

# Staring Down Succession

Facing farm transition, this family takes its first steps **BY JEANNE BERNICK**



PHOTO: BETH SNYDER

Wayne and Cindy Windmann of Laddonia, Mo., are just beginning to transition their farm to the next generation.

**W**ayne and Cindy Windmann are a rare breed in today's agriculture. They are what you might call "self-made." Fed up with family squabbles over land, they struck out on their own in 1994. Alone but together, they were able to buy 50 acres on which to build a contract hog operation that has become more successful in just 15 years than they ever dreamed.

Cin-Way LLC is a multimillion-dollar operation that spans 535 acres and 12,400 head of hogs. The Windmanns are in partnership with their eldest son, Jared, and his wife, Leslie, and the business is poised to expand. Their middle son, Aaron, as well as their daughter, Kristy, also work for the LLC and have expressed interest in joining the family business at an ownership level.

Now, the Laddonia, Mo., couple face a challenge that

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surpasses anything they've experienced so far. How they negotiate the hurdle of transitioning the farm will forever change their family history.

"I'm more scared today than when I started farming," Wayne says. "We don't know how to bring all the kids into the operation in a way that is fair. We don't even know where to start with succession planning."

The Windmanns have a will, but no succession plan. Wayne is concerned about how to transfer the farm to the next generation while protecting its assets. And he and Cindy have only begun to think about retirement.

Mostly, Wayne says, he doesn't want to relive the troubles he went through when his parents passed down their farm. "I want my kids to be involved in the transition process, not surprised or left out of anything," he adds. "Our kids are as much a part of this operation as we are."

**It's time to start talking.** Succession is change—and change can be hard, says Kevin Spafford, Farm Journal succession planning expert.

"For most families, it's a journey into the unknown," Spafford adds. "Most people have a vague idea of what they'd like to see happen, but like Wayne they may hesitate due to some past history."

It helps to remember that succession planning is a natural next step for a growing operation. It minimizes risk, removes uncertainty and creates a pathway for future development. A comprehensive solution will include a plan for ownership transition, even if it's several years down the road. The current generation must have an exit strategy and a plan for transitioning responsibilities to the next generation.

When Spafford's firm, Legacy by Design, engages a new client, the first order of business is to determine if there's good communication within the family, Spafford explains. Do they talk openly, and if so, about what? Does the family employ a formal structure for business communication? Communication is critical to success, and business communication must be distinguished from family conversation.

It also must be determined early on whether or not the operation is financially viable and if it is positioned for



### Web Extra

Go to [www.FarmJournal.com](http://www.FarmJournal.com) to see more photos of the Windmann family.

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PHOTOS: BETH SWYDER

A detailed succession plan can help minimize risk for the Windmanns' 12,400-head hog operation.

Another tough discussion is whether or not returning family members have the right motivations for coming back to the farm. This concern is especially important given the sluggish economy and slow job market.

Lastly, the family must determine if existing active family members, long-term management and returning family members have complementary talents and abilities, Spafford says. In other words, do the new family members bring skills and interests that are not currently available in the management team?

**Comprehensive planning.** Once it's determined that the family can communicate openly and positively, a comprehensive solution including all family members can begin to develop, Spafford says.

In the Windmanns' case, the family should implement an ownership transition plan that's designed to take place very gradually and that complements their estate plan, he says. A well-designed ownership transition will ensure management continuity, while the estate plan can help to minimize the estate tax and transfer obligations, Spafford says. Moving forward, any other decisions can be made based on whether they enhance and maintain the financial security of the family members active in the operation.

Developing leadership in the next generation is also important for the Windmanns, Spafford adds. The tools, techniques and skills necessary to grow an existing operation are different from those that the founders employed to establish the venture. This is especially true for the Windmann family: Wayne and Cindy started with nothing, but their children will inherit a profitable operation.

continued growth and development. Does the family have a written business plan, and do all active family members contribute to the design? Can the current operation support additional family members?

"The worst thing an owner can do is involve others in the operation and stretch the current income without a corresponding increase in income or decrease in expenses," Spafford cautions.

## How to Stage a Successful Family Meeting

A good communications infrastructure is necessary for managing a growing operation, says Kevin Spafford, Farm Journal succession planning expert. Communication determines the success or failure of the succession planning process—and nowhere is that interaction more important than during family business meetings.

Most family business ventures function within the familial norms of communication, blurring the lines between work and home, Spafford says.

"Without a clear line between family concerns and business management, personal issues creep into business meetings and operational decisions are clouded by family favors," Spafford says.

For example, many next-generation family members are

entrepreneurial and have a side business of their own. They may use equipment for their personal business without compensating the main operation. Over time, that member is viewed by others as getting special favors.

"There needs to be a clear line drawn on these types of issues," Spafford says. "Otherwise, it's the elephant that's always in the room."

If an operation is expected to grow and accommodate additional family members, management must adopt a more formalized communication structure. Along with communication, a good planning environment also includes mutual trust and respect.


Use these five rules to help construct a regular and consistent communication strategy:

Spafford recommends that leadership development for the next generation include formal education, specific vocational training, people development and a mentor relationship—usually with someone other than Dad.

**Begin today.** The good news for the Windmann family is that they have begun to openly discuss transitioning the farm. They hold regular family meetings where they talk about the operation and future plans (see sidebar below).

“We are good about saying what we need to say at the family meeting and then leaving work there so we can enjoy ourselves as a family,” Cindy says.

Wayne says he is making succession planning a priority for his family this year. “I told the bank we would get it done, so we are going to put our heads together and start the process. I don’t expect it to be easy.”

Of course, most things in life worth any value don’t come easy. 

You can e-mail Jeanne Bernick at [jbernick@farmjournal.com](mailto:jbernick@farmjournal.com).



By making the effort to establish a solid succession plan, the Windmanns are preserving a farming legacy for generations to come.

### Can you identify with Wayne and Cindy Windmann’s situation?

Are you ready to move forward with succession planning but find that uncertainty paralyzes progress? Then you need to be at Kevin Spafford’s “Plan for Success” workshop at Ag Connect Expo on Jan. 14 at 7:30 a.m.

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- 1** Family meetings should be scheduled on a regular basis at a time that is convenient for most participants.
- 2** Use a location that is not home turf for anyone.
- 3** Create and distribute an agenda in advance. Encourage each participant to offer modifications and voice additional concerns.
- 4** Establish ground rules for the meetings. *Robert’s Rules of Order* may be a little stiff, but it may help the family to draw on their mutual respect and common courtesy and to refrain from personal attacks.
- 5** Always conclude with some form of action and agreement for follow-up.

### Conversation Starters

- Are you interested in participating in the family operation? If so, in what capacity?
- Are you prepared to assume that role?
- If no, what will it take to prepare for that role?
- Should family members not active in the operation attain/retain an ownership interest in the operation?
- If no, how should business assets be distributed?
- If you want to be included in the operation, are you willing to invest an ownership interest?
- What are your biggest questions or concerns regarding our succession intentions?
- Do you have any other succession-related topics that you would like to discuss at our next meeting?