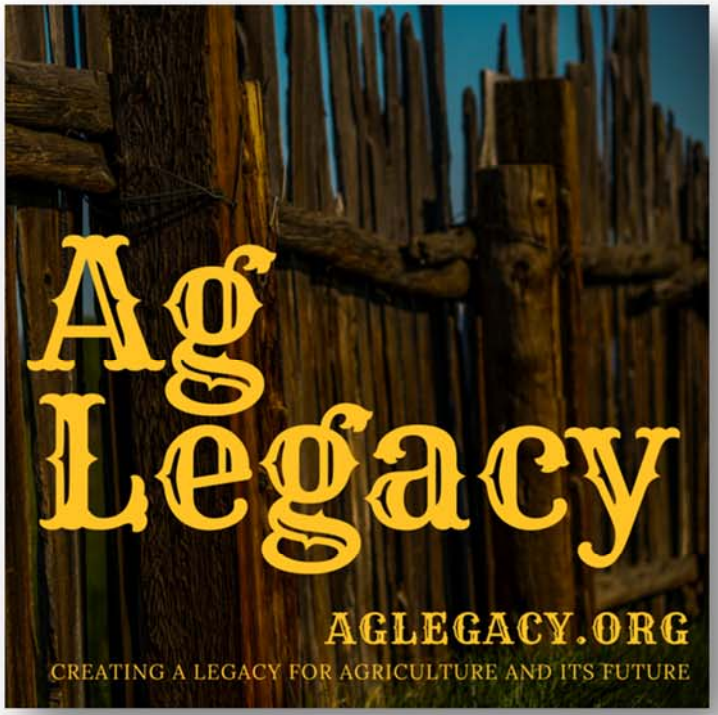


John P. Hewlett
University of Wyoming - *Farm/Ranch Management Specialist*

UNIVERSITY OF WYOMING Extension Sustainable Ag & Horticulture RMA USDA RIGHTRISK

Ag Legacy

Management Succession

Three courses:

- Where are we?
- Where do we want to go?
- How do we get there from here?

University of Wyoming Extension Sustainable Ag & Horticulture RMA USDA RightRisk

Ag Legacy

MANAGEMENT SUCCESSION

WHERE ARE WE?

A SELF-ASSESSMENT

Authors:
Rodney L. Sharp, Colorado State University;
John P. Hewlett, University of Wyoming;
Jeffrey E. Tranel, Colorado State University

IN THIS COURSE

This course includes three modules:

- INTERPERSONAL ISSUES
- BUSINESS ISSUES
- THE SUCCESSION PLANNING PROCESS

Each module includes an assessment that you can use to evaluate the readiness of your business for management succession.

UP IN THE AIR

Kalang Ranch – The Miller Family

Joe & Judy

Graham

1ST
INTERPERSONAL ISSUES
ORGINAL

PERSPECTIVES

Sources of conflict between founders and next generation managers can include:

- Control over the performance and direction of
  the business
- Different ideas about gender roles
- Generational priorities and values (relationships, sibling rivalry, etc.)

FOUNDERS

Founders tend to adopt one of three attitudes regarding the family business and managing transition to the next generation.

Proprietors

Conductors

Technicians

Proprietors are focused on ownership of the business and see themselves as central to the business' future. They can be very controlling of any involvement of children in the business, as they do not trust others' abilities to make good decisions. As a result, their children often become passive or rebellious as a

NEXT GENERATION

Perspectives of next generation managers vary depending on the relationship to the founder.

Sons | Daughters | In-Laws | Multi-Family Businesses | Non-Family Members

Sons

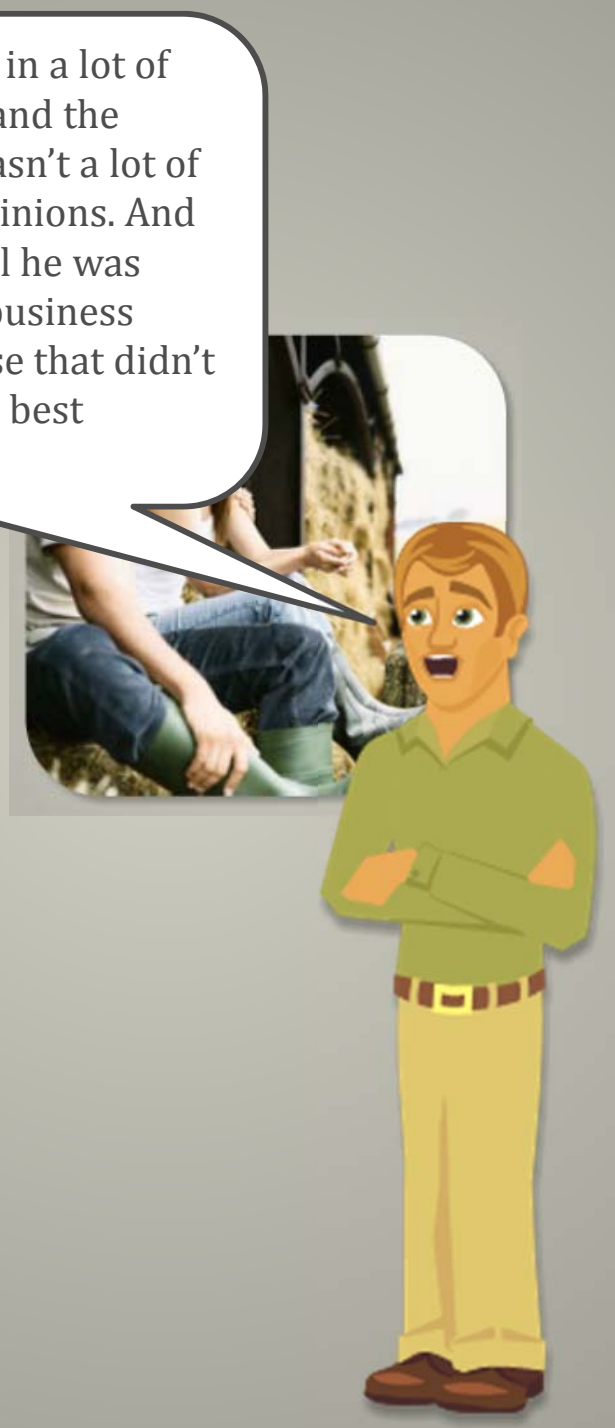
Sons are the traditional inheritors of management or leadership roles in families and so too in family businesses. Fathers and sons may be able to work well side-by-side in a business, but just as likely, the father-son relationship, and accompanying rivalry or friction, may spill over into the business.

1ST INTERPERSONAL ISSUES ORGINAL

NEXT GENERATION,

Questions to consider about the generations:

- What are their personality types?
- What parts of the business are they most interested in?
- What applicable skills and experience do they have?
- Do they have interest in a managerial role?
- How well do they work with the founders? With other business members?
- Are they committed to the continuation of the business?



PERSPECTIVES SELF-ASSESSMENT

Green (215 – 301) Congratulations! Your perspectives score is strong and suggests a high chance of a successful business transition.

Yellow (129 – 214) Caution! Your perspectives score indicates improvement is needed to increase the chances of a successful business transition.

Red (0-128) Alert! Your perspectives score indicates attention is needed to increase the chances of a successful business transition.

GOOD COMMUNICATION

- It is very difficult to change an organizational or family culture once it has been established.
- If employees routinely feel that they are not heard and their opinions do not matter they will "shut down," and stop contributing
- It is much easier to create an environment which facilitates open communication, than to try to fix poor communication habits once they have become entrenched.
- Taking active steps towards improving communication will benefit all employees as well as the farm operations.

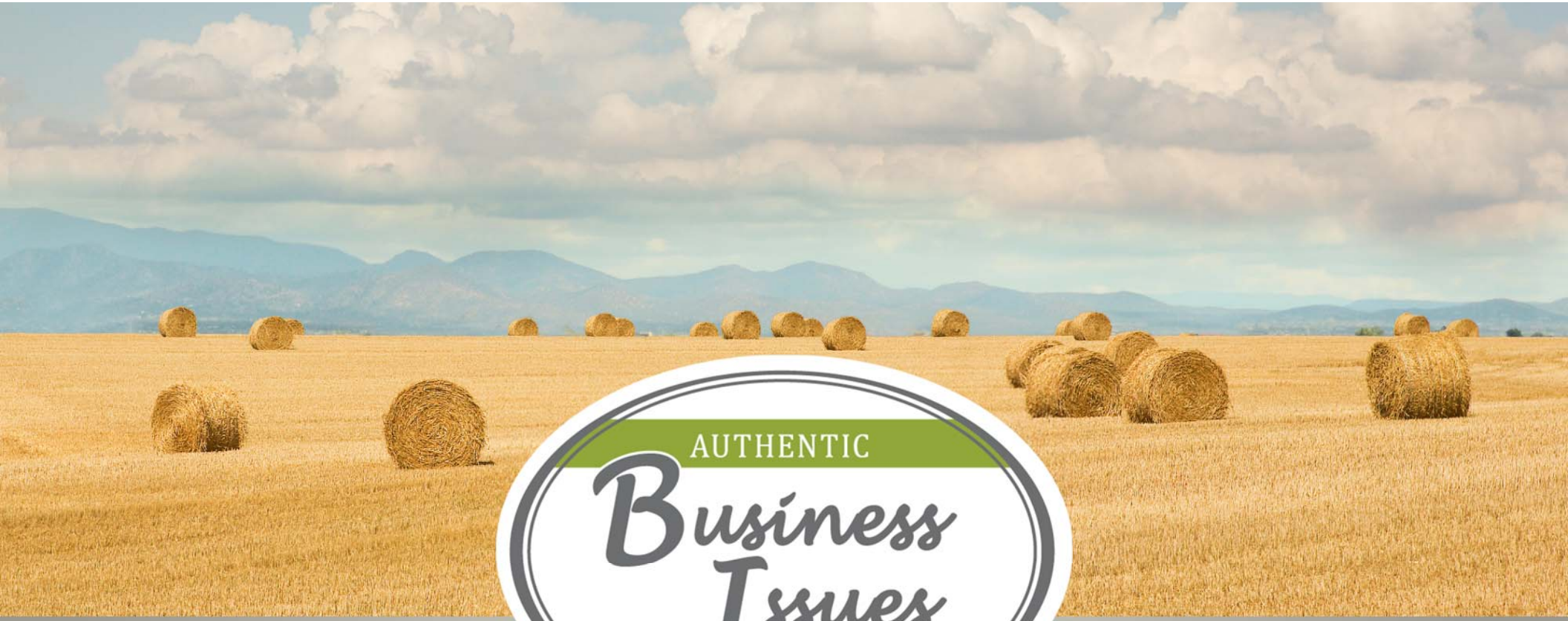
MANAGING CONFLICT

Approaches for managing family conflict:

Work it out | Mediation | Arbitration | Separation

Work it out

Encourage the family members to resolve their own conflicts by working through an agreed upon process. Encourage family members to attack the problem, not the person and reward individuals when they solve their own problems.



