

Welcome to the “Management Succession: Where Do We Want to Go?” course. It will be helpful for you to begin the succession planning process by viewing the first course in this series - “Management Succession: Where Are We?” The information and resources available in the course will help you and family members conduct an assessment of your communication skills, degree of formalized management, individual and group perspectives, level of business communication, skills to manage conflict, and how far along you are in the succession planning process. This course – “Management Succession: Where Do We Want to Go?” – provides information and resources for helping your family determine its goals and objectives pertaining to the management succession process. It builds upon the assessments conducted in the first course. You will view the struggles faced by three families as they develop their goals for succession. You will also compare your perspectives on the strengths, weaknesses, opportunities, and barriers of those families with expert evaluation of interpersonal, business, and succession planning issues.

MANAGEMENT SUCCESSION

HOME FAMILY CASE STUDIES SUCCESSION PLANNING PROCESS WHERE DO WE GO FROM HERE RESOURCES NAVIGATION EXIT

Family Enterprise

The family enterprise is an assembly of individual, family, business, and community systems forming a complex, unique whole.

Primary issues facing the family enterprise might include:

- Conflicts between business and family values in how rewards, training, promotions, and operating policies are viewed
- Conflicting motives: the motive of the family is to seek harmony while the motive of the business is to seek profit
- Levels of participation and commitment to the individual, family, business, and community
- Intergenerational differences in perspective and point of view

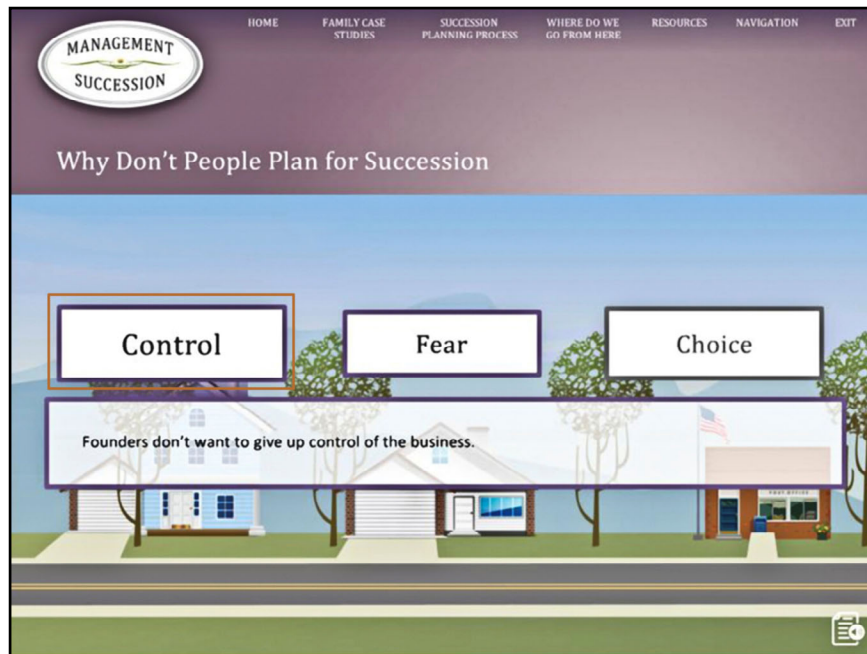
The family enterprise is an assembly of individual, family, business, and community systems forming a complex, unique whole.

The primary issues faced by the family enterprise when considering transition to the next generation include:

