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SUCCESSOR DEVELOPMENT AND MANAGEMENT TRANSITION ON FAMILY FARMS AND RANCHES

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Successful management transition on a family farm or ranch involves three critical and at times simultaneous processes: successor development, the transfer of management responsibility and authority, and the exit of the current leader.

The best-laid transition plans can be derailed by many economic and relationship issues. But a well-crafted plan can significantly improve the odds of success. The most successful cases start early and deliberately—the less left to chance, the better the plan works.

PREREQUISITES

Before the successor development and transition process can begin, several prerequisites must be in place:

- The successor has been selected.
- The successor wants the job, and his or her family supports the decision.
- The successor can grow into the position.
- The business can afford the successor.
- The current management/ownership—the current chief executive officer, or CEO—has his or her estate and retirement plans in place, the family has been informed, and the retirement plans are in the process of being funded.

TRANSITION STEPS

To successfully transfer management of a family farm or ranch, the CEO must assess the business and its current and future leaders, set a timetable, address communication and relationship problems, thoroughly train the future manager, regularly evaluate the successor's performance, and create a shared vision for the business.

Assess the business, the CEO, and the successor

The business leadership must determine the needs of the business for the present and the future. This includes determining the management skills and attributes that the successor will need.

The strengths and weaknesses of the current CEO and the successor also need to be identified. This includes determining whether the CEO has the ability to teach and mentor the successor in the areas of need identified in the business assessment.

Set a time table

The CEO should set a specific timeline for the successor's development plan, the delegation of responsibility, and the transfer of authority. The timetable can help keep the successor from becoming frustrated and help prevent the current CEO from procrastinating.

Transitioning out the current leader relates to stepping out of the role as CEO and turning over the reins to the successor. Many CEOs will not vacate their position unless or until they have a place to go. Their purpose, their sense of value, and their identity are often tied directly to the business.

But giving up the position need not involve retirement. Some former CEOs move into the role of chairman of the board. Others essentially become consultants to the business, exploring new business opportunities, investigating new technologies, or conducting research trials. As farms and ranches diversify into portfolios of businesses, some former CEOs become the manager of a subsidiary or joint business alliance for which they have a particular passion.

However, those who do retire will find it satisfying and fulfilling only if they have developed outside interests before retirement. Several successful farmers and ranchers have become mentors to young farmers and ranchers in their area; some do volunteer work for their church or community; others take part-time positions

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such as collateral inspectors for lenders. Possibilities abound, but they need to be planned and developed.

Address communication and relationship problems

The management transition process is not just about the successor assuming the CEO's duties. It is also about the other family members and key employees adjusting to a new leader. A major part of the current CEO's role is to support the transition. That support allows helps the successor make changes without them being perceived as an indictment of the past or criticism of the predecessor.

Mark Voeller, a family business consultant and author of *Exit Right: A Guided Tour of Succession Planning for Families-in-Business-Together*, says that 60 percent of failed management transitions stem from unresolved family conflicts and communication issues; 25 percent are because of poorly prepared successors. Five common communication and relationship problems are dictatorship, secrecy, inability to admit mistakes, unresolved conflict, and inability to fight fairly.

Dictatorship: Don Jonovic, president of Family Business Management Services in Cleveland, Ohio, describes dictatorship as the "der Fuehrer "or "el Jefe" management model. It's a familiar management style: "This is mine, and if you want to work here or inherit your share when I'm gone, just do what I tell you. If I want your opinion, I'll ask for it."

If the CEO does own the entire business, this approach is his or her prerogative. However, this management style is an extremely dysfunctional system for developing a capable successor and therefore is best suited to a business in its last generation.

A more open, participatory management style might go against the basic nature of those who like being "boss" and telling other people what to do. Being in charge and having the final say is one thing, but some people seem to need to force their will on others just to prove they can. Hitting people over the head is not leadership—that's assault.

Secrecy: Jonovic says that most family businesses are not just closely held—they are hermetically sealed. Far too many CEOs share information only on a "need to know" basis.