AUTHENTIC

Business Issues

2ND

FORMALIZED MANAGEMENT

Some families are hesitant to formalize the management of their farm businesses.

Yet, having formal processes in place can help the business grow and change more smoothly, prevent and manage conflicts, and reach business goals.

Formalized management includes:

- Business planning
- Implementation of a strategic management framework
- Evaluation of progress toward goals

MANAGING BUSINESS COMMUNICATIONS

Lack of effective communication among family members is the root cause of most family business failures.

Some tools that you can use to communicate about the family business include:

- Family Council Meetings
- Family Business Meetings
- Code of Conduct

There may be benefits to using an outside expert to facilitate family business meetings or at least to help get them started. Look for someone who specializes in family businesses and understands their unique dynamics.

Source: Canadian Farm Business Management Council, Managing the Multi-Generational Farm Family, CFBMC 2006.

The SUCCESSION Planning Process

SUCCESSION PLANNING

In this module you will:

- OWNERSHIP SUCCESSION
- MANAGEMENT SUCCESSION
- SUCCESSION PLANNING PROCESS

OWNERSHIP TRANSFER

Several alternatives exist for transferring ownership of a family business

Gift | **Liquidate** | **Sell a Portion** | **Do Nothing**

Founders can gift shares/parts of the business or business assets to one or more individuals.

MANAGEMENT TRANSFER

Several alternatives exist for transferring management of a family business:

Appoint

Elect

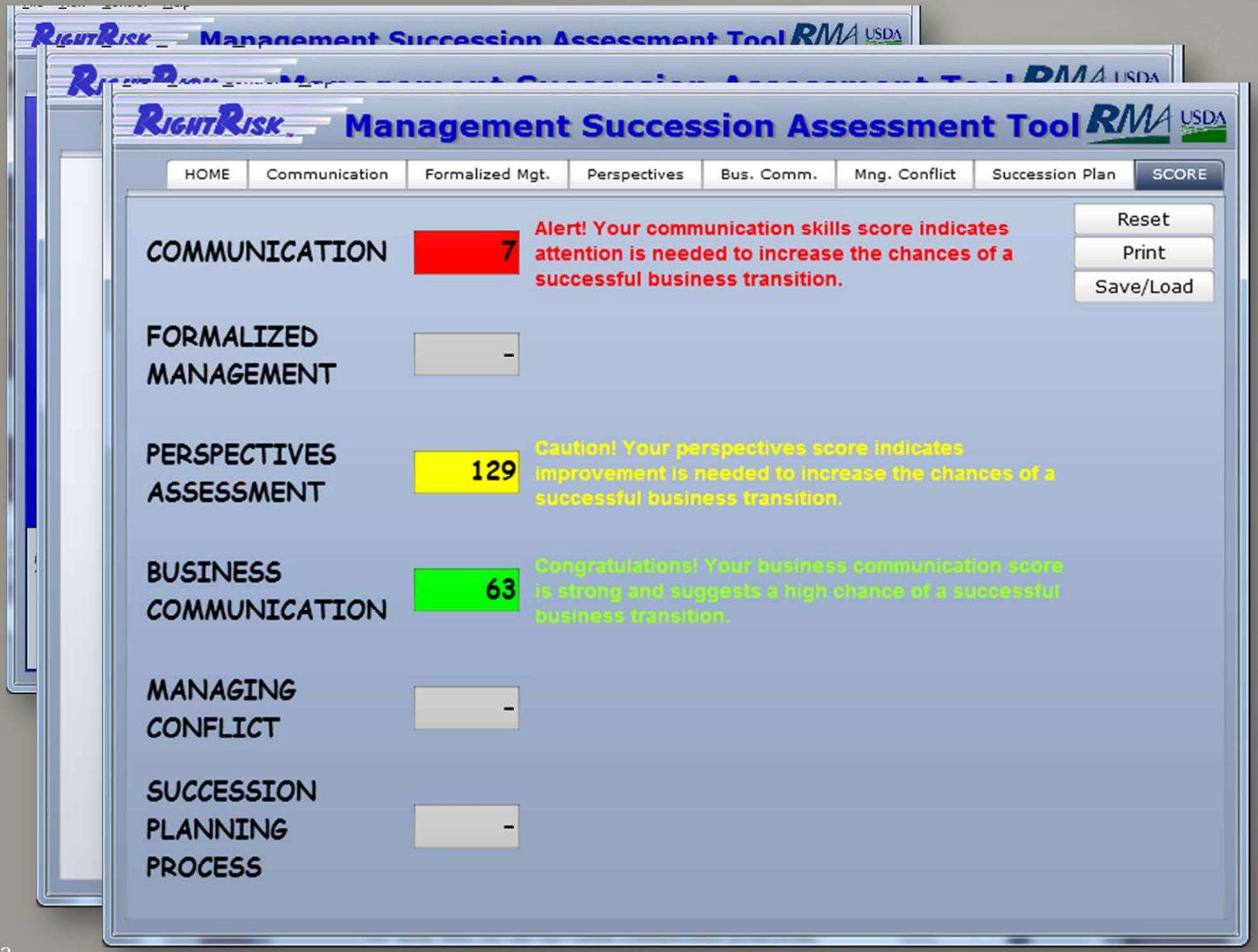
Engage an Outsider

Divide and Conquer

Do Nothing

Founders could appoint a family member to be the successor. This may work well if the family member has the skills needed to fulfill the new role. If they do not, it could lead to increased tensions among other members of the family business and risk the future viability of the business.

A PROCESS FOR SUCCESSION PLANNING


RightRisk
Management Succession Assessment Tool
RMA USDA
HOME
Communication
Formalized Mgt.
Perspectives
Bus. Comm.
Mng. Conflict
Succession Plan
SCORE
Reset
Print
Save/Load
COMMUNICATION
7
Alert! Your communication skills score indicates attention is needed to increase the chances of a successful business transition.
FORMALIZED MANAGEMENT
-
PERSPECTIVES ASSESSMENT
129
Caution! Your perspectives score indicates improvement is needed to increase the chances of a successful business transition.
BUSINESS COMMUNICATION
63
Congratulations! Your business communication score is strong and suggests a high chance of a successful business transition.
MANAGING CONFLICT
-
SUCCESSION PLANNING PROCESS
-

MANAGEMENT SUCCESSION

WHERE DO WE WANT TO GO?

CLICK HERE TO BEGIN

Authors:
John P. Hewlett, University of Wyoming;
Rodney L. Sharp, Colorado State University;
Jeffrey E. Tranel, Colorado State University

MANAGEMENT SUCCESSION

Table of Contents

I. Executive Summary

II. Business Overview

III. Strategic Plan

IV. Retirement Plan

V. Management and Ownership Transfer

VI. Financial Plan

VII. Contingency Plans

I II III IV V VI VII

Sections of a Complete Succession Management Plan

In This Course

This course includes three modules:

Family Case Studies

In this module you will:

- Assess the Strengths, Weaknesses, Opportunities, and Barriers (SWOB) of a family business's interpersonal, business, and succession planning issues
- Review Best Succession Management Practices (BSMPs) and resources that the family can implement
- Develop goals to help the family with succession

1ST FAMILY CASE STUDIES

Meet the Families

The Miller Family

The Howell Family

The Morgan Family

1ST FAMILY CASE STUDIES ORIGINAL

Succession Planning Issues

Let's take a look at how Judy and Graham are handling succession planning.

JUDY & GRAHAM

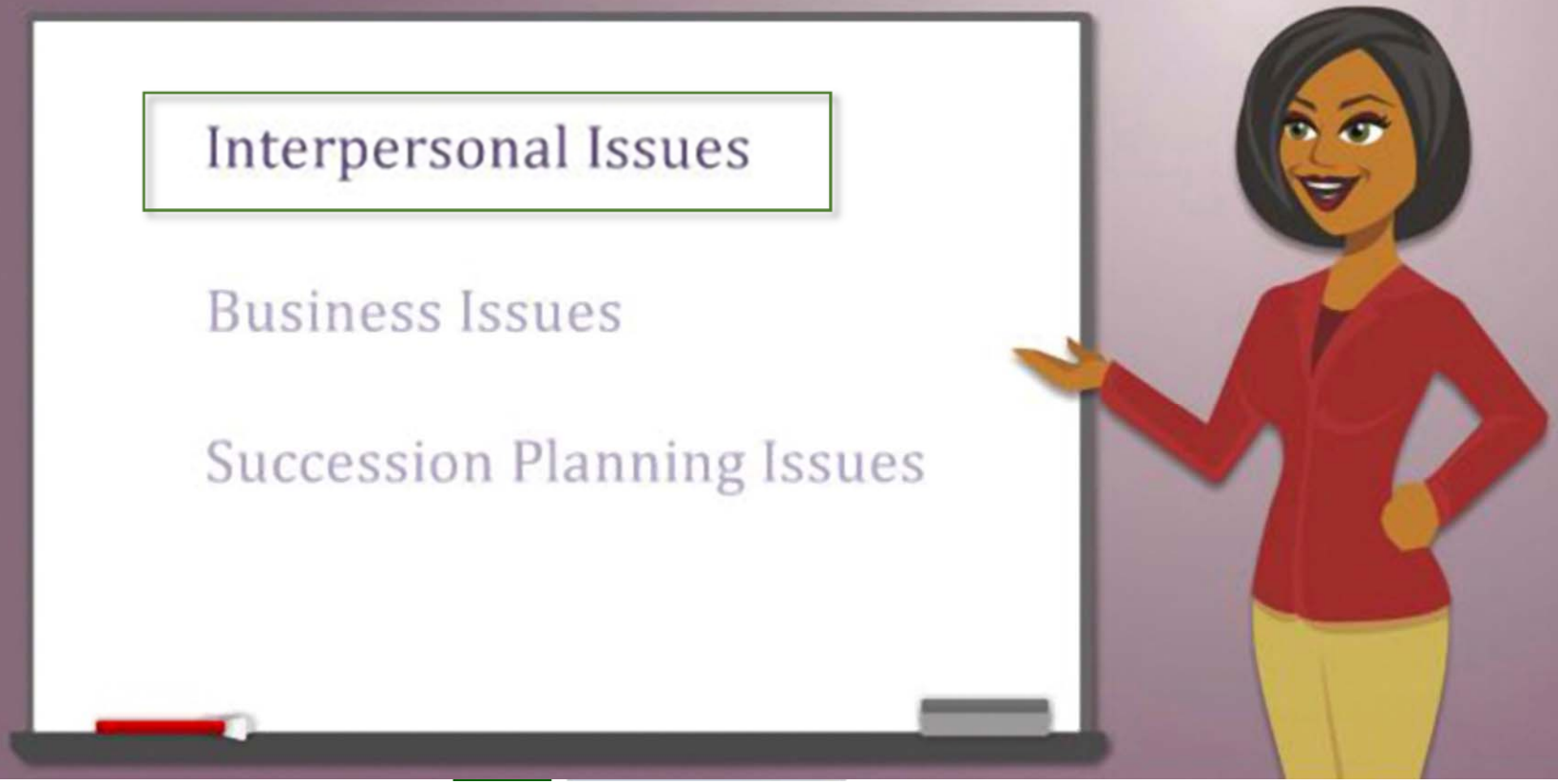
Click each person to learn more.

