

# The Toughest Factor In Succession Planning

*One of the hardest tasks in a family business is transitioning relationships to the next generation.*



STEVE WOOT

**Estate and succession planning both involve** transitions of the farm or ranch business to the next generation. While estate planning is focused on the transfer of assets like land or equipment, succession planning deals more with the transition of management activities, including the skills, knowledge and relationships it takes to continue running the enterprise.

New skills and knowledge, which are essential ingredients in succession planning, can be learned and practiced. For example, managing a team of people or learning to read financial statements require mastering new behaviors and concepts. It takes practice, but with diligence, intelligence and some humility, one can improve in these areas.

Transferring relationships from the senior generation to the younger generation is different. Think about your relationship with certain landowners, which can often span multiple generations. Or, consider your long-term relationship with financial advisers like your lender or accountant, who have been with you through both the good and bad times. If you have long-term or key employees, contemplate all of the hours you've spent working side by side. These relationships contain a shared history; they are bonds that have developed and deepened over time.

How do family businesses, then, hand off these long-standing relationships to the next generation? Consider the following strategies for transitioning relationships.

## > INTENTIONAL INTRODUCTIONS

When planning to hand off the business to the next generation, it helps if the incoming family members are known to important business constituents. Formally introduce them to make sure the landowner, family adviser or key employee knows who the next generation family members are, their backgrounds and what their roles in the business will be. If the next generation member is known from his or her childhood on the farm or ranch, a specific reintroduction as an adult helps set the stage for a more professional relationship.

## > PURPOSEFUL INCLUSION

Familiarity between members of the senior generation and their contemporaries and advisers makes it easy for them to combine both social and business interaction, but it can make it hard for the incoming generation to be part of the conversations when important items are discussed.

The senior generation should be very purposeful about including the next generation in communication. That may mean pausing the discussion and inviting the younger family members into the office. It could involve scheduling a future time to visit, which can feel awkward but is necessary to get next-generation members in the room. It could be as simple as putting the phone on speaker when a landowner or key adviser calls so the discussion includes the successor. The point is to be deliberate about how you include the next generation in the interaction with key business relationships.

## > STRATEGIC ABSENCE

The incoming generation needs a chance to forge its own bonds with people who are important to the business. That means the members of the senior generation need to be absent during some part of the communication process. You might have a member of the next generation return the phone call that came to you. Or, you might have younger family members start the meeting, and senior members join a few minutes late. You might even say "something came up" that causes the senior generation to intentionally miss a meeting. In short, create an environment where the next generation can build a relationship on its terms.

For most farms and ranches, relationships are the foundation for business success. They are deep and historical, and include social components. If you are intentional about introductions, purposeful in the communication process and strategic about the senior generation's absence, you improve the odds for a successful transition.



Write Lance Woodbury at Family Business Matters, 2204 Lakeshore Dr., Suite 415, Birmingham, AL 35209, or email lance.woodbury@kcoe.com.