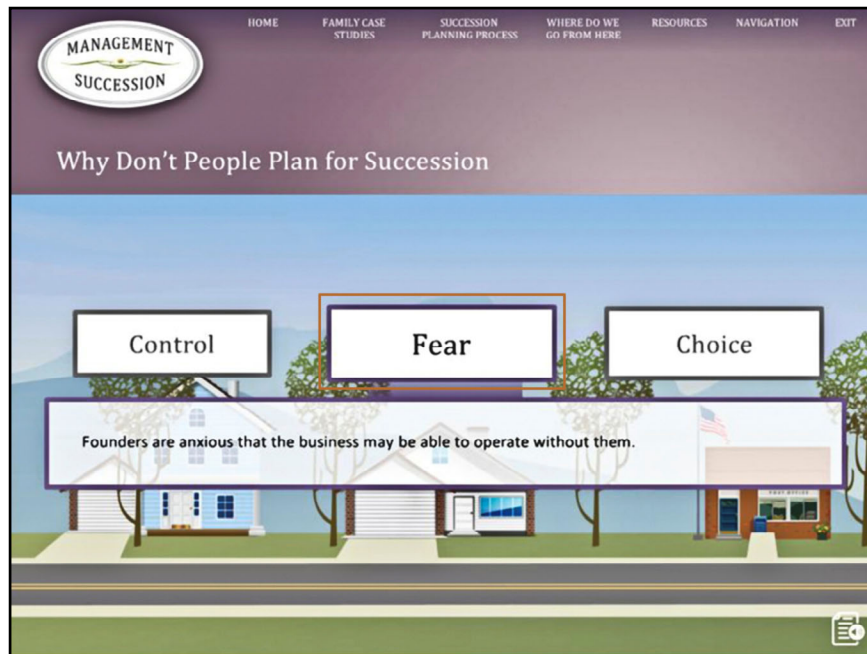
- Conflicts between family and business values.
- Possible conflicts of motives. How is family harmony impacted when actions must be taken to better secure business profits?
- Levels of participation and commitment. Family members each have differing levels of participation and commitment to the business.
- Differences in perspective. Founders and members of the next generation are likely to have different perspectives about the continuation of the farm business, the retirement life of the founders, and what they may or may not gain from the continuation of the farm business.



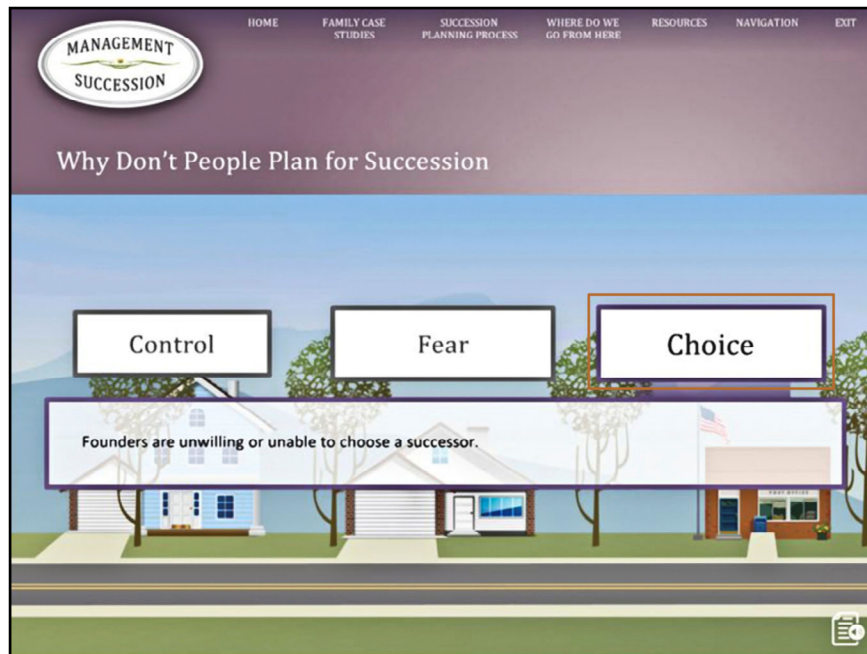
Succession planning is the first stage of a smooth and efficient transition of ownership, leadership, and management of a business to the next generation. There are three primary reasons why people do not plan for succession. Explore each reason to learn more.



Control: Founders may struggle to give up control of the business. Few business owners find it easy to come to terms with the idea that the business could operate and survive without them. Thus, they are reluctant to give up control. Facing the reality that others may be able to run “their” businesses as well or better than they can, could be painful or threatening. The business defines them and surrendering power can be a huge sacrifice.