Structured Feedback for the Miller Family

To provide structured feedback for the Miller family in the activity, you will need to complete each of the following sections:

Miller Family SWOB and Goal Activity Menu

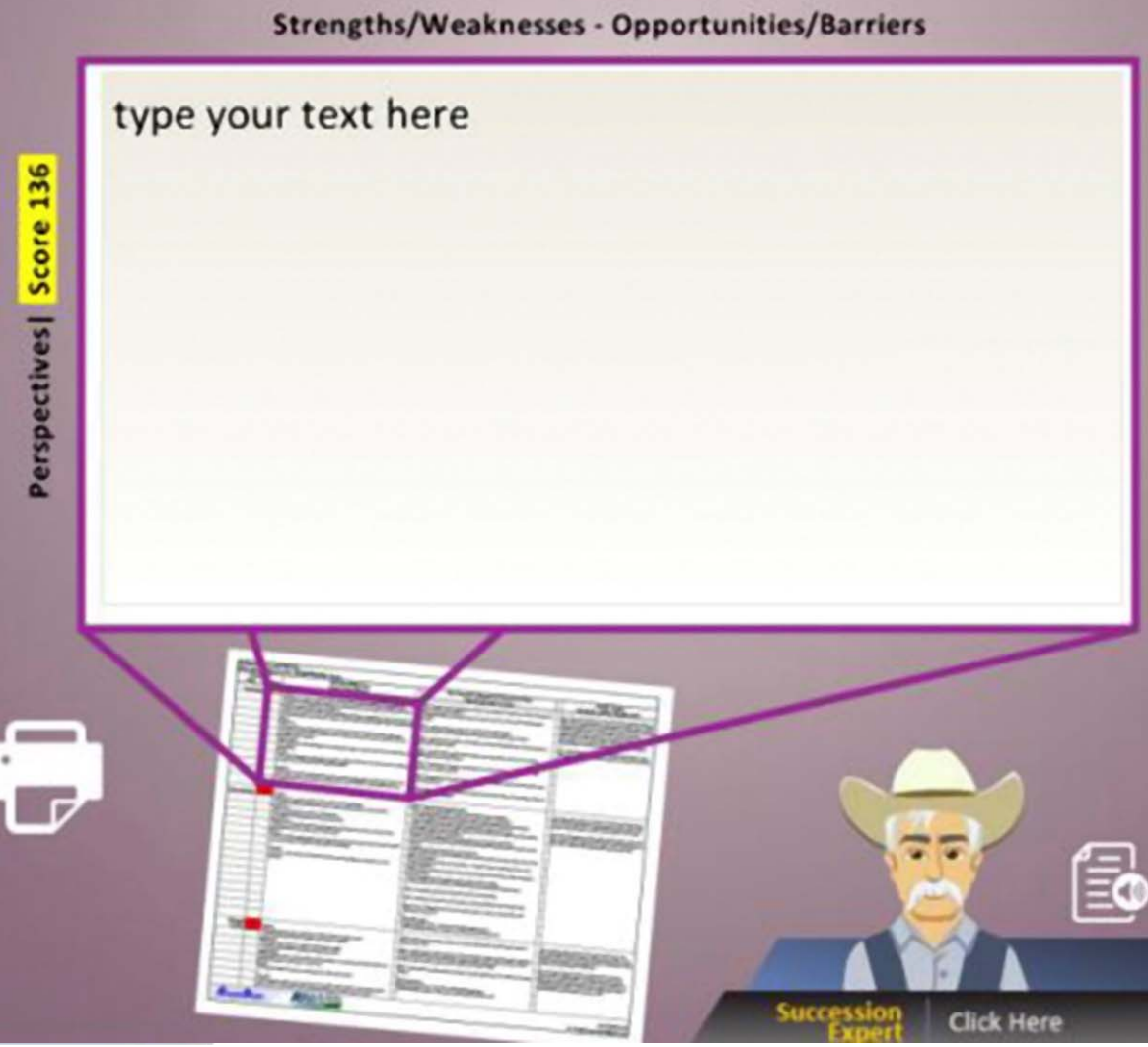
Now that you have examined the interpersonal, business, and succession planning issues of the Miller family, you are ready to start the SWOB and goal activity. You will need to complete these in order.



Interpersonal Issues SWOB Activity: Perspectives

Record your SWOB evaluation of the Miller family on the worksheet. *To print your SWOB, click the print icon located to the left of the worksheet image.*

When you are done, click the Expert character to view the BSMPs suggested by the experts to address the issues identified in the SWOB analysis.



MANAGEMENT SUCCESSION

Interpersonal Issues SWOB Activity: Perspectives Expert Evaluation

Review the BSMPs.

Best Succession Management Practices to Adopt
External Resources to Access

Perspectives | Score 136

BSMP: Founders and next generation members work together to outline how control of the business will be transferred to successors.
- Detailed description of transfer process for business control is shared with all family business members.

BSMP: Founders develop a written set of goals for the family business.
- Founder goals for the family business are shared with all family business members.

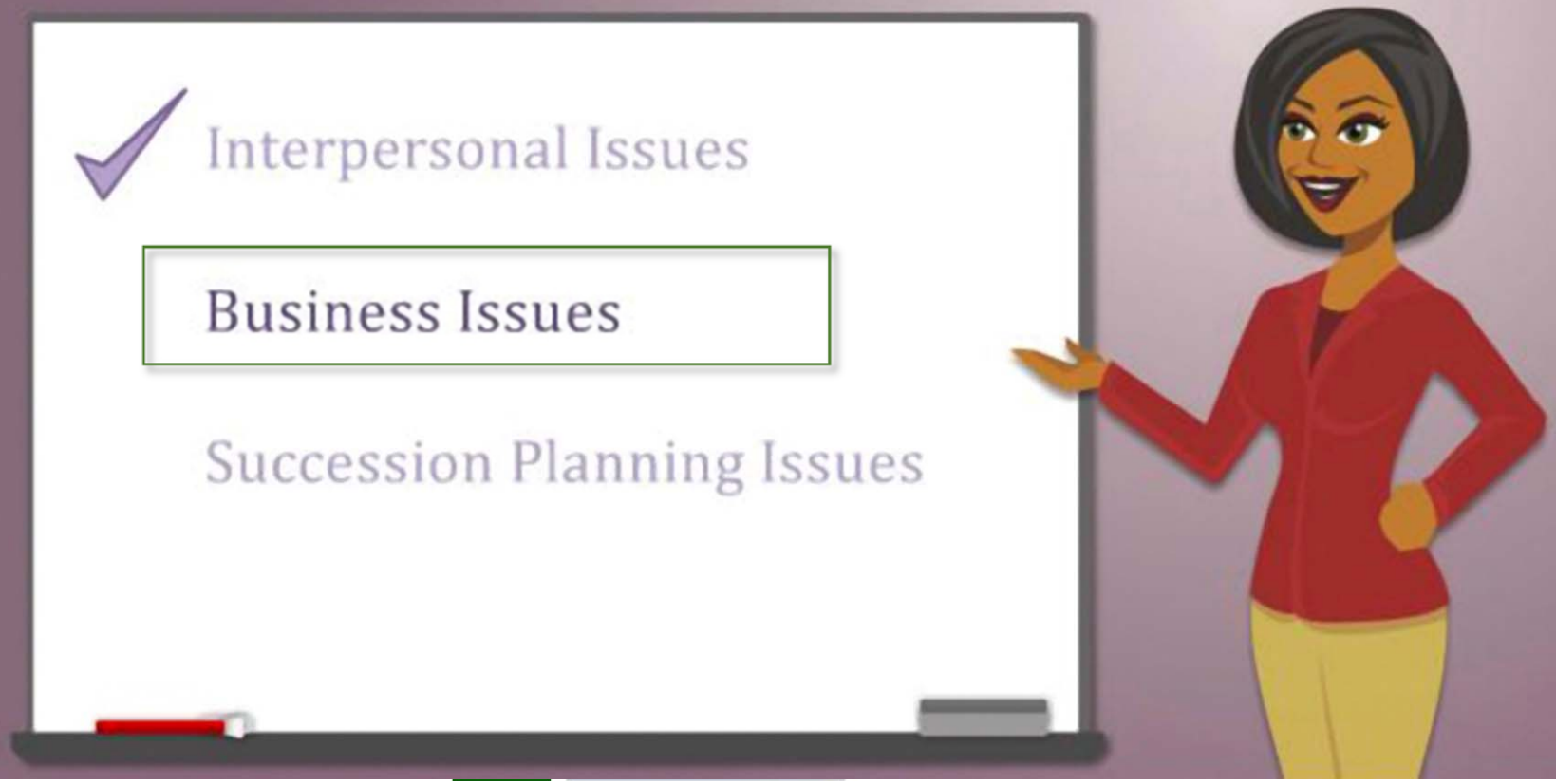
BSMP: Family business members each develop a list

MANAGEMENT SUCCESSION

1ST FAMILY CASE STUDIES

Miller Family SWOB and Goal Activity Menu

Now that you have examined the interpersonal, business, and succession planning issues of the Miller family, you are ready to start the SWOB and goal activity. You will need to complete these in order.



