

## How to Know When It's Time

**Q** Our family operation is in the heart of Iowa corn country. My brother and I are third-generation farmers, and our kids represent the fourth. As partners, we've been talking about how to keep the farm in the family, and we read your column regularly for ideas.

Our oldest sons are 11 months apart. Both of them have been dedicated to growing the operation since college, five and six years ago. My daughter is interested in joining the operation when she graduates in June.

Though succession planning sounds like the right thing to do, we're not ready to quit. We don't think the boys are ready for the management responsibility; we farm 7,200 acres and have four employees. How do we know when it's time to seriously consider succession planning?

**A** Many people wrestle with the when and how of succession planning. Starting the process does not mean you're giving up, rather it's the next step in growing a business. Succession planning provides the current generation the opportunity to prepare the next generation for leadership. It encourages pride in a family legacy, and it forces structure.

Most people farm with hardly a thought beyond current obligations and projected income. As the operation grows, they may see a need for a detailed plan. Yet a succession plan doesn't usually become an urgent concern until they witness a neighbor struggle with the uncertainty.

A comprehensive succession plan minimizes the risks and uncertainties of passing on the farm. Review the following questions with your brother to help determine if it's time to start the process.

### 1. Is maintaining family ownership of the farm important?

For farm families the operation may represent wealth, yet for most the value of the farm goes beyond

dollar signs. The farm may represent lifestyle, traditions, values, independence, opportunity and family legacy.

### 2. Can the current operation support additional families?

The current operation will support only a finite number of families. What are the plans for growth? Do you have a written business plan? Is the next generation participating in a leadership development program?

### 3. Is the farm run like a business with operating procedures and a management structure?

To grow beyond lifestyle farming, you must operate within a formal business structure. Employ standard operating procedures and use tools, such as employee handbooks—with hiring guidelines for all new hires, including family members.

### 4. Does the family share common succession intentions?

When you and your brother talk, does the discussion include your spouses and the three active and soon-to-be-active children? Does everyone have the opportunity to question your intentions and make suggestions?

### 5. Can the owner(s) retire without converting ownership equity to cash?

Financial security is critical for you and your brother. As the succession discussion unfolds, explore ongoing obligations, income and expenses for retirement, etc. What can you do now to prepare financially for the future?

### 6. Do active family members share a common goal for operational growth?

Complementary differences in execution, management and personality create a strong management team. But the active owners, present and future, must see the same scene as they look to the future.

### 7. Does the next generation have a strong work ethic?

Don't ask, Does the next generation work as hard as you? Instead: Do they work hard enough to overcome



**Kevin Spafford**  
writes from Chico, Calif.

the sluggishness of a down economy? Can they work through the trials of too much debt, and will they compensate for challenging employees?

### 8. Can the current generation mentor the next generation?

Mentoring involves being a leader, teacher, confidant and role model. It's built on trust, attention and understanding. Mentoring will be one of the biggest challenges and most satisfying experiences in your life.

### 9. Can the senior generation allow the next generation to make mistakes and learn from experience?

Compromise here and you undermine the developmental integrity, decision-making ability and resolve of the next generation. Making mistakes and recovering from disaster are critical to growing competent managers.

### 10. Does the family recognize the opposing objectives between active and inactive owners?

Active owners and inactive heirs have opposing objectives. Active owners want to grow an operation; inactive heirs want the value of the operation exchanged for dollars.



### Web Extra

Go to [www.FarmJournal.com](http://www.FarmJournal.com) for a "Ready for Succession" self-assessment.

Kevin Spafford serves as Farm Journal's succession planning expert. His firm, Legacy by Design, guides farmers and agribusiness owners through the succession planning process. To pose questions and comments, contact Legacy by Design, 2550 Lakewest Drive, Suite 10, Chico, CA 95928, (877) 523-7411 or [legacyproject@farmjournal.com](mailto:legacyproject@farmjournal.com).