

KEVIN SPAFFORD



THE RIGHT TOOL FOR THE JOB

My knuckles pay a painful price every time I use that darn open-end wrench. Today, it doesn't matter that I was in a pinch, that it was on sale at the local hardware store or that it's guaranteed to last a lifetime. It is not a good tool.

It won't cinch tightly, making

it feel unstable and unreliable. It strips nuts and slips from my grip without warning, causing my hand to smash indiscriminately into the nearest inert cold steel "knuckle buster."

When I finish a quick repair, my knuckles look like they've been through a meat grinder. Yet I keep the wrench in the toolbox. I paid for it, and besides, how can one wrench be any different from another?

Anyone who has ever worked with tools knows there is a remarkable difference between a tool and the right tool. The distinction is evident in design, functionality, durability and efficiency. One device may look like the other, but ask any mechanic and you'll get a discourse on the distinct and exact differences between Snap-on and Craftsman, Lincoln and Miller, John Deere and Case IH, etc.

A different tool. In the succession planning business, we use many tools. Some are written questionnaires and others are participatory exercises. They're used to identify problems, isolate concerns and segregate issues. Tools can be used to test a hypothesis, guide a meeting, create a learning environment and implement solutions. Some of the tools we employ are created in-house, others are standardized off-the-shelf and some are used with permission from complementing professionals in a specialty field. My job is to find and then engage the right tool for the right circumstance.

But the difference between a good tool and the right tool may be as Mark Twain wrote in 1888: "The difference between the almost right word and the right word is really a large matter—it's the difference between the lightning bug and the lightning."

At left is a tool to assess the readiness of a family for succession planning. Though it is "off-the-shelf" and not specifically geared to agribusiness, the major concerns are universal and the warning signs are appropriate for any family operation. The Quicktest is an excellent weather vane for family harmony or friction. It may indicate a

Family Firm Succession Readiness Quicktest

INSTRUCTIONS: Check each item present in your family firm and add below.

Family Troubles

- Emotional cutoffs (family members who do not talk to each other)
- Excluding type alliances (typically a destructive triangle in which two people exclude a third person)
- Ragelike feelings toward other family members
- Threats of lawsuits between family members
- Family conflicts which affect board or management meetings or the workplace.

Ownership Problems

- Lack of advisory board or board of directors with true outsiders
- Lack of valid buy-sell agreement
- Lack of unified mission
- Refusal to allow outside advisers (attorney, CPA, banker, etc.) to intervene or enter system (e.g., valid estate plans rejected)
- No liquidity for shareholders

Management Difficulties

- Nonstandard compensation schedules
- Underperformance of family firm
- Threats by well-trained second or third generation family members to leave firm
- Decision making based on emotion and relationships rather than business logic

Succession Obstacles

- Unclear or unrealistic succession plan
- Lack of specific date for succession
- Lack of named successor
- Lack of training program for successor(s) and management
- Isolated CEO
- Lack of interest by CEO in matters outside the business

Add Total Number of Check Marks

- Interpreting Your Score:
- 0-2 items:** Excellent
 - 3-5 items:** Potential risks lurking
 - 6-8 items:** Serious problems putting firm and/or family at significant risk of failure
 - 9+ items:** Urgent crisis impending or in effect

Clues That It May Be Too Late for Help

- Two or more sides of the family have hired litigators
- Family member has filed a lawsuit against another family member
- Persistent pattern of rapidly decreasing revenues with no proprietary product or service

gentle breeze of everyday challenges or the raucous winds of a pending family business disaster.

Take a few moments, complete this simple Quicktest and assess your family's readiness for succession.

Rarely will we see an "excellent" score. It is very difficult to run a family operation on a long-term basis and not uncover areas of concern. Besides, a growing business is always seeking avenues for development and methods to improve. The Quicktest can serve as warning sign. Like a lighthouse on the coast, it will signal impending danger. It can become a communication device; use it as an outline to discuss concerns with active family and loyal employees. This tool may sound the alarm to take immediate action and seek professional help. Or, in a worst-case scenario, it could spell doom, and a family may use it for triage before all is lost.

A tool is only worth what you get out of it. Properly employed, it should make the job easier, increase efficiencies and improve circumstances. Diagnostic tools assess a situation, repair tools fix it and evaluation tools monitor effectiveness. Finding the right tool for the right job can be the difference between success and failure.

Kevin Spafford is the author of *Legacy by Design: Succession Planning for Agribusiness Owners* and is a certified financial planner whose firm guides farmers and agribusiness owners through the succession planning process. You can contact Kevin at leavealegacy@farmjournal.com.