Miller Family SWOB and Goal Activity Menu

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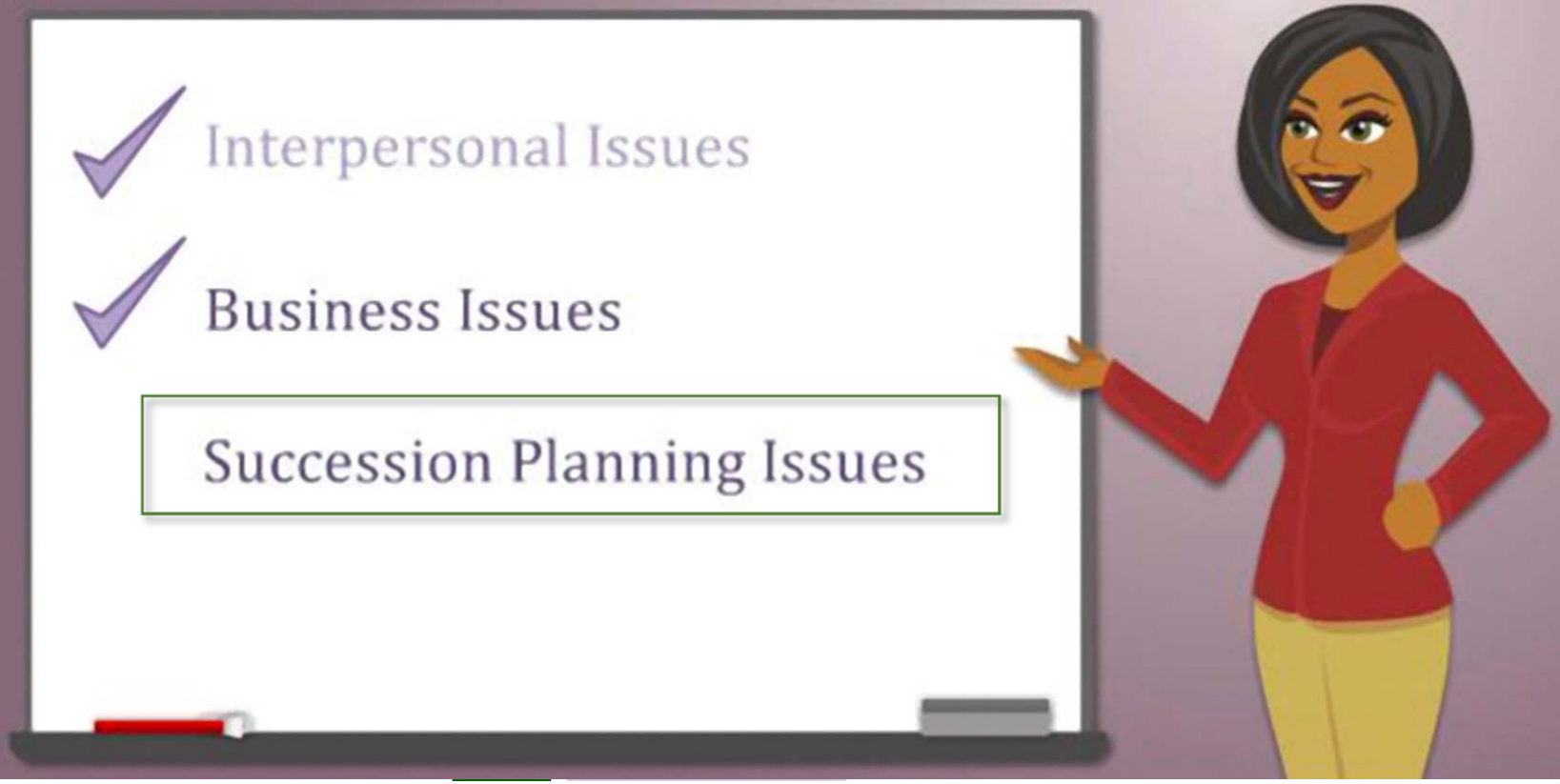


MANAGEMENT SUCCESSION

1ST FAMILY CASE STUDIES

Howell Family Background

Listen to the background story of the Howell Family.

Scene 1 — The Howell Family Farm

Scene 2 — Carl Howell

Scene 3 — Bertha Howell

Scene 4 — Kenneth Howell

Scene 5 — Betty Howell

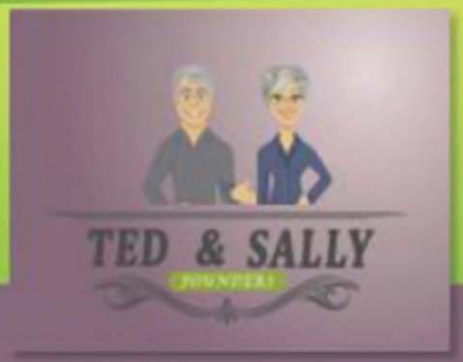
Scene 6 — Jack Howell

MANAGEMENT SUCCESSION

1ST FAMILY CASE STUDIES

Morgan Family Background

Listen to the background story of the Morgan Family.



Scene 1

The Morgan Beef Operation

Scene 2

Sally and the Children

Scene 3

The Next Generation

Scene 4

Succession Planning

The
SUCCESSION
Planning
Process

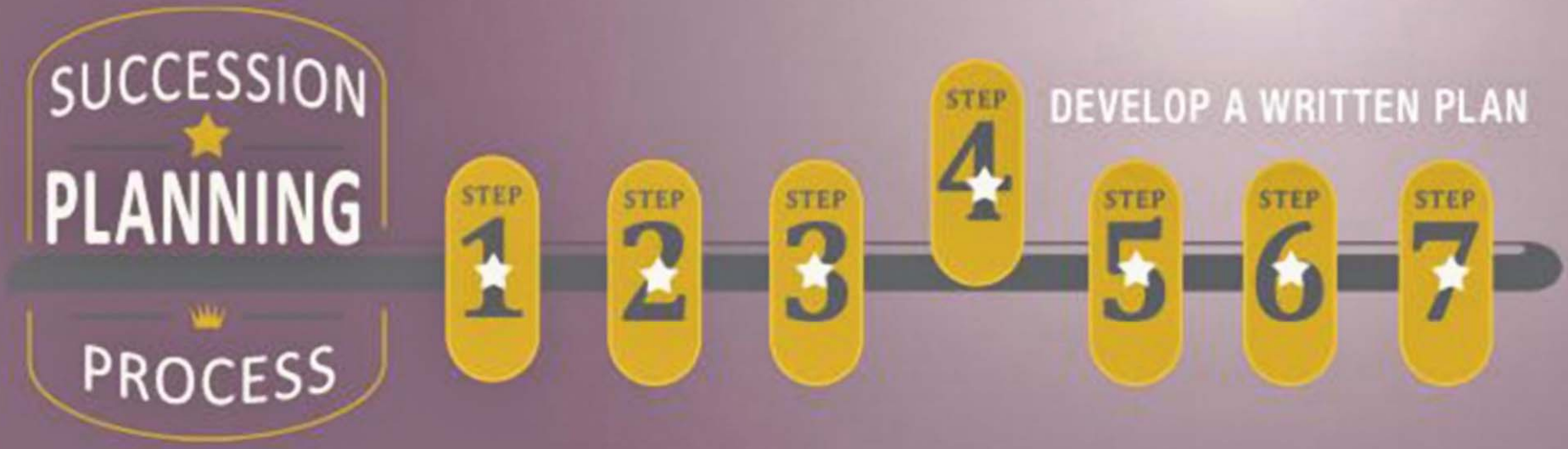
MANAGEMENT SUCCESSION

The SUCCESSION Planning Process

Succession Planning Process

Step 4: Develop a Written Plan

Components of the written plan include: an executive summary, business overview, strategic plan, retirement plan, the succession planning process, financial plan, implementation timetable, and contingency plans.



Components of A Written Plan

Introduction

The written plan should address:

- Assessment
- SWOB (Strengths, Weaknesses, Opportunities and Barriers) analysis
- BSMPs and external resources
- Description of transition goals
- Other details