Open, honest, and mature two-way communication is vital. Successors need to be able to share in the accumulated wisdom and experience of their elders. They should not have to learn by osmosis or only through their own experience. Mind reading is not a very effective form of training.

Key employees and family members also need to know the answers to the following questions:

- What am I expected to do?
- Why am I doing it?
- How am I doing?
- How can I improve?
- Where is the business headed?
- How does it plan to get there?
- What is my role?
- What's in it for me?

Inability to admit mistakes: People—successor or CEO—often cannot admit they are wrong. This inability can turn a difference of opinion into an argument that escalates into an emotional exchange instead of a rational discussion.

This behavior generally produces one of three outcomes: 1) those with position power crush the challenge to their authority; 2) both parties revert to childish behavior, leading to embarrassment and/or resentment; or 3) knowing the behavior that differences of opinion create, others simply give up challenging the person's ideas or assertions. The result is that many issues and decisions are never discussed.

Unresolved conflict: If not remedied, interpersonal conflicts not only lower business performance, but they also prevent the business from being transferred successfully to the next generation. Conflicts may arise between people working in the business, or between family members in the business and those who have an ownership interest but don't work in the business.

Disagreement is normal and inevitable. In fact, if the business is to change and grow, disagreement is essential. Henry Ford was once quoted as saying, "If two people in a business agree on everything, then one of them is unnecessary."

The corollary to that statement is that if they disagree all the time, then both of them are useless. But when disagreements grow into conflict, all other issues may become secondary, and the conflict could become the business's Achilles' heel.

Unfair fighting: To learn how to fight fairly, individuals need to develop emotional maturity and interpersonal skills. At a minimum, they should adhere to five basic ground rules: avoid personal attacks, do not drag others into taking sides in the argument, do not use subversion, focus on the issue at hand (that is, do not dredge up old issues), and keep heated discussions private.

Bullying or childish behavior may win battles but destroy family relationships and/or businesses.

When it comes to working together, those who do it best tend to follow two basic rules: the Golden Rule, "treat others as you would like to be treated," and the Platinum Rule, "treat others as they would like to be treated." The Platinum Rule basically recognizes that everyone is different and reflects two of the habits Stephen Covey describes in his book, *7 Habits of Highly Effective People*, "Seek first to understand, then to be understood" and "Think win-win."

The first is self-explanatory, but it can help if the parties involved have some understanding of personality style and generational differences. Many state Extension programs offer workshops on these topics. The win-win idea, however, is often misunderstood. It is based not on compromising but on fostering a commitment to finding solutions that will truly benefit both sides of a dispute. Solutions do not exist in themselves; they must be created.

Train the successor

Thorough training is crucial to a successful transition. To adequately prepare a successor for the job ahead, the CEO should create a management development plan focusing on the successor's strengths, weaknesses, experience, and training. The plan should give the successor opportunities to acquire experience, exposure, and networking opportunities outside the business and outside the industry.

The new leader needs to develop strategic management skills and learn to lead as well as manage. Developing negotiation skills is also critical. The CEO can help the successor grow by creating a business plan and analyzing the results of key decisions.

Strategic management skills

For a successful transition, the CEO must pass on "strategic smarts" and "strategic thinking skills" to the successor. Strategic management involves anticipating the future, recognizing emerging problems before they mushroom, and taking corrective action while there is still opportunity for effective response. In fact, a definition of strategic management is the ability to anticipate, adapt to, drive, and capitalize on change.

Many farmers and ranchers run their businesses more as producers than as business managers, and they resist change. However, some producers often do not see either statement as applying to them. Most believe they are managing their farms or ranches as businesses. But are these farmers and ranchers using the best business management practices? Do they possess the necessary management skills and attributes to compete with the best in the business? Almost all commercial producers also believe they have made significant changes in their businesses. But are they moving forward as fast as their leading-edge competitors—the top 10 percent?

