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Transitioning farms from the older to younger generation is one of the key challenges facing agriculture today. This manual provides some principles and steps that will help your family make a successful intergenerational farm transfer.

Some Guiding Principles

- Families first need to decide if they want to pass the farm on to the next generation. Below are some questions for the older generation to guide their decision.
 - Is passing on the farm to our kids a deeply felt dream of ours?
 - Will we be financially secure during retirement?
 - Is there a strategic plan for the business to make this transition?
 - Have we worked out our estate plan?
 - Do we have interests and challenges to pursue outside of farming?
 - Are we willing to let others take new business risks on the farm?
- If the family decides this is a part of the mission of their farm, then parents should invite their children to return to the farm as an opportunity, not an obligation.
- Transferring management over to the next generation is a process made over many years, not an event. Continual open communication within the family helps make a smoother transition.
- Remember the generations can see succession differently. The older generation risks their capital and the younger generation risks their future.
- Succession is everyone's business. Keep the communication open within the family.

It is helpful to think of the succession of the family farm to the next generation as progressing through stages. These stages are listed in the following table.

Stages of Succession

Stage 1 **Preparation.** Age 0-25. Parents teach values, skills, self-discipline and a work ethic to their children. Children also learn how to work together with siblings. In order to help them learn cooperation, give the children specific projects in which they must work together. For instance, the children could have the responsibility to decide on where to go on the family vacation or complete a small project together. It is important to select an appropriate project in which everyone can tolerate adverse consequences should the process not go well. As parents, it is recommended to let go of the project's outcomes. The children will need to learn to work through their conflicts and learn how to solve their problems themselves. Parents will need to check in with each child to make sure they are appropriately included in the project. The long-term goal is to guide the children to move from sibling rivalry to sibling cooperation.

This is the best time for formal education and off-farm work experience. In order to strengthen the farm management team, it is wise for children get training in specific management skills that complement rather than compete with the skills of their parents. These complementary skills may be financial management, marketing or computer skills. It is recommended that a child acquire 2-3 years of off-farm work experience before returning to the family farm as an adult. This gives an opportunity for the child to take orders from someone else and develop labor, management and networking skills. Ideally this work experience includes job shadowing to learn first-hand best management practices within another business.

According to Bleke and Boyd, P.C., Atlanta-based management psychologists, successful family business leaders share the following experiences:

- A loving and secure family environment.
- A realistic view of work and responsibility where chores were assigned and allowances earned.
- Opportunities to talk with parents about careers, education and plans to return to the family business.
- Parents who actively offered counsel without a heavy hand.
- An opportunity to prove themselves outside the family business.

For children who express a desire to return to the family farm, parents should help them develop a personal growth plan that outlines the skills and experiences that will best prepare them to be a successful farm business manager in the 21st Century.

Stage 2 **Entry and business development.** Age 20 – 35. This can be a testing period to determine if a person has the desire, will and ability to be a farm manager. The new farm generation should start making management decisions within six years of beginning their adult involvement on the farm. This allows the successor to learn new management skills. Parents should encourage a mentoring relationship between the successor and another farmer. This is a time when the business expands to generate more income for the addition of the new family member.

The older generation should begin the management transfer before they are 65 or they will likely hang on to major management control until their death. This transfer process can start by letting the child take responsibility over less risky parts of the farm. These areas are less likely to make a big adverse impact on the overall business. Clearly identify job descriptions for different family members. These job descriptions will change as the transition evolves.

The elder generation should focus on listening and guiding the successor in setting goals for the business. The successor also needs the opportunity to create his or her path toward those goals. Periodically both parties should review progress and make necessary changes. The emphasis should be on developing management experience, monitoring outcomes and experiential learning.

The following questions can help a younger individual decide whether to return to their

family farm. By answering these questions, this person will develop a rationale for coming back to the farm that will help him or her overcome difficulties in the transition.

- What are my reasons for returning to the family farm?
- Does it fulfill my personal goals?
- Will I find the work meaningful and challenging?
- Is it better than my alternatives?
- Can I work with my family?
- What skill, talent, drive and knowledge can I bring to the business?
- Can we resolve the inevitable conflicts?
- Do I understand that being a good son or daughter is different than being a good manager?

Stage 3 **Leadership development.** Age 30 – 45. As the successor gains skills and confidence, the older generation should expand his or her farm responsibilities in a manner that builds on the strengths of the successor. Encourage the successor to also get involved in farm, civic and church organizations. This builds leadership and networking skills. Keep in mind that no single individual has all the necessary skills to grow a successful business. The older generation should work closely with the successor to partner with other professionals to build an effective farm management team. The role of professional advisors are to facilitate the family discussion about future directions, keep succession planning focused on the business and help set effective business procedures. These advisors often include an accountant, a lawyer, a financial planner and a lender.

Stage 4 **New generation of management.** Age 40 – 55. Job descriptions and decision-making roles shift between the generations. The farm business settles in a new style and arrangement of management. The older generation has planned to have a significant degree of financial independence from the farm business during retirement. The older generation engages the next generation in estate planning that permits an orderly transfer of ownership to the younger generation. Written contracts and agreements among family members reduce misunderstandings and conflicts. The older generation takes on new roles in the community.

Stage 5 **Another round of succession planning.** Age 45 and older. Parents should plan for the next round of succession as soon as they begin to feel successful in their farm business.

Credits

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