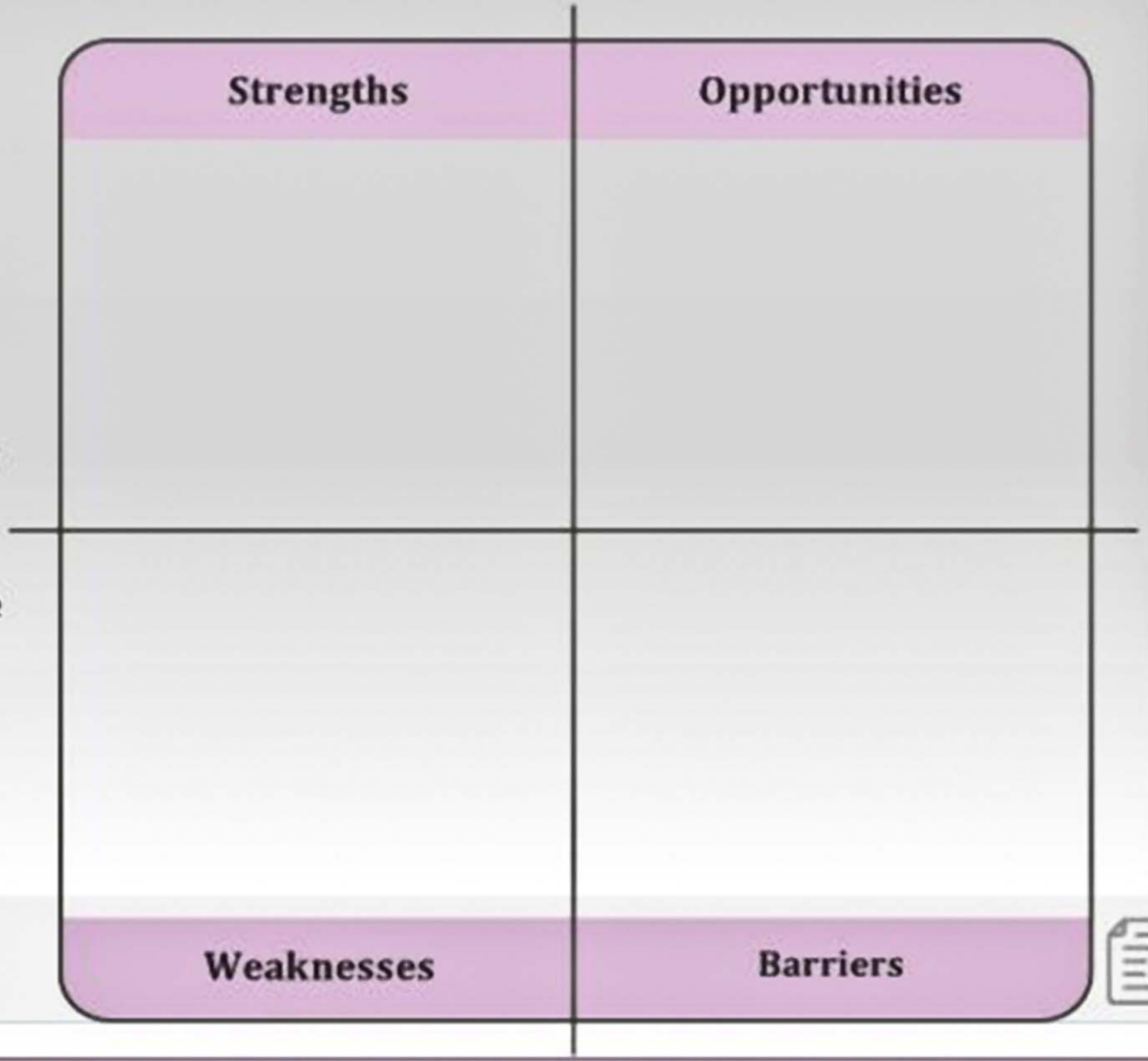
1 2 3 4 5

Components of a Written Plan

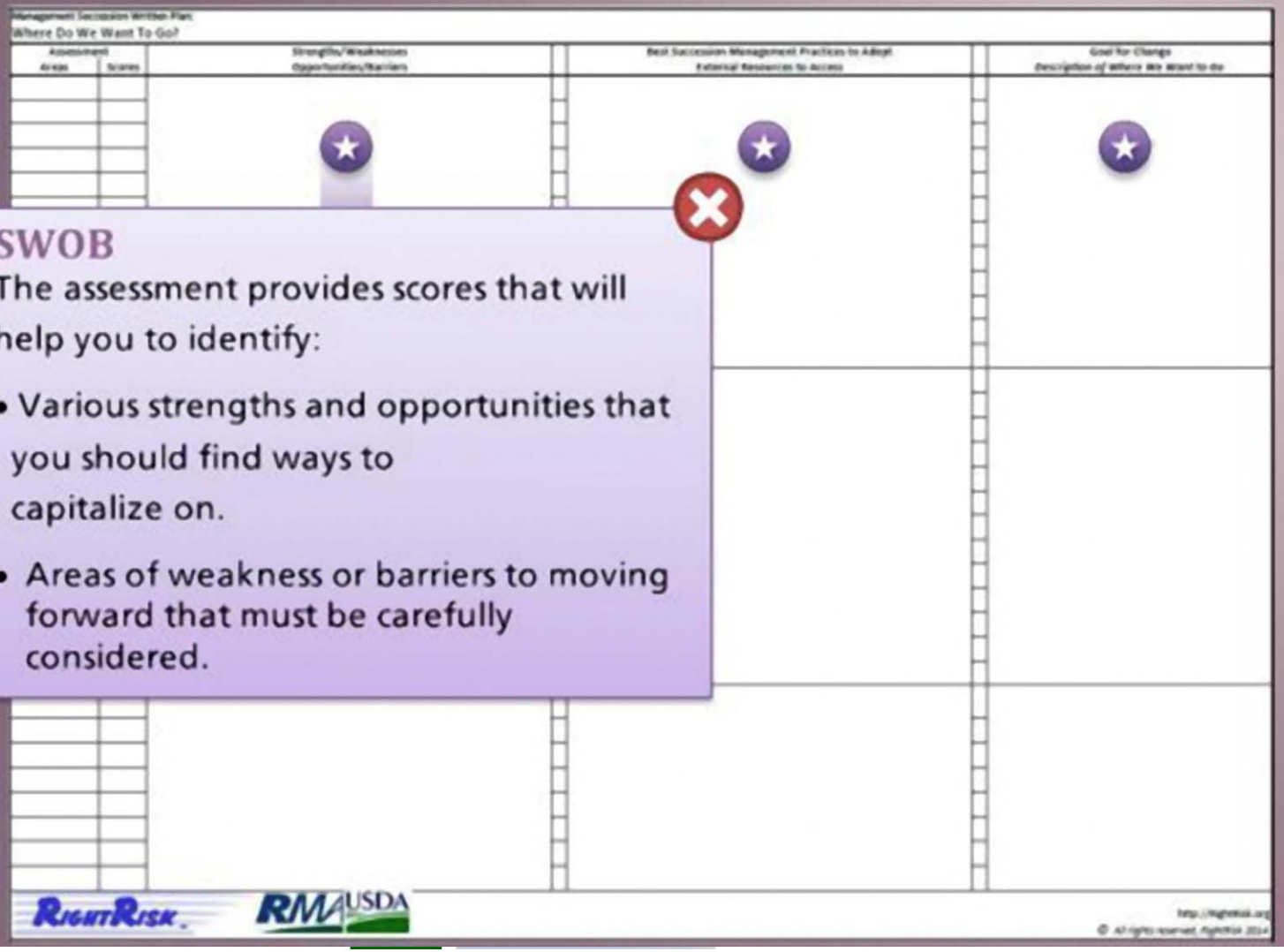
SWOB Analysis

The next step is to evaluate the areas of strengths, weaknesses, opportunities, and barriers identified in the assessment process.

Identification of SWOBs is important because they can inform later steps in planning to achieve the objective. What may represent strengths with respect to one objective may be a weakness for another objective.



Worksheets to Develop a Written Plan



SWOB

The assessment provides scores that will help you to identify:

- Various strengths and opportunities that you should find ways to capitalize on.
- Areas of weakness or barriers to moving forward that must be carefully considered.

MANAGEMENT SUCCESSION

HOW DO WE GET THERE FROM HERE?

CLICK HERE TO BEGIN

Authors:
John P. Hewlett, University of Wyoming;
William Taylor, University of Wyoming

JOURNEY TO MANAGEMENT SUCCESSION

BEYOND GOALS FOR CHANGE

WHERE DO WE GO FROM HERE

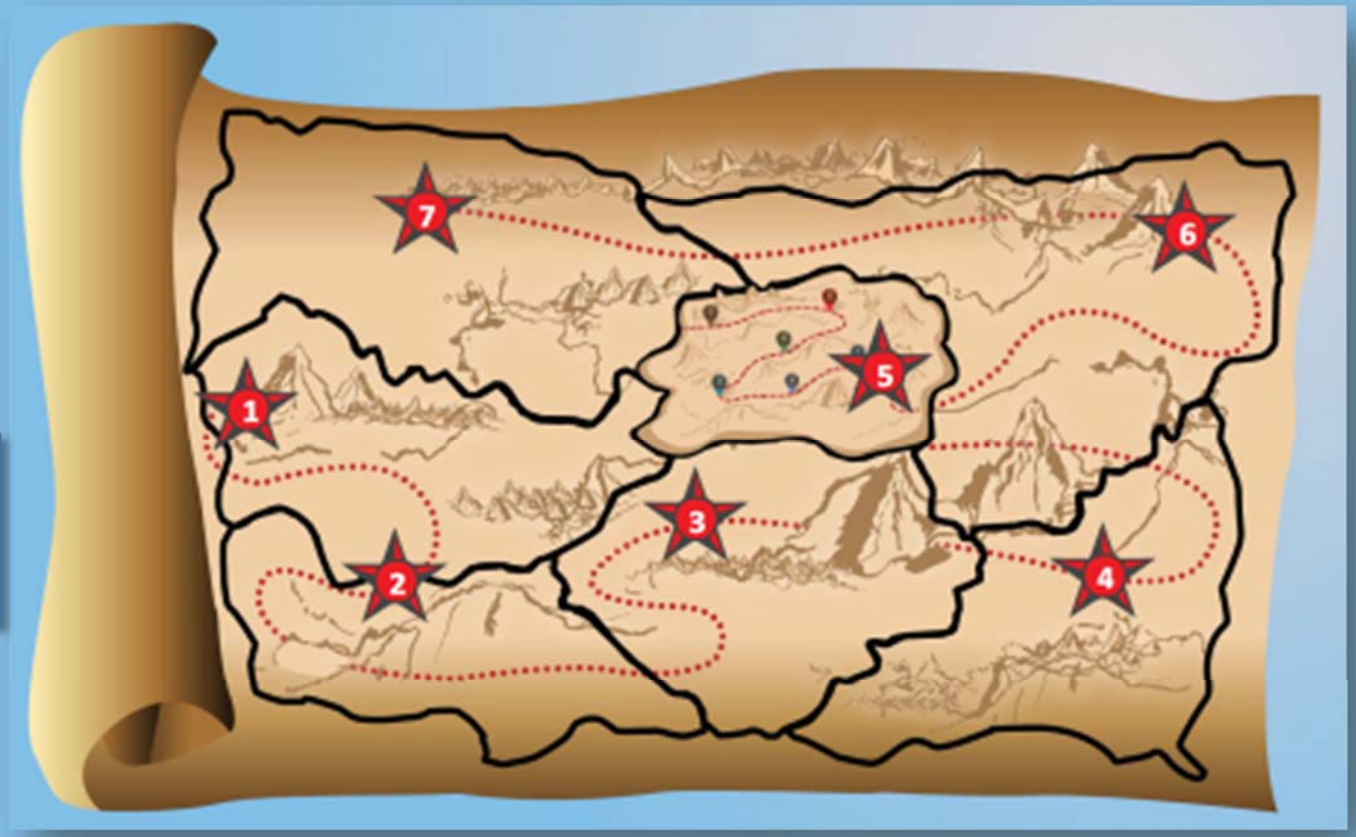
Click one of the icons to select a module to view.

MANAGEMENT SUCCESSION

Journey to Management Succession

Stages 1 – 7

1: Executive Summary
2: Business Overview
3: Strategic Plan
4: Retirement Plan
5: Succession Planning Process
6: Financial Plan
7: Contingency Plans



Stop 1 - Establish a Timeline

Establishing a Timeline helps everyone involved to better understand the time required to make the transition.