Fear: Founders may not want to think about the idea that the business can operate without them. Fear of retirement can also be a powerful force. The thought of leaving their day-to-day involvement in the business and adapting to a whole new life style may be scary. Succession planning forces business owners to think about the end of their lives and come to terms with their own mortality. These thoughts can evoke feelings of fear or regret.



Choice: Founders may be unwilling or unable to choose a successor. Choosing one member of the next generation over another may be difficult or may cause strife within the family. The inability to choose among children often discourages succession planning. The dilemma is between business values and family values. Should the selection be based on business competence or the family values of loving and treating all family members equally?



Explore each reason farmers don't plan for succession.

The screenshot shows a website header with a logo for 'MANAGEMENT SUCCESSION' and a navigation menu with links: HOME, FAMILY CASE STUDIES, SUCCESSION PLANNING PROCESS, WHERE DO WE GO FROM HERE, RESOURCES, NAVIGATION, and EXIT. The main content area is titled 'Why Don't Farmers Plan for Succession' and features four boxes: 'Emotional attachment to the land', 'Farming as a lifestyle', 'No plans for retirement', and 'No retirement income'. A text box below these boxes states: 'Most farmers are emotionally attached to the land they own and manage. In many cases, these lands have been part of the family for more than one generation.' The background of the page features a landscape with a house, green hills, and blue mountains.

Emotional Attachment to the Land: Most farmers are emotionally attached to the land they own and manage. In many cases, these lands have been part of the family for more than one generation. Selling or dividing the land is often not considered due to these emotional attachments.

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Why Don't Farmers Plan for Succession

- Emotional attachment to the land
- Farming as a lifestyle**
- No plans for retirement
- No retirement income

Most people in agriculture feel farming as a lifestyle offers the opportunity to live, work, and play together as a family; live in the country; and teach children responsibility, a strong work ethic, and healthy goals and values.

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Farming as a Lifestyle: Farming is a lifestyle and most people in agriculture feel it offers something non-farm life can't match – the opportunity to live, work, and play together as a family; live in the country; and teach children responsibility, a strong work ethic, and healthy goals and values.

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Why Don't Farmers Plan for Succession

- Emotional attachment to the land
- Farming as a lifestyle
- No plans for retirement**
- No retirement income

Many full-time farmers have a very difficult time when the time comes to retire. They often never expect to fully retire from farming. Most farmers have developed a lifelong attachment to farming and many find it difficult to accept the slowdown that generally comes with retirement.

No Plans for Retirement: Many full-time farmers have a very difficult time “hanging up their hats” when the time comes to retire. They often never expect to fully retire from farming. The reasons are many but often center around the twenty-four seven work ethic and personal drive that led them into farming in the first place. Most farmers have developed a lifelong attachment to farming and many find it difficult to accept the slowdown that generally comes with retirement.



No Retirement Income: No source of retirement income is another issue that often prevents farmers from fully retiring. In many cases, farmers have invested in agricultural assets, such as land, machinery, livestock, and buildings, throughout their careers and have had few resources to invest in retirement plans. In order to perpetuate the business, it is inadvisable to sell, or otherwise liquidate, productive assets.