For a business to stay ahead, its internal rate of change must exceed that of its external environment. Otherwise, the business will fall behind even though it may be moving forward. Consider two people driving in the same direction on an interstate highway. Both are clearly changing—that is, moving forward. However, one is traveling 55 miles per hour (mph) and the other is doing 70. If they both drive 8 hours a day, 5 days a week, at the end of 1 year the one going 70 mph will be 31,200 miles ahead of the other.

But what if the 70 mph driver decided to do business all day, every day, without a break? If the slower driver stayed at the current pace, he would now be falling behind by 498,800 miles per year. Assuming that the highway circumnavigated the Earth, that driver would be getting lapped about 20 times a year.

Is this example extreme? Yes. Is it unrealistic? No. Large commercial dairies typically milk around the clock, every day of the year. Some row crop operators farm in as many as 12 states to diversify production and market risks and use their labor, management, and equipment 9 or 10 months a year rather than only for the normal single-site planting and harvesting periods. These businesses use their resources more efficiently, which gives them an edge over their competitors.

Leading

The successor also must learn to become a leader, not just a manager. Leadership revolves around vision, ideas, and direction. It has more to do with inspiring people than with handling the day-to-day business operations.

Top managers recognize that their ability to attract and motivate people will in large measure determine how successful they are. Leaders are great not because of their power, but because of their ability to empower others. When it comes to managing people, the top managers see themselves more as the head coach than the boss.

J. Paul Getty once said: "It doesn't make much difference how smart, how much knowledge, or how much experience an executive possesses; if he is unable to achieve results through people, he is worthless as an executive."

Leaders must be able to judge the strengths and weaknesses of the business, to assess the opportunities and threats in their environments, and most importantly, to identify which issues are most important and deserve their closest attention.

We need to recognize that 80 percent of our results are produced by 20 percent of what we do. The management philosophy of doing first things first is based on the Pareto Principle, more commonly known as the 80:20 rule.

One of the practices that set top managers apart is that they set priorities and follow through on them. The most successful are the ones who have figured out the 20 percent and then put most of their time and resources into accomplishing them. The other 80 percent get eliminated or turned over to someone else. The major reason that most major goals are not achieved is that people spend most of their time doing second things first. They do what they have always done, what they know how to do, what they like to do, and what is urgent.

Timing

Top managers realize that proper timing is crucial. They know not only when to get in, but also when to get out. A key point in Jim Collins' book, *Good to Great: Why Some Companies Make the Leap ... and Others Don't*, is that the best companies have managers who spend as much time analyzing what to stop doing as they do exploring new opportunities.

Unfortunately, the average manager tends to jump on the bandwagon after the early-adopter profits have already been made and then often does not get out until forced to. As the old saying goes, most people change because they feel the heat rather than because they see the light.

Successful managers spend time monitoring and analyzing performance in order to spot problems and opportunities before it is too late. They are also more likely to treat the cause of a problem, and not just the symptom.

Managers need two analytical skills to solve problems: the ability to view a situation from multiple frames of reference, and the ability to identify the heart of the issue. They do not jump to conclusions because they know every complex problem has at least one solution that is simple, obvious, and wrong.

Successors need experience and training to develop the vision and evaluative skills to strategically redirect the businesses. They also must be able to conceive alternative ways of doing business and to choose those that will be more effective.

Unfortunately, only one-third of family businesses have a strategic plan because the CEOs do not want to share information, to respond to others' ideas and defend their own, and to commit to the plan rather than keep their options open and to themselves.

In contrast, many successful family businesses have three plans, not just one:

- A long-term strategic plan
- A detailed business plan
- Short-term contingency plans for dealing with the unexpected

While most farmers and ranchers are good at tactics and operations, the top farm and ranch executives decide first what they want to accomplish and then let that determine how they get there. They recognize the difference between doing things right and doing the right things. Many failed businesses were very good at doing something that became irrelevant or no longer in demand.

Success emanates from first doing the right things and then doing them well. Hockey great Wayne Gretzky was quoted as saying, "What separates me from the average player isn't that I'm stronger or faster, but that they go where the puck is while I try to go where it's going to be."