This section of the Workbook:

- Helps identify personal expectations for the process, as well as for the farm/ranch business.
- Covers conflicts and group discussion anticipated to resolve known issues.
- Provides a chart of pros and cons for various alternative methods for deciding who should be the next successor(s).

The Miller Family: Establishing a Timeline

Joe and Judy at the ranch

Stop 2 - Establish a Planning Team

Establishing a Planning Team will help all the people involved to understand who will be involved in charting the transition journey and how input will be taken.

This section of the Workbook:

- Helps you to outline current business roles and responsibilities, it covers both family and non-family members and level of interest.
- Covers blood-relations that will be considered for the team, known issues that should be considered, and other specifics.

Stop 3 - Select the Appropriate Successor(s)

Selecting the Appropriate Successor(s) is one of the first steps in getting the succession journey started.

This section of the Workbook:

- Helps you to think through the candidates and their level of readiness for business management responsibility.
- Allows you to capture previous experience, current duties, attitudes, and other considerations.
- Provides a section covering skills and character of those under consideration which may help identify the best person.
- Allows you to capture whether an individual(s) selected may require further training or leadership development in order to adequately assume business management responsibilities.

Stop 4 - Develop a Written Plan

Written Plan for management succession will not only help all involved to see how the plan is expected to unfold, but can also help them identify where they fit into the future of the business.

This section of the Workbook:

- Includes assessment forms and BSMPs covering suggestions for how to conduct business across the interpersonal, business, and succession planning issue areas of interaction.
- Provides space for each of these areas and helps to record assessment scores, SWOB analysis, BSMPs to adopt, and goals for change in each area.
- Offers a Roadmap for Change worksheet to detail resources needed, action steps, dates, persons who will monitor the plans, and specific tracking systems for the transition.

The Miller Family: Developing a Written Plan

Family council meeting with Judy, Graham, Martha, Joshua, Cindy, Clarisa, and Jedidiah

What is The Criterion for Choosing?

Assessment

Written Plan

Beyond Goals for Change

Roadmap for Change

Scheduling Action Steps

In many cases agreements, plans, or procedures not written down create a situation ripe for misunderstandings, hard feelings, and even litigation.

After an important and detailed discussion, such as how to transition management, what one person remembers and what another person remembers, say in five years, will likely be significantly different.

Click each tab to learn more.

Beyond Goals for Change

Assessment

Written Plan

Beyond Goals for Change

Roadmap for Change

Scheduling Action Steps

The first step in making the management transition a reality is to communicate the plan you have developed to all parties involved - present management, new management, family members, employees, advisors, and associates. Communicating the plan is the first action of implementing the plan or, put another way, beginning the actions needed to make the plan happen. This communication takes place in Stop 5: Communicate the Plan covered later in this module.

Roadmap for Change

Assessment

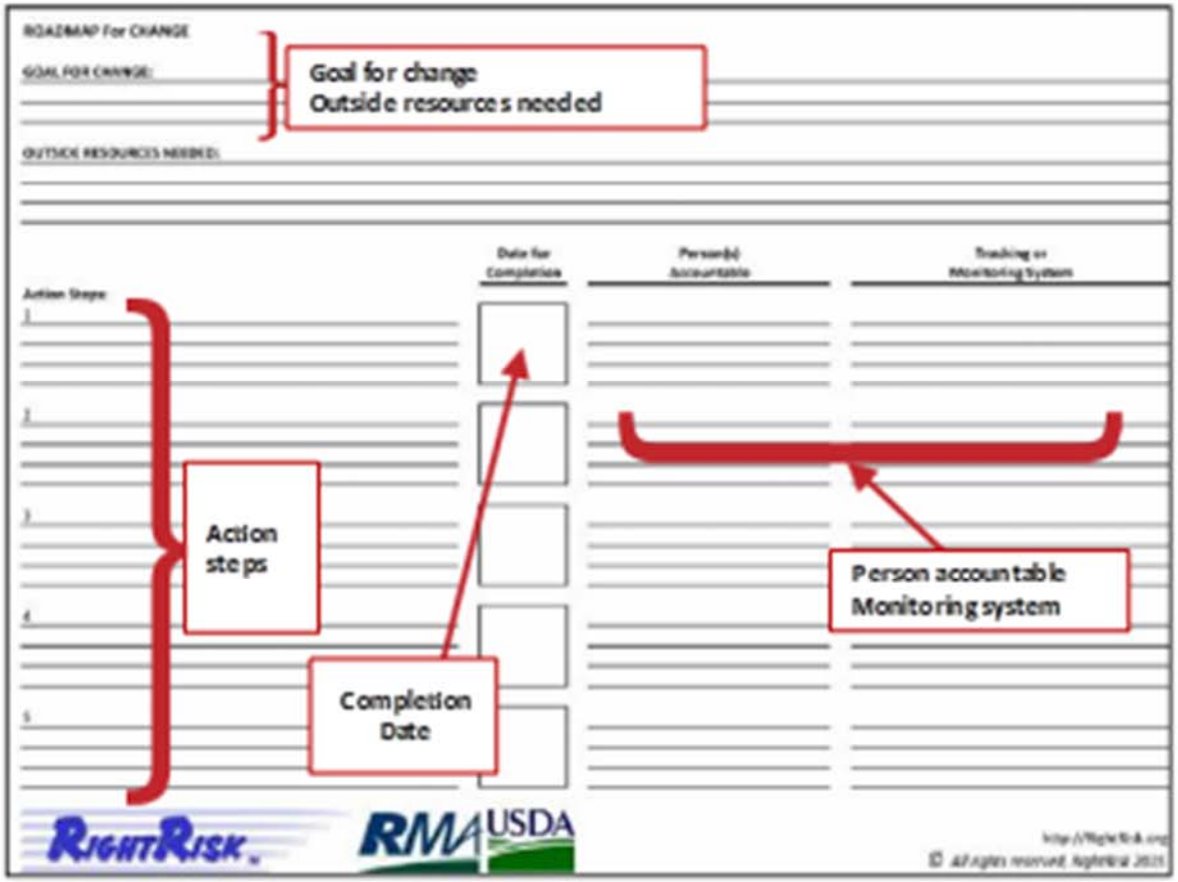
Written Plan

Beyond Goals for Change

Roadmap for Change

Scheduling Action Steps

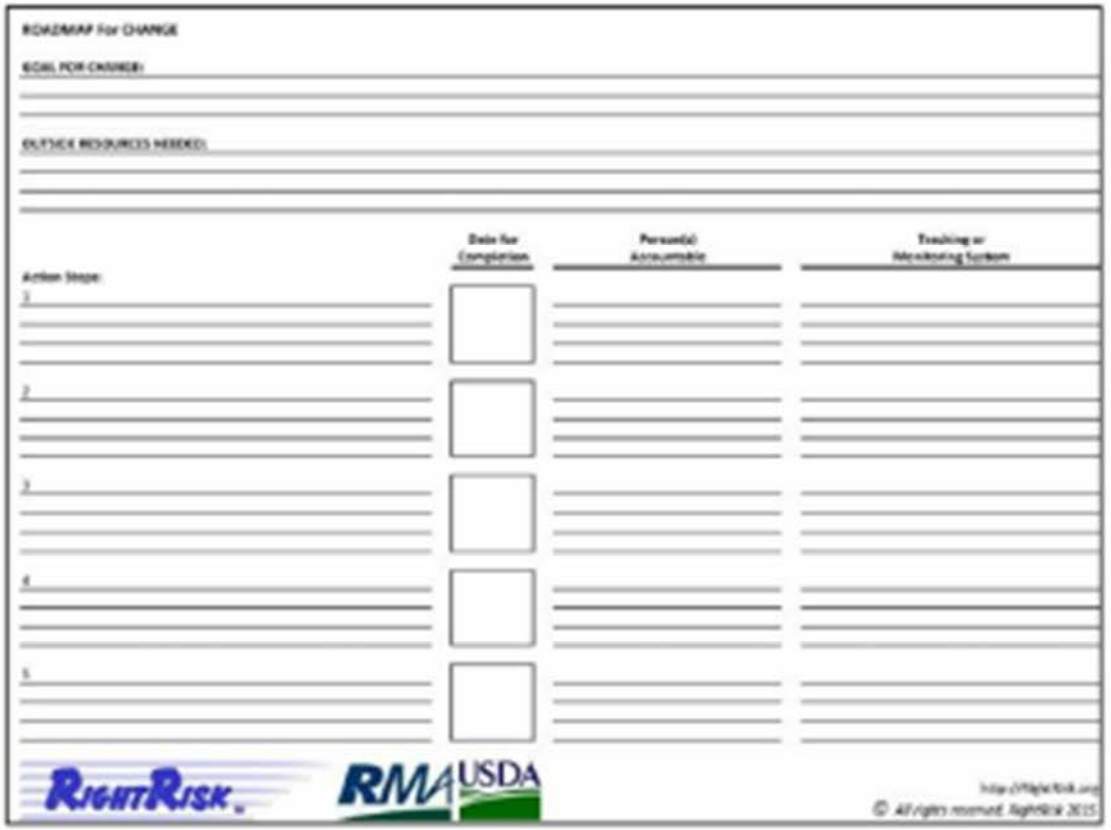
The Roadmap for Change provides a detailed description of the actions needed, the roles and responsibilities of various team members, and the deadlines for accomplishment of a completed succession process.



Workbook Activity 5

Where are you on developing your written plan? To find out, review or, if time permits, complete the following worksheet in the Management Succession Workbook:

- *Roadmap for Change Worksheet*
  - Has a management succession assessment been completed?
  - Have the business strengths/ weaknesses and opportunities/ barriers been assessed?
  - Has a Roadmap for Change been drawn up to outline the steps to reach the goals of the farm/ranch?



ROADMAP for CHANGE

GOAL FOR CHANGE:

OUTSIDE RESOURCES NEEDED:

Action Steps:	Date for Completion	Person(s) Accountable	Tracking or Monitoring System
1.			
2.			
3.			
4.			
5.			

RightRisk RMA USDA

http://RightRisk.org

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Knowledge Check

Determine which questions below are addressed in the *Roadmap for Change Worksheet* and drag them to the folder.

Question-1

Has a detailed outline been assembled for monitoring the transition process?

Question-2

Has a management succession assessment been competed?

Question-3

Has a Roadmap for Change been drawn up to outline the steps to reach the goals of the farm/ ranch?