MANAGEMENT SUCCESSION

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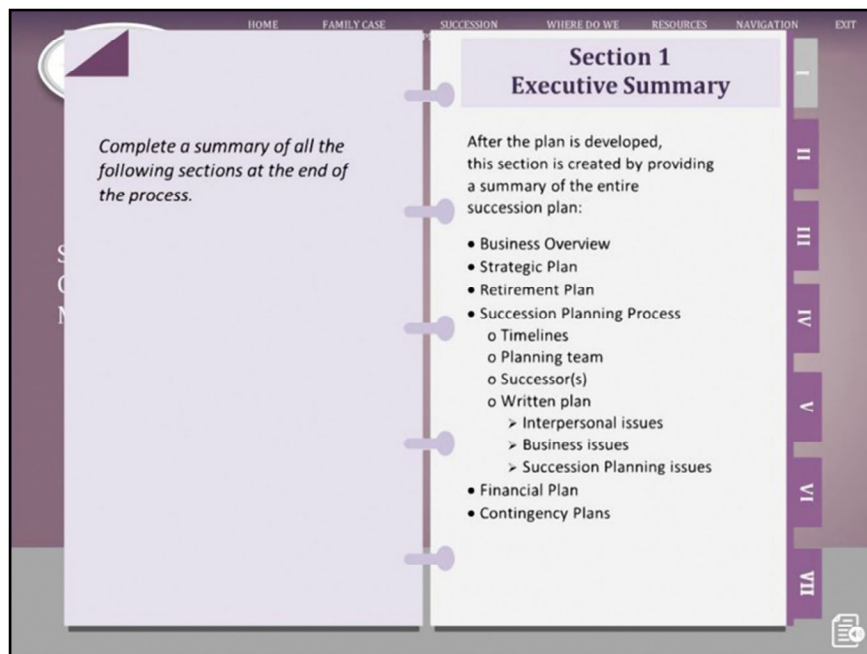
Sections of a Complete Succession Management Plan

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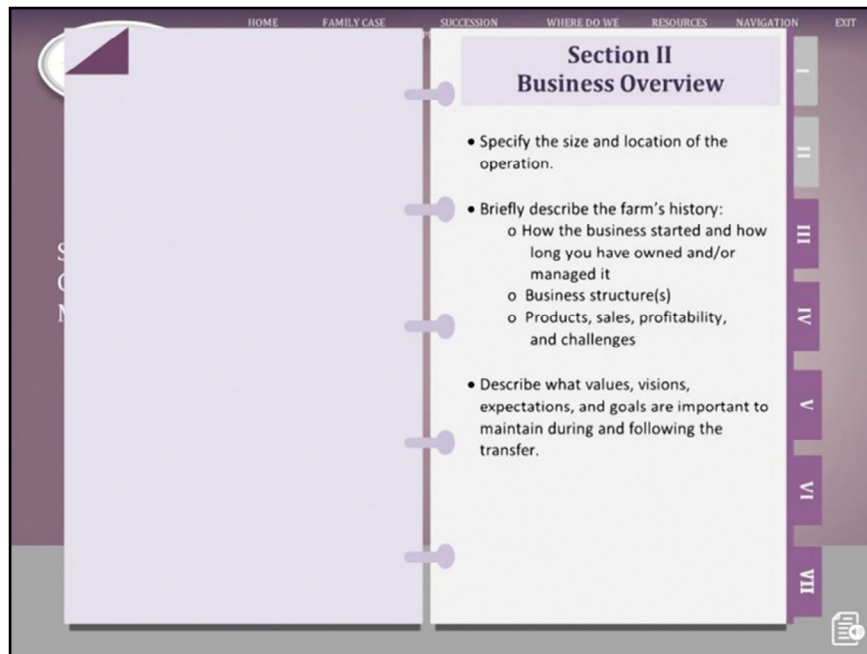
- I. Executive Summary
- II. Business Overview
- III. Strategic Plan
- IV. Retirement Plan
- V. Management and Ownership Transfer
- VI. Financial Plan
- VII. Contingency Plans

