSHIPS. I've seen senior generation members hold back because of their fear about the next generation's ability to get along. If transitioning management authority or ownership interests give one sibling power over another, and concern exists that such power will be used to the detriment of family harmony, the older generation may not turn loose of the reins. In fact, I'm seeing more family businesses considering a non-family manager or outside CEO in an effort to prevent family politics from hampering family business success.

The point is that if you sense the senior generation is "stuck," take some time to analyze where they may be feeling a lack of security. It is often in one of the

areas above, and talking about it can help move the transition forward.

Taylor, DTN: Thanks Lance. I hope the "kids" who are encouraging their parents to design a transition are listening! We encourage them to share results.

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