Question-4

Has any thought been given to periodically replanning or reevaluating the management succession plans

Question-5

Have the business strengths/ weaknesses and opportunities/ barriers been assessed?

Knowledge Check

Correct

That is correct. The value of the *Roadmap for Change Worksheet* is it will help you answer these questions.

Continue

Question-1

Has a detailed outline been assembled for monitoring the transition process?

Question-2

Has a management succession assessment been competed?

Question-3

Has a Roadmap for Change been drawn up to outline the steps to reach the goals of the farm/ ranch?

Question-4

Has any thought been given to periodically replanning or reevaluating the management succession plans

Question-5

Have the business strengths/ weaknesses and opportunities/ barriers been assessed?

Stop 5 - Communicate the Plan

Communicating the Plan to others involved is necessary to get the succession process started.

This section of the Workbook:

- Helps the planning team to think through the process for communication, who will be informed, when, how, and what to do if things don't go well or if conflict comes up.
- Provides a list of pros and cons for various avenues of communication, as well as a list of common communication mistakes and methods for avoiding them.

Stop 6 - Plan for Retirement

Planning for Retirement helps founders think through their personal expectations for retirement.

This section of the Workbook:

- Helps to define retirement goals associated timelines, evaluate founder health, skills and resources, social security, and plans for networking.
- Provides a place to record plans for work and for recreation, and big-picture financial considerations.

Stop 7 – Enjoy the Years Ahead

Enjoying the Years Ahead is more likely where many of the dimensions of retirement have been considered and plans made to allow those plans to become reality.

This section of the Workbook:

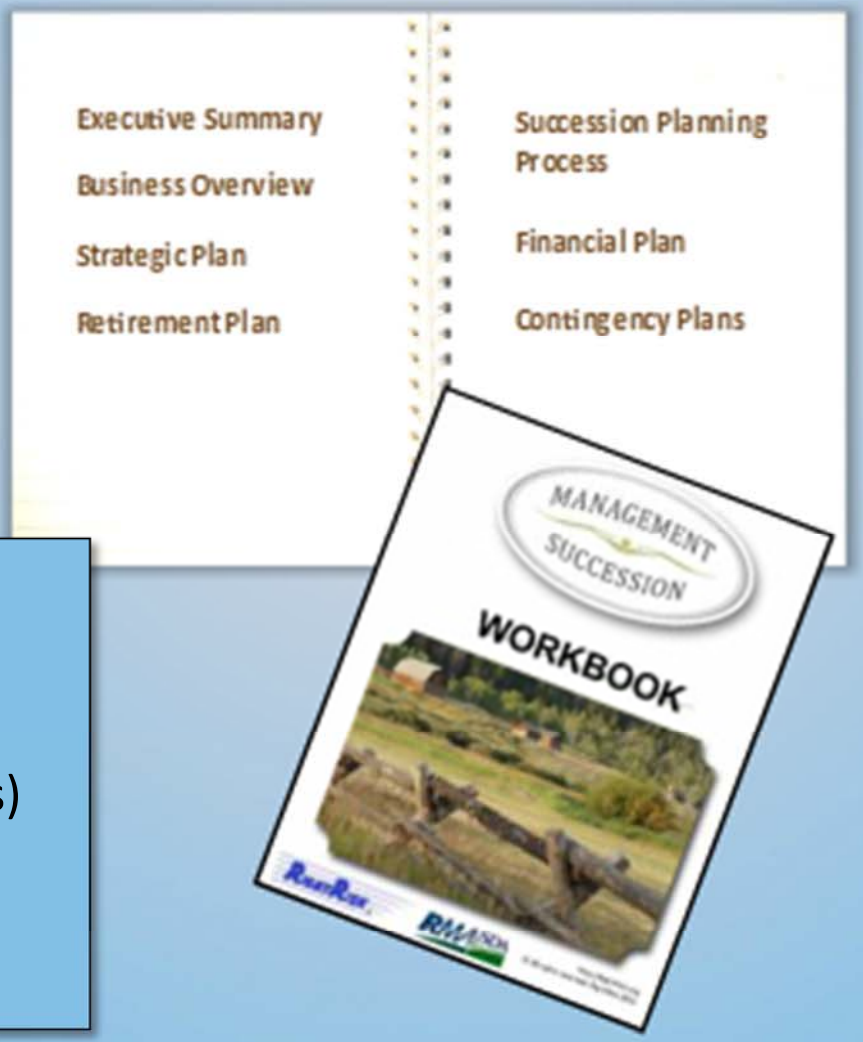
- Focuses primarily on monitoring the succession process to make sure that the plans are unfolding as expected.
- Allows you to provide details on actions required, dates, questions on what has been done, what remains, and whether any adjustments are required.

MANAGEMENT SUCCESSION

Workbook Overview

The Management Succession Workbook, located in the Resources section, covers all the stages of a complete journey to management succession, which include:

1. Executive Summary
2. Business Overview
3. Strategic Plan
4. Retirement Plan
5. Succession Planning Process
6. Financial Plan
7. Contingency Plans



128 pages

7 Stage Process – worksheets + forms
- Paper-based assessment
- Best Succession Management Practices (BSMPs)
- Written Succession Plan worksheets

References for further reading

A Lasting Legacy

Two courses:

- ONE-
  - Values and Life Lessons
  - Personal Possessions of Emotional Value
- TWO-
  - Final Wishes and Instructions
  - Financial Assets and Real Estate

A LASTING LEGACY

John Hewlett
Jeff Tranel
Rod Sharp

University of Wyoming
New Thinking

Western Farm Management Extension Committee

RightRisk

Colorado State University Cooperative Extension

Profitable & Sustainable Agricultural Systems
UW Cooperative Extension Service

RMA

Module 1: Communication between generations.

- Intergenerational relationships
  - Parent/child relationships
  - Managing relations
  - Improving communication

Family Council Meetings

Given the potential size and composition of the family council, these meetings are typically held annually or bi-annually and are most effective when they focus on keeping family members informed of the "big picture" issues.

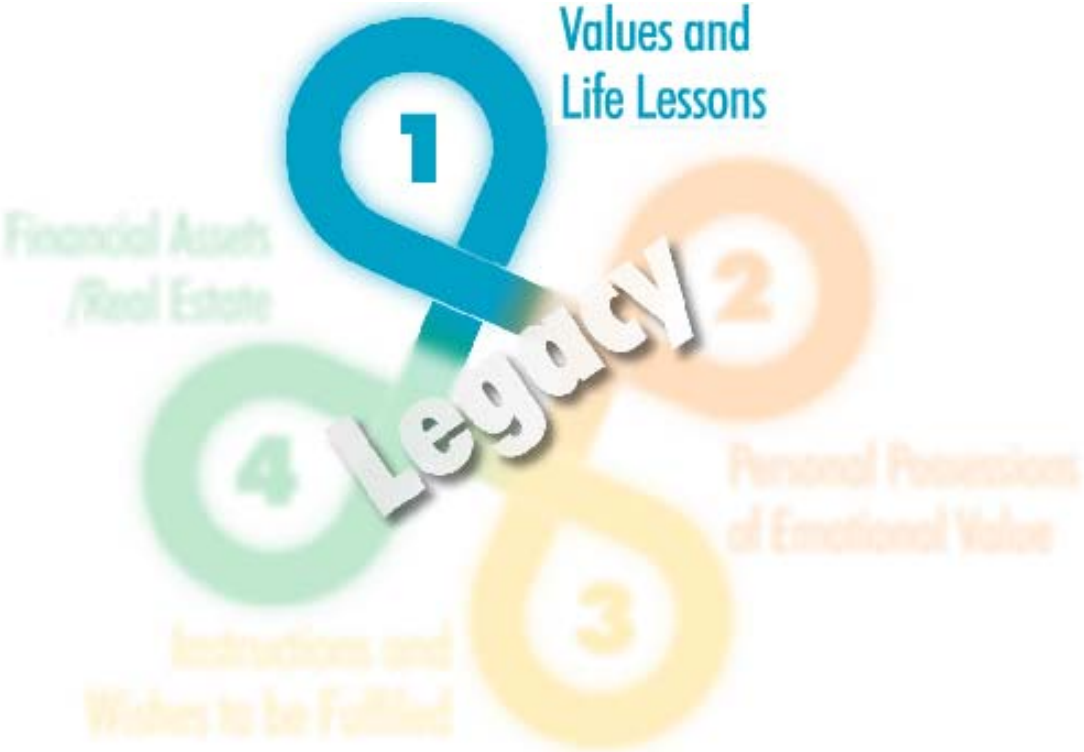
Download the worksheet to plan your own Family Council Meeting.

Family Council Meeting Worksheet (Page 23)

Four Components of Legacy

Values and Life Lessons

- *Values and Life Lessons* is the first component of a lasting legacy

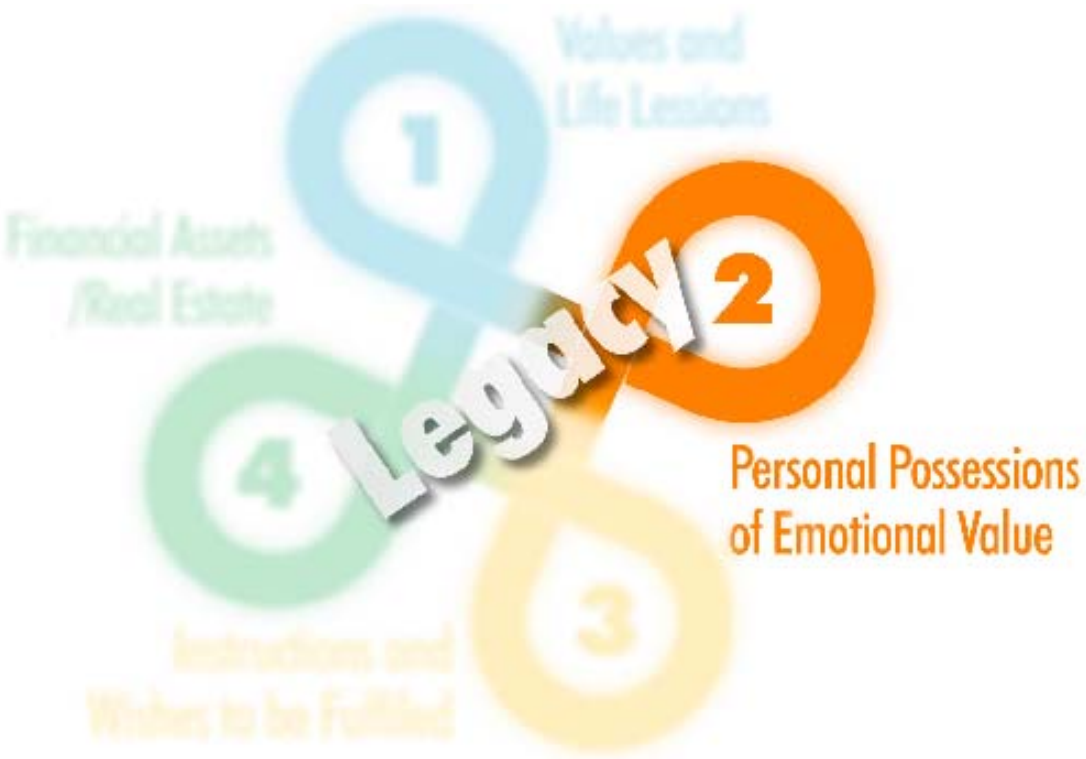


Three Components of Values and Life Lessons

- Family traditions
- Family history
- Belief systems

Personal Possessions of Emotional Value

- The second component of “A Lasting Legacy” is Personal Possessions of Emotional Value



