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May 30, 2018 | Dr. John Foltz, Dr. Joan Fulton and Lance Woodbury

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Succession Planning — Where Do We Go from Here and How Do We Get There?

Transferring to a new generation is one of the most important business processes



Many feed and grain businesses across the U.S. are family owned or closely held. Transferring such a business from one generation to the next is one of the most important processes a business will go through.

These processes are not easy, as emotions and relationships often get in the way. We have discussed similar topics in the past ([“When Is It Time to Turn Over the Reins”](#)), but the focus of those columns tended toward management succession. The focus of this column is geared more toward tackling a succession plan and some of the things you will need to look at undertaking.

Why succession planning is valuable

The country artist Kenny Chesney has a song, [“Don’t Blink,”](#) which has a lot to say about how quickly time passes. The lyrics go: “Don’t blink, just like that you’re six years old and you take a nap and you wake up and you’re 25 and your high school sweetheart becomes your wife ... don’t blink, you just might miss your babies growing like mine did, turning into moms and dads.” The point is that time marches on. Before we know it, the future is here. Succession planning is valuable. It is a specific type of strategic planning that focuses on how to transition your business to the next generation. While much of what we will discuss in this column is most pertinent to family-held businesses, it is also applicable to closely held businesses and others as well.

Avoiding the topic and some common assumptions

One of us (Woodbury) works with closely held businesses as a principle owner of AgProgress, LLC, Garden City, KS, to assist agri-business owners in developing succession

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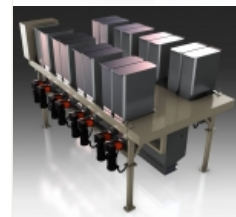


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plans.

There are many reasons folks avoid exit discussions. You may love your work, and don't want to quit. You may wonder what else you might do after you leave the business. You may find that you are not ready to deal with your own mortality. Some people aren't sure they can financially afford to step away. Others feel that the business depends on them and that no one else is capable of taking over. You may be concerned about losing prestige within your community or with peers. If yours is a family business, some people feel that staying involved is a good way to control the kids. You may have a strong loyalty and commitment to long-term, non-family employees and the next generation may not. None of these points are truly valid reasons to put off discussions regarding business succession.

1. There are often some common assumptions that may be held related to how you think or what you believe others may think:
2. You may believe that someone is too fragile to discuss sensitive issues. ("Not telling them is best for them.")
3. You think communicating will make things worse. (Better to fear conflict than experience it.)
4. You think your feelings about something will go away. (This too shall pass ... although the opposite typically happens. It builds then blows!)
5. You think they should "obviously" understand your actions. (We forget that others in the business were not brought up with our experiences or relational and communication styles.)
 5. You may think they already know what you know, or that what should happen is straightforward and obvious.

All of these assumptions have been voiced by others, but like the previous discussion of avoidance, they should not be considered legitimate reasons to refuse to undertake succession planning.

Emotion is the underlying theme and does need to be addressed. Below we give some suggestions for inserting some objectivity and logic into the process.

An approach to succession planning

Managing relationship risks is a large part of the challenge in family-owned or closely held businesses. Starting a discussion about succession includes assessing the key stakeholders involved and looking at their roles, values, power and the concerns they may have.

This means looking at who needs to be involved and what their positions and concerns are. A key point is to keep the focus on business planning – focus on the future and this allows things to hopefully be framed objectively (which is why it is often very useful to involve someone from outside of the business – they can provide objective feedback and advice).

This business plan should include a vision for the business (and for the family if family held), and specific goals and strategies for your feed and grain business. It should also outline each person's potential role over the next few years (which includes those who might enter or exit the business). The group should also list expectations about changes that may occur. As a group, create a list of key responsibilities and an organizational chart if you do not have one. This will help to force a discussion about expectations. Additional points of discussion should cover a determination of "functional" areas for gradual transitions of control.

This should include timelines and specific percentages (percentages being goals for ceding control to meet a certain percentage goal by a specific date). It will also help if you clarify what you expect (again, sometimes hard to think about and do, but a very valuable part of the process) – particularly around knowledge, skills and results. AgProgress encourages its clients to seek out and encourage experiences (formal education, workshops, training) to learn from and interact with peers and others. This is similar to the advice that the two of us who are professors (Foltz and Fulton) have given our students over the years, who are considering returning to the family business.

We have found that the college graduate daughter or son is often much more accepted (and more valuable to the family business) if they spend a number of years on "their own" gaining experience and maturity working for someone else prior to returning to the family business. Obviously, this depends on the current and future needs of the family business, and sometimes this approach is just not practical or realistic.

You may want to consider setting up an internal family/business forum to share and discuss the results of what was learned by all members of the business. Another key point that has been helpful to many businesses is to consider using a structured advisory board. Such a group can be used to challenge your business to become more professional and remain accountable to progress. We have touched on this concept before ("From the Outside Looking In," April/May, 2005 which discusses using external boards).

Estate plan versus succession plan

In the family held business, it is important to differentiate between an estate plan and a succession plan.



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The estate plan involves the process of developing a strategy to transition financial wealth from one generation to the next. More specifically, it is often parents determining how to get "X" assets to "Y" people.

The succession plan, on the other hand, is the process of "cocreating" psychological ownership of the vision, strategy, goals, roles, decisions, performance and results of your business enterprise between two or more generations. This entails involving all family members involved in the business to make a determination on where the business is headed, how best to get there, who will do what and how that should be rewarded.

To further delineate some of the differences: an estate plan identifies what you have (your assets) while a succession plan outlines a plan to transition what you do (skills, activities, decisions). Assets are outlined in an estate plan and are easy to describe (they are listed on your balance sheet), while it is more difficult to describe what you do and determine how to pass that on via succession. You will find that estate plans outline solutions that can be implemented quickly, while a good succession plan will arrive at solutions which evolve over time.

Finally, an estate plan is typically determined by the "senior" generation, while the succession plan requires significant collaboration between generations.

Some tools

Sometimes having the right documents and/or planning tools help to put your thoughts in order and assist in executing strategy. SABA (a talent management company) has a [useful set of forms and tools](#) for identifying and developing your business talent pipeline.

Their first tool is the "Talent Bench Review," developed by the Anderson Leadership group, which allows you to look at who is on your "bench" and their level within your feed and grain business. Specifically, who should be developed, who should be groomed for leadership and who may need to be moved to another role.

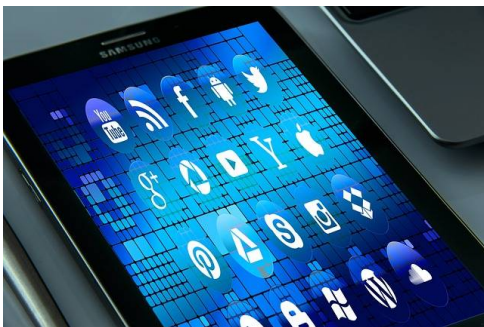
They also describe the "9 Box Grid," another instrument you may find helpful. This grid plots employee/family member performance against potential, which allows for diagnosing development needs and can ease the transition to development planning.

Placing family members in the grid can help you sort out where things sit, allows for productive discussion and can assist in developing better performance based on the individual's potential.

Succession should NOT be out of sight, out of mind

We hope we have made the case that succession planning is worth thinking about and doing. To summarize, the process may be difficult emotionally within the family or closely-held business, which is why impartial outsiders may be helpful to the process. For your business to survive and thrive into the future, a succession plan is a necessity. Like Chesney's song says, "Don't Blink" ... when you do things change quickly. ■

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