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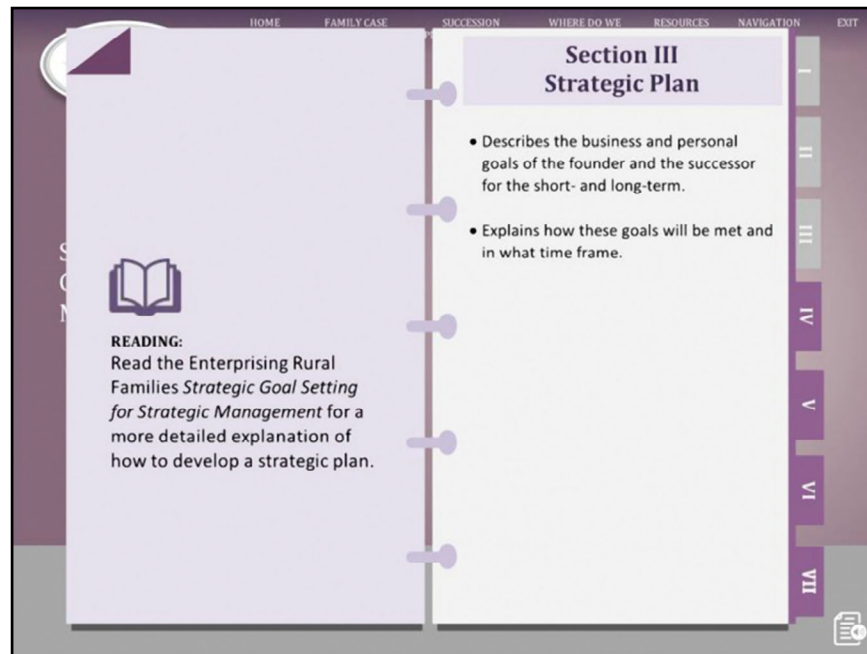
There are seven sections included in a complete succession management plan. Explore each to learn what is included in that component of the plan.



Section I- Executive Summary: The executive summary is a brief summary of the succession plan. This section should be completed after the plan is developed. This summary briefly tells the reader the major details of the plan in a few paragraphs. Remember to provide only the highlights of each section of the plan. If the readers want more detail, they can find it in the plan.



Section II- Business Overview: Unlike the executive summary, which must be concise, this is where you can start elaborating on the details of the business. Typically this section is used to specify the size and location of the business, and provide a brief description of the farm's history. This section is also used to explain the vision and goals of the business.

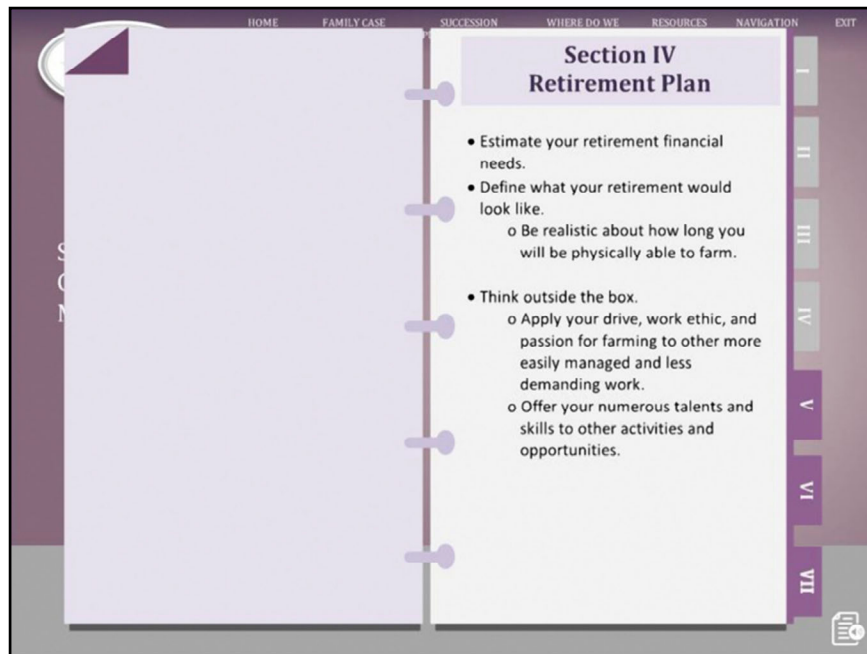


Section III- Strategic Plan: Planning, in general, helps us move forward in an orderly and proactive fashion and reduce the need to react after the fact when our environment or goals change.

Strategic goals proceed from, and are supported by, the mission statement. Where the mission statement is the business destination, strategic goals are landmarks along the way. Knowing the goals and their associated costs provides a roadmap to success for the operation. Using goals, one can measure progress toward a destination.