The planning process—not the plan document—matters most. The strategic planning process involves scanning both the internal and external environment. This process is often described as a S.W.O.T. analysis—identifying strengths, weaknesses, opportunities, and threats.

The process can be threatening and frustrating to action-oriented managers, who often view the necessary brainstorming as mostly a waste of time. However, it produces a clear vision of where the business needs to go, what it takes to get there, and what could go wrong. The process also enables the manager to create detailed implementation and exit strategies. Dwight Eisenhower once said, "In times of crisis I have found that plans are often useless, but that planning is absolutely essential."

Unfortunately, two-thirds of the businesses that do engage in formal strategic planning never implement the plans. The problem is that the management system or lack thereof and management's operating style often do not support implementation, and the planning process serves mainly as a thought-provoking exercise.

Contingency planning

Successors also need to learn how to plan for the unexpected. Top managers spend more time thinking about possible scenarios and developing contingency plans. While not dwelling on the negative, they do consider what could go wrong and what steps to take if it does. Successful coaches and generals follow this process when they develop game or battle plans.

Average managers may plan, but they tend to limit themselves to the most likely outcomes and spend too little time planning for contingencies. They also treat planning and analysis as beginning- and end-of-year exercises.

John Baker, director of the Beginning Farmer Center and the Iowa Crisis Hotline, offers this advice: "Don't be afraid to ask dumb questions; they're more easily handled than dumb mistakes."

To develop a short-term contingency plan, a manager analyzes different scenarios and develops specific plans for dealing with critical issues before they become problems. Tackled ahead of time, issues such as a death, divorce, disability, or a decision by one of the owners to sell his or her interest are less threatening and emotional.

In addition to these areas, crisis plans can be developed to address such questions as:

- What if we sold the farm/ranch?
- What if we had a major disease outbreak?
- What if a key non-family manager suddenly quit?
- What if we lost a major contract or our biggest land lease?
- What if our lender discontinued financing us?

In each case, the objective is to discuss the issues and develop action or contingency plans. The major issues also need to be readdressed regularly.

Creating a business plan

A key component in educating the successor about the business is to develop a business plan. The process, discussions, and information involved in preparing the plan are critical in the development of the successor because every facet of the business must be explored.

A well-prepared business plan serves several purposes:

- It improves internal and external communication.
- It evaluates the feasibility of plans and their sensitivity to different assumptions.
- It can help uncover and predict problems and limitations as well as identify and evaluate opportunities.
- It can help in acquiring funding.
- It forces management to take an integrated approach to addressing production, operational, financial, marketing, and human resource issues.
- It requires an assessment of capabilities and a clarification of vision, goals, and direction.
- It makes projections more realistic.
- It increases the involvement of and interaction between the current CEO and the successor, as well as the rest of the management team.
- It builds a commitment to something specific.

The most successful businesses continuously monitor their business plans against actual results and update them regularly to reflect changing conditions and circumstances.

Analyzing the results of key decisions

If successors are to improve their decision-making skills, they need to learn from their mistakes. An important part of that process involves performing "autopsies" on the results of key decisions, whether things went well or poorly.

The leader must dig deep enough to determine why things turned out as they did. What was overlooked, what assumptions were wrong, what should have been done differently, what mid-course adjustments could and should have been made, and if external factors or conditions were the cause, do leading indicators and more detailed information need to be considered in making future decisions? Most important, what did they learn?

Developing negotiation skills

The ability to negotiate touches almost every facet of a business, including dealing with suppliers, lenders, landlords, customers, labor, and even family members. The success of negotiations affects prices paid and received, the acquisition of resources, relationships, and terms of arrangements. Top managers must be skillful negotiators. The successor needs to be included in these negotiations even if, at first, it is as only an observer.

The most successful negotiators recognize the importance of understanding different negotiating styles and strategies, doing their homework, maintaining self-control, and having a walk-away point. One approach will not work in all negotiations. Good negotiators also recognize that strategies depend on circumstances, timing, personalities, relative bargaining power, and the duration of the relationship—whether it is a one-time deal or long-term association.

