

*Reduce this challenge to a few key points to help in handing off an operation to the next generation.*

## Three Questions To Guide Management Succession

Planning for the management transition on your farm or ranch can seem like an overwhelming task. You've been managing a multitude of business decisions for decades, and each year tends to hand you a season or situation requiring judgment based on those cumulative experiences. The business has gotten bigger, volatility and complexity have increased, and labor is harder to come by. How will the next generation handle it all?

I often find it helpful to try to reduce a challenge to a few key questions. In the case of management succession, consider the following as you look to hand off the operation.

### 1 IS THERE SOMEONE AVAILABLE TO RECEIVE THE HANDOFF?

As young people have moved away from the farm or ranch, you may find yourself with no one available to continue the business. In this case, you have several options. One is to simply stop farming or ranching, and sell your assets. Another is to work with a neighbor or a younger farmer in the area to take over the business while it is running—what accountants call a “going concern.” Finally, if you have employees who are good managers, another option is to help them step into leadership to continue to farm the land or run the ranch. In these cases, because the transition likely involves your financial assets in addition to your management skills, make sure you visit with your tax adviser and give yourself a window of two to five years for planning purposes.

### 2 IS THE NEXT GENERATION READY TO MANAGE?

When handing over a business from one generation to the next, you should feel some level of comfort with the skills and capacity of the next generation. However, at issue here is not whether the next generation has handled every conceivable situation and has every task mastered. Sure, those family members need to have the experience to manage critical activities, but the key to a successful generational transition is a sense of

confidence that the next generation will figure out the right answers. In other words, does the next generation have some understanding of what they don't know, and are they willing to ask for help? If they are, it indicates a level of readiness.

### 3 ARE YOU READY TO LET GO?

The third question revolves around your willingness—and ability—to let someone else manage the business. Many people often feel ready and will even say so, but their actions suggest they are not ready for someone else to take over.

Perhaps a better way to assess your readiness is to articulate what you are looking forward to after you stop managing. Do you know what you will do? Is there a vision, some excitement, about your next chapter? Where, beyond the business, will you make a worthwhile contribution? If you don't have something pulling you away from the farm or ranch, there is a good chance you will not want to leave, which will create challenges for the transition.

You don't have to be totally absent for a successful transition; many senior generation members are an important part of the team throughout the year. But, you need to be interested in something beyond the farm or ranch to fully let go of management decisions.

A management transition of the farm or ranch is one of the most significant events of your lifetime. It's worth taking some time to reflect on your successors, their readiness and especially your preparedness for the process. Thinking and planning now can mean decades of opportunities and happiness for those who come after you. ///



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