In goal-based management, strategic goals are openly identified, discussed, and prioritized before management decisions are made. Resources available to most operations are limited. Thus, not all goals can be reached at the same time.

Prioritizing your goals ensures that the most important are addressed first. If additional resources exist, they can be applied toward reaching less important goals.



Section IV- Retirement Plan: When considering retirement, it is important to estimate your financial requirements. Retirement can be expensive and most experts estimate that retirees will require 70-90 percent of their preretirement income after they stop working. When developing a financial budget for retirement, make sure to incorporate those costs that will be included in family living that were previously paid by the farm business. In short, paying for the retirement you truly desire is ultimately your responsibility. This is another reason why it is beneficial to plan for retirement while you are still young.

HOME FAMILY CASE SUCCESSION WHERE DO WE RESOURCES NAVIGATION EXIT

Section V Management and Ownership Transfer

- Describes how the transfer of management and ownership will take place.
- Includes a timetable, training and development plan, and intended business.

SUCCESSION PLANNING PROCESS

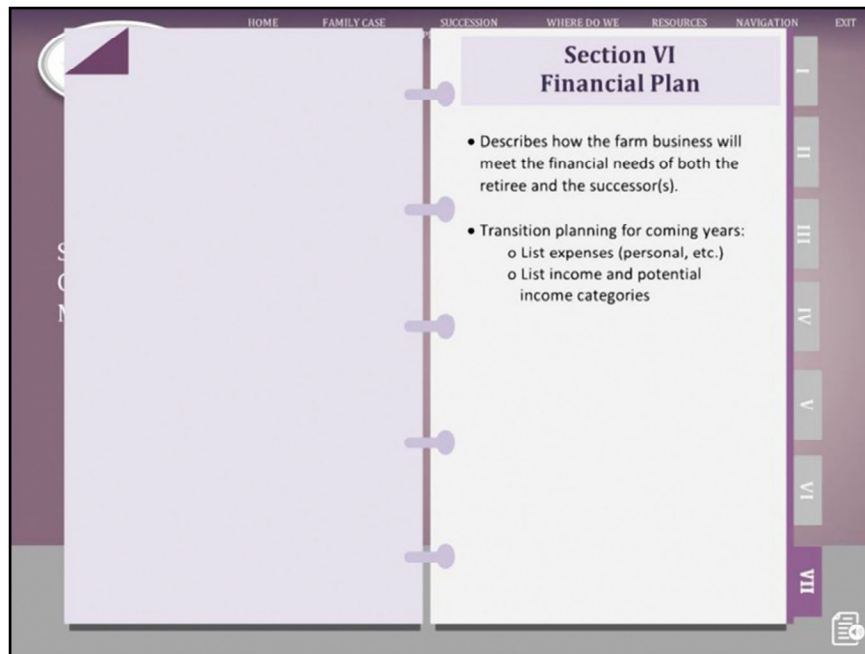
The succession planning process has seven primary steps. It is critical to start the process early for transitioning the business from one generation to the next.

Succession planning is a process, not an event.