Seeking different perspectives

The CEO is the business' key link to its external environment. Successful businesses promote mentoring and networking opportunities for the successor as a preparation for leadership. For a business to be successful, each generation should bring in new strategic ideas that build on core competencies.

Getting formal training

Seminars, symposia, and other formal continuing education programs also contribute to successor development. The plan should include acquiring both skills and knowledge in areas identified in the transition plan and in performance appraisals. It also should include exposure to different perspectives, new ideas, and alternative approaches.

While it is important to participate in educational programs targeted to farm/ranch operations, the most successful operations' managers also get outside their commodity and their geographic area, and even outside agriculture as part of their continuing education. They will learn as much from the other participants as from the faculty.

CEOs and successors in commercial farms and ranches are facing an increasing need for specialized knowledge to address internal management issues. At the same time, they are under pressure to stay in touch with the business's external environment.

Gaining outside experience

Successors also need to see how the rest of the world operates. Some family businesses require the successor to have from 3 to 5 years of experience elsewhere and to have earned at least one real promotion before returning to the business.

This experience gives them a broader perspective and allows them to see different management styles, and to prove themselves in an environment where they aren't the "crown prince or princess," "hired hand," or "the kid."

Taking an internship

The successor may also learn by working an internship for another successful operation, possibly in another commodity or state. Internships allow the successor to build self-confidence and be held accountable to someone other than a family member. He or she also has an opportunity to compare different organizational cultures, management styles, and decision-making processes.

Taking some of the reins

If the business is large enough or includes more than one enterprise or line of business, allowing the successor to assume responsibility for one part or location can be an excellent training ground. Likewise, giving future leaders the responsibility or experience in different management functions can help deepen the understanding and broaden their perspective.

Obviously, in smaller operations these opportunities may not exist. But even then, it is critical for the successor to gain actual experience working with finance, marketing, operations, production, and personnel management. Without this experience, managing the business will be difficult.

Evaluating performance

Constructive performance evaluations are essential for successor development. Unfortunately, traditional performance appraisals tend to be just the CEO's verbal opinion on what the successor did well or poorly. This approach is often ineffective if the CEO avoids issues that may be taken as criticism, if it results in a confrontation or the successor becoming defensive, or if it leaves the successor feeling as if he or she has no input. Stated another way, performance appraisals can take on a parent/child tenor rather than being a business opportunity that helps the successor grow.

An alternative approach is known as the negotiated performance appraisal. This approach is a coaching tool to improve performance. It promotes two-way communication, provides feedback to both the CEO and the successor, puts on burden of analysis on both parties, and clarifies what needs to be done.

Feedback is a critical component of successor development. Like all employees, the successor needs feedback on management performance, praise, and advice on how to improve.

The negotiated performance appraisal approach begins with both the CEO and the successor preparing separate lists before the performance review. The CEO's list should address where the successor is performing well, what has improved, and where progress is needed. The successor's list will address those areas as well as where he or she thinks the CEO would like to see improvement and what the CEO could do to help. These lists are then exchanged before the review discussion.

At the review session, the two focus on the successor's strong points, reach agreement on areas where improvement is needed, lay out the specific steps needed for improvement, set realistic goals, and solve the problems identified.

This approach allows the person being reviewed to point out his or her own weaknesses, and it helps the CEO identify ways to help the successor develop.

Learning from peers

The best managers know they need continual exposure to different perspectives and new ideas. They realize that no matter how well their business is doing, there will always be a better idea or way of doing things.

Jack Welch, former chairman and CEO of General Electric, said, "The only truly sustainable competitive advantage is the ability to learn and adapt faster than your competition." He is referring to continuous learning and improvement. Most sustained success comes from doing 20 things 5 percent better than from doing one thing 100 percent better. Remember: The future Hall of Fame baseball player with a .300 lifetime batting average gets only one more hit every 20 times at bat than the average player who hits .250 and just manages to hang on.