Transferring Non-titled Property

- Non-titled personal property transfers may offer these challenges:
  - It is often the sentimental value attached to the property, not dollar value
  - Belongings have different meanings for each individual
  - It is hard to be fair to all parties
  - Talking about possessions can be more personal then talking about financial assets

Instructions and Final Wishes

- Identify and document pre-death wishes
  - Health care and directives
  - Organ donation
  - Power of Attorney
- Document after-death instructions
  - Notification of death
  - Ceremony planning
  - Insurance providers
  - Secure places and passwords
  - Care of dependents, livestock, and pets

Financial Assets and Real Estate

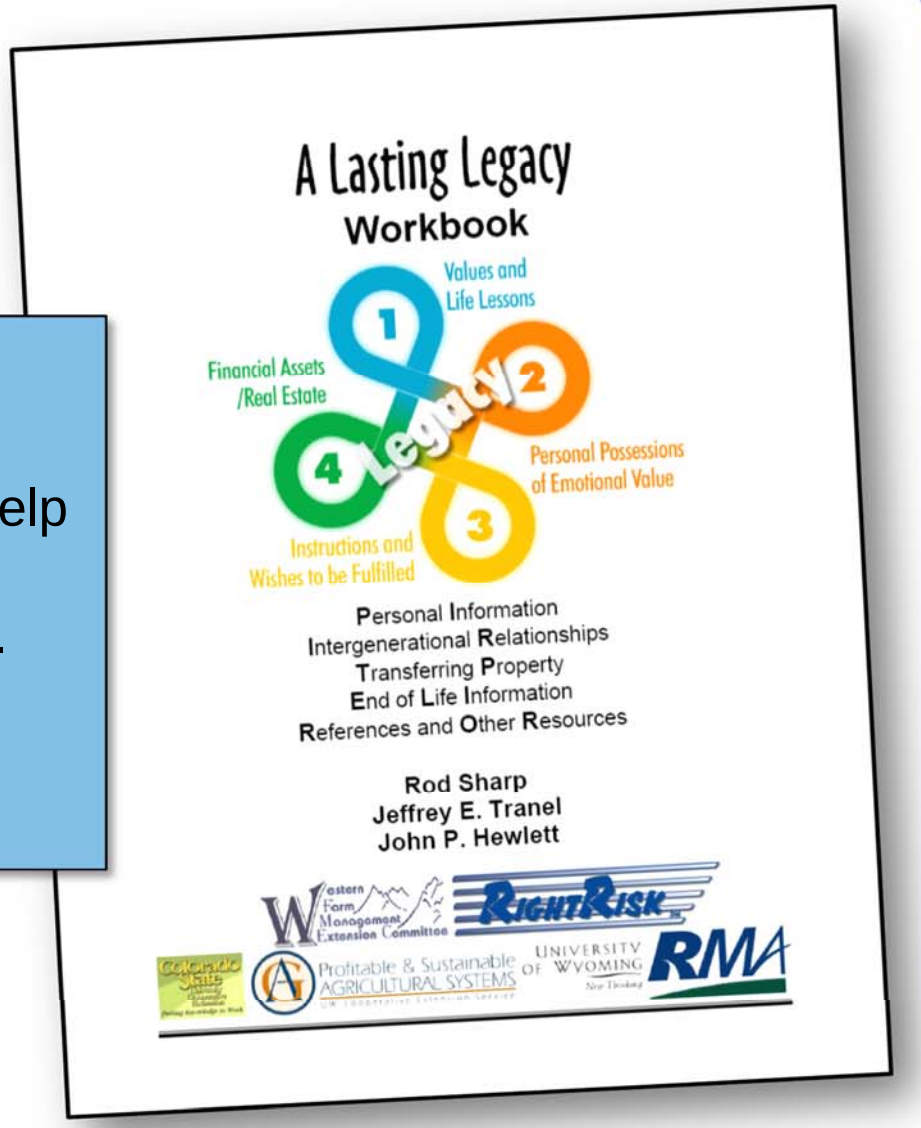
- Component 4: Financial Assets and Real Estate
  - Estate planning
  - Financial planning
  - Titled proper transfer

A Lasting Legacy

141 pages

Organized by Legacy Pillars (1-4)

- Worksheets and forms for each pillar to help get the process started. . .
- Pages of additional resources, forms, etc.
- 70+ pages of added readings and more information included. . .



Course Resources

- PowerPoint slides
- Family case studies
- Worksheets:
  - blank + completed
- Teaching outline
- Suggested external resources
- Marketing brochure

http://RightRisk.org > courses

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RightRisk
Management Succession
Where Are We? A Self-Assessment
Where Do We Want To Go? A Self-Assessment
How Do We Get There From Here?
A Lasting Legacy
AGR-Lite Training
AG Survivor
Scenario Selection
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Risk Navigator
People
Workshops
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Insuring Success for Wyoming Agriculture 2006
Feasibility of Alternative Rural Enterprises Course
Insuring Success for Wyoming Agriculture 2006
Taxes for Agricultural Enterprises Course
Insuring Success for Wyoming Agriculture 2008
Insurance and Risk Management Course
Pasture, Rangeland, Forage (PRF) Pilot Insurace Program
RightRisk Analytics
RightRisk Analytics
Risk Scenario Planner
Enterprise Risk Analyzer
RD Financial
Machine Risk Calculator
Risk Navigator Toolbox
Exit
RightRisk Analytics is a toolbox of alternative risk analysis tools.
Click one of the buttons on the left to learn more about what each tool can do and to access a tool.
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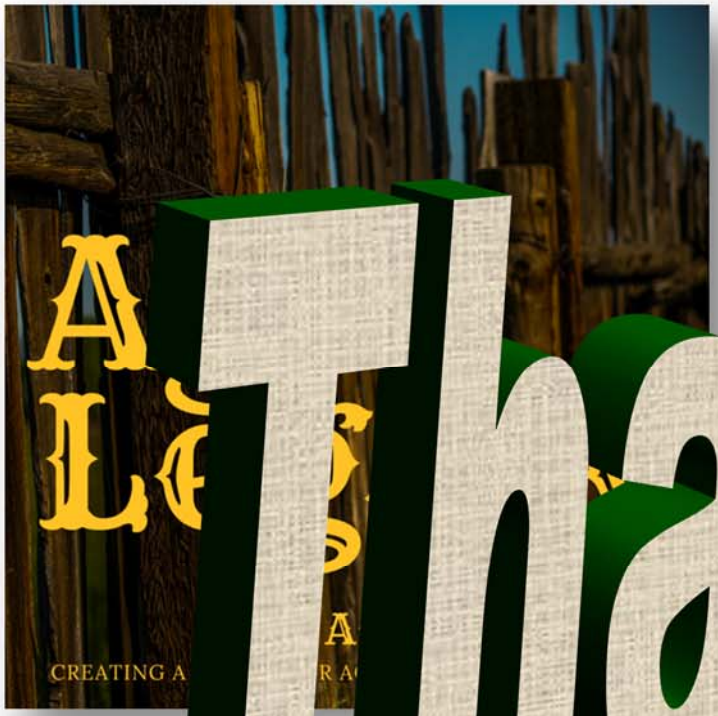
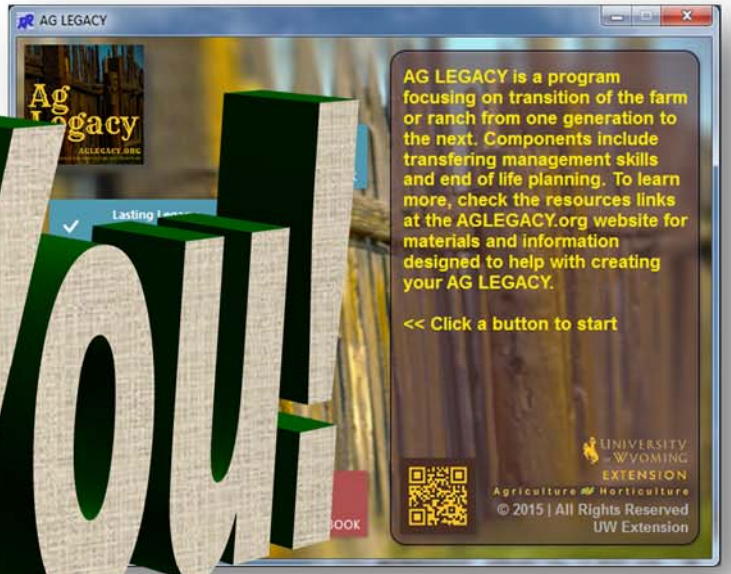
Getting on Track: Better Management Through Basic Ag Records
Getting on Track: Better Management Through Basic Financial Statements
Getting on Track: Understanding Financial Performance
Applied Risk Management in Agriculture
Dana L. Hoag, editor
James C. Ascough II, PhD
Elhab Fatheirahman
Duane Griffith
John P. Hewlett
Catherine Keske
Jay Parsons
James Pritchett
Aaron Sprague
CRC Press
Risk Navigator
Strategic Risk Management
Strategic
Risk Management
Operational
Tactical
http://RightRisk.org > Courses
Extension Ag & Horticulture





Thank You!

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University of Wyoming Extension | Sustainable Ag & Horticulture | RMA | USDA | RightRisk

Ag Legacy