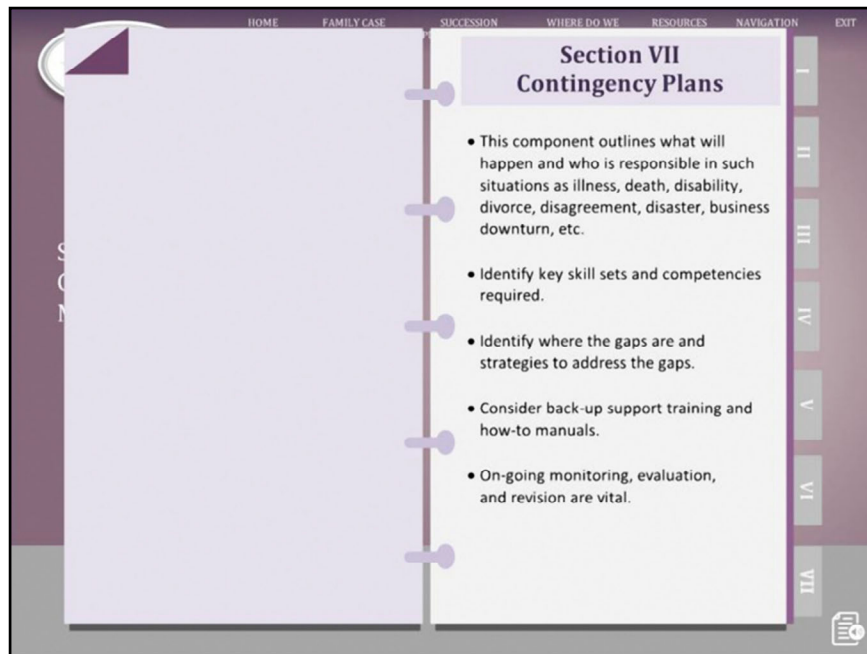
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Section V- Management and Ownership Transfer: The management and ownership section is comprised of the succession planning process, which was introduced in the “Management Succession: Where Are We?” course.

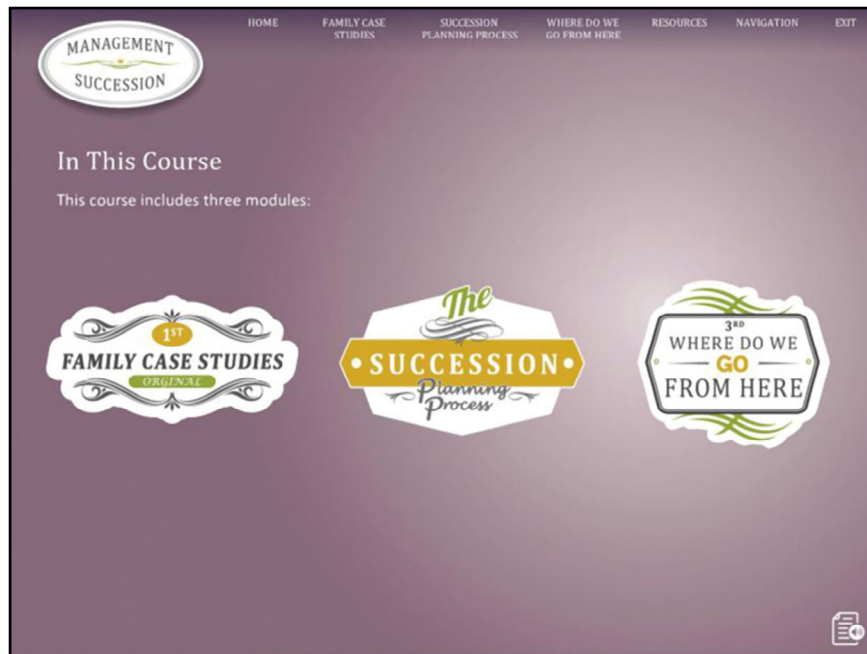
This course will focus on the succession planning process and how you can begin planning where you want to go for your own situation.



Section VI- Financial Plan: Very few people ever have enough money to cover all of their wants in retirement. It seems that the more we have, the more we want and think we need. But the power of choice can control incomes and purchases of all sizes. Setting financial goals gives a person that power. Determining the sources and amounts of cash flows is the first step to matching our cash inflows to our cash outflows. Families experiencing difficulties and expressing concerns about money often lack information and plans for managing the money we have available to spend.



Section VII- Contingency Plans: Every succession plan should include contingency plans. What will happen if something goes wrong? In this section, things like disability insurance, life insurance, employee training, back-up support, how-to manuals, and communication with family, employees, and key stakeholders should be considered.



In this course, you will continue to prepare for the transfer of ownership and management of your family business to the next generation. You will assess the strengths, weaknesses, opportunities, and barriers of family businesses and write goals describing a possible future state for the business based on Best Succession Management Practices.



Explore one of the other course modules to learn more about succession planning.