Peer advisory groups can be a cost-effective way to help both current farm CEOs and management successors address this issue, and provide a way to continue the never-ending process of becoming better managers.

However, groups are successful only if they are made up of the right people. The chemistry and trust between the members is critical. Bringing together experienced people who have or are facing similar challenges can be extremely helpful.

Peer groups are usually 5 to 10 producers who meet monthly or quarterly. The members are usually not neighbors or direct competitors, and they have different strengths.

Openness and candor are critical. For the maximum benefit, everyone should be honest, even to the point of seeming brutal at times. Some groups use a professional facilitator; others rotate the discussion leadership among the members.

CEOs and successors need to interact with successful people in their industry. This networking is essential for stimulation, motivation, and personal growth. Successful people inspire and challenge others, forcing them think and consider alternatives.

The benefits of a peer group can offer include the following:

- In a closely held business, the CEO and other members of the management team often view issues from the same vantage point. This tends to create blind spots and limit objectivity. Peer groups provide a way to overcome that problem.
- CEOs and successors need a "sounding board" for their ideas. Have they missed anything, are there alternatives they have not considered, and what implementation issues have not occurred to them? Peer group discussions can provide feedback on plans and ideas, explore "what if" questions, allow members to draw on the experience of others, and provide greater insight and objectivity.
- A peer advisory group acts as an informal board of directors and gives members opportunities to discuss ideas with their peers. Each member brings a wealth of personal and business experiences to the table.
- The ability to draw on different individuals' strengths can benefit everyone involved. Within a group, some people may have greater skills and interest in market analysis, personnel management, or management information systems; others will be computer/technology buffs; and some will be strong in particular operational/production areas. Peer groups can offset weaknesses, complement strengths, and reduce the need to try to be good at all things as a manager.
- Business success requires vision and insight. Peer groups help turn the focus away from the day-today issues and toward the bigger picture, which can improve the odds of success.
- The psychological support can often be as valuable as the ideas gained. This may involve the encouragement needed to try a new idea or see something through to completion. It can also help a member break out of an old mindset or get the support needed during periods of stress or financial hardship.
- Being the manager of a small, growing business can be lonely. Friends and family may not understand the issues being faced. However, every CEO or successor in a peer group can offer support and understanding in a way that no one else can.
- Peer groups can provide access to the collective membership's sources of information, resources, and expertise related to specific problems or opportunities. This circle of contacts can help identify new markets, supply sources, potential employees, and business opportunities.
- Coordination of field trials and the development of databases and benchmarks on marketing, production, and comparative financial information can increase the amount and usefulness of information available while reducing acquisition time and costs.
- Peer groups provide an opportunity for needsbased training. Assume that several producers decide they need training in some area of personnel management, succession planning, process improvement techniques, financial analysis, or options strategies. The type of program and level

of expertise needed might involve anywhere from 1 to 3 days, at $3,000 to $5,000 a day, plus expenses. Assuming that this type of program is not available through their state's Extension service, the cost for one producer could be prohibitive; but shared by 5 to 10 producers, it could be very reasonable. In addition, the questions and perspectives of multiple participants will likely unearth some possibilities and issues that wouldn't otherwise be discussed.

- A peer group offers a safe, confidential environment where business owners can tell the truth about what is going on in their personal and business lives and get answers to the challenges they face.
- Often, successors in closely held businesses either will not or cannot effectively challenge the ideas of the CEO because doing so can lead to conflicts that spill over onto business and/or personal relationships. In these instances, they need somewhere to get feedback and help with ideas on how they might approach the issue.
- One of the biggest challenges many business owners face is that they have no boss or supervisor making sure that they have completed all of their tasks. No one pushes them to set and attain higher goals. A peer advisory group can provide the accountability needed to ensure follow-through on commitments.
- It is easy for business owners to stay within their comfort zones. Peer groups can make a critical difference during good times, when it is easy to remain complacent, and during bad times, when the margin for error and window of opportunity are tiny.

These groups need ground rules and planned agendas to keep their discussions on target. Like partnerships or marriages, the members need to be able to give and take. People who cannot accept constructive criticism or admit they are wrong are not good candidates for peer group membership. Neither are those who just take and do not give back, or those who try to dominate discussions.

Because membership is by invitation, a peer group needs to start with a basis for removing members without the right fit or chemistry. Getting everyone's agreement up front is critical for amicable separations. There needs to be a confidentiality agreement so that all members, even those who leave the group, are professional enough to respect the rights of the other members.

Creating a shared vision

Over the long term, the success of a family business requires a shared vision and a strong set of common values. As families expand and age, their goals and values become more diverse. This is particularly true when the family members involved in the business include cousins or in-laws who grew up under different family influences and not just siblings raised in the same family.

To develop a common vision for the business, the CEO and successor work through business, personal, and family issues, current and expected. In part, this is because people, even from the same family, often have different goals, priorities, and vested interests.

Business and family issues and decisions are intimately connected. This is even more true when some of the owners actively work in the business and some are essentially outside investors. Everyone may agree on the costs and benefits of a decision but still disagree on what to do because of the sharing of risks and rewards. Those working in the business tend to be more focused on reinvesting in the business and future growth, while those outside the business may see it more as an asset on their balance sheet that isn't generating much of a return.

Even within the business, the CEO and the successor may disagree because of differences in their life stages. The current CEO may have more equity at risk and is concerned about long-term security, particularly if his or her retirement will be funded out of the business.

The CEO and the successor should independently write out their thoughts in response to the questions in these seven areas, then share and discuss their ideas:

- **Core values:** What is important to me? What is acceptable? What is not acceptable?
- **Vision:** What does my future for the business look like? What do I want from the business? What do I hope will happen? What am I afraid might happen?
- **Mission:** What is the purpose of the business? Why am I here?
- **Goals:** What do I want the business to accomplish? What do I want to do or achieve personally? What sacrifices am I willing to make in order to make it happen?
- **Objectives:** How will I measure both the business' and my own performance and progress?
- **Strategies:** What is my plan or approach for accomplishing the goals I have set out?
- **Tactics:** How do I propose to implement these strategies?

Some farmers and ranchers may regard this exercise as too academic or touchy-feely. However, the leaders of some of the most successful family businesses in the country have gone through the exercise and learned a great deal from it.

CONCLUSION

Several problems can derail the best transition plans. Sometimes the successor is not capable of handling the position—he or she lacks the ability or the right talent set. Other times, the CEO position is not a good fit. The successor may be talented in and passionate about production, marketing, finance, or some other aspect of the business but not be a good CEO. And some very capable successors do not want the responsibilities that go with the CEO position. Some successors return to the business out of a sense of guilt or loyalty or to avoid being disinherited. Others come back because it was the path of least resistance or they could not get another job that offered the same opportunity or lifestyle.

Ultimately, it is people rather than things that take a business from good to great. Two pioneering management studies, *Good to Great* and *First Break All the Rules: What the World's Greatest Managers Do Differently*, reached the same conclusion: Businesses became great by getting the right people in the right jobs doing the right things, and getting the wrong people out of the business.

In some cases, some parents do not choose the right successor because they cannot be objective when assessing the skills, abilities, and competencies of a child. Although less often than in the past, the problem may be primogeniture—the eldest son automatically becomes the chosen one when a daughter, a younger son, or an in-lawmight be more capable.

Relationship and communication issues are not limited to those between the CEO and the successor. Spouses, other children in the business, key employees, children not working in the business but with an ownership interest, grandparents, and in-laws can all represent relationship land mines that can unravel the best of plans.

It also is not always possible to follow the transition timeline, that is, the successor assuming full control when the current CEO retires. Everyone and everything may be on the right path but just not be there yet. The death or disability of the current CEO can happen too soon. Even then, more forethought, contingency planning, and successor development can reduce the harm to the business.

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