

Chapter 6

Prepare to Lead



“All endeavor calls for the ability to tramp the last mile, shape the last plan, endure the last hour’s toil.”

Henry David Thoreau

DEVELOP THE NEXT GENERATION

Business leadership transition doesn't happen overnight.

Leadership is the ability to set an objective, explore alternatives, take action and change course when appropriate.

Identifying one child as successor is challenging—especially when multiple family members are involved in the farming operation. It may be that only one child works in the business but does not have the skills to manage the operation. You may have several children, but not all of them work in the business. And what if one of your loyal employees is the right arm of the business?

The emotional strings that are tied to the decision are complex. The sentiment may cause you to make an emotional choice, rather than a business choice. Your reluctance to making a decision may result in losing a worthy successor who moves on, applying his or her ambitions to a different pursuit.

The best transition for you and your successor is a gradual transfer of responsibility. Concede your hesitation to let go. Use a realistic time line for the transition process. Allow plenty of time for hands-on training. Give yourself time to pursue other ventures as you engage in a plan of gradual transition.

MANAGEMENT SUCCESSION OPTIONS. There are three options for transferring ownership/management to the next generation or subsequent owner: transition to a family member, a loyal employee or a candidate from the outside.

Transition planning is best initiated early in the life of the business. The ownership successor must have time to learn the role of a leader. The candidate must demonstrate leadership skills to existing employees, customers and third-party vendors. The successors must



How to Pass the Baton

Imagine the succession planning process as a relay race—success depends on four factors:

- 1. Sequence.** Prepare the successor with the leadership skills and business experiences to lead the operation. Prepare the operation and the current owner for a seamless transition.
- 2. Timing.** Incrementally pass the torch of leadership from one generation to the next over the course of a predetermined period of time.
- 3. Baton passing.** Manage the business and familial details of the process for a smooth and seamless transition.
- 4. Communication.** Ensure an information exchange between the senior generation and successor(s). In many cases, owners choose to communicate with active and inactive family as well.

needs of the operation. It should also detail the development necessary to ensure that management is ready to succeed.

Writing the management responsibility section of the development plan forces the owner and current management team to establish the status of the business—and take a look at the factors that will help or hinder growth.

Though we address current goals in another section of the development plan, a summary of new ventures establishes a benchmark for management development.

- Where is the business headed based on industry demands?
- If the business is going in a new direction, what kind of management structure will serve the new focus?

- What is the current ability, educational and skill limitations of the management team?
- For which business functions or operational systems are the managers currently responsible?
- What kind of development is necessary to improve the skills and abilities of our current management team?
- What kinds of management skills and abilities are necessary to manage future business operations?
- What is the strength of our team, and how can we improve the depth of our management team candidates?

DEVELOPMENT PLANS FOR MANAGERS. After management candidates have been identified, assess their skills and measure their abilities. Share the business philosophy, ethics and vision at the outset, and observe candidates' work habits and interactions with other employees, customers, and vendors. The needs of the business as defined in the business plan will focus attention on certain skills.

Next, build a development plan for each candidate, which includes methods for improving management skills and a detailed action agreement in which the candidate is held accountable for improving skills and abilities.

A development plan is an important component in the selection process for a manager. A development plan is an action plan that formalizes the training and development process between owner and candidate. It puts in writing what a candidate has been asked to do to prepare for a bigger role in the family farming operation. Each plan is individualized for the candidate. The specific demands of your business are unlike any other.

A variety of methods should be used for the teaching and development of a new leader. Among the methods to consider:

- Demand outside work experience.
- Link to a mentor.

Guidelines for Grooming Tomorrow's Leaders

Keep in mind that young people are not always born entrepreneurs; they need extra training and careful guidance. Here are some guidelines to remember when grooming tomorrow's leaders.

- Successors are not entrepreneurs starting their own businesses; successors are managers who assume a going concern with its own set of complex challenges. Entrepreneurs are risk takers who thrive on the edge and revel in challenge. Next-generation leaders must be adept at creating systematic processes, financial control and team building.
- Leadership does matter, for three reasons:
 1. Family firms have different goals than publicly owned companies. Family operations are oriented to serve a broad set of objectives that serve familial demands and personal issues.
 2. Family operations have a greater potential for long-term conflict. People are emotional beings; it is the atmosphere of the family business that causes some to respond inappropriately to disagreement and conflict.
 3. Leadership succession is far more important for family firms than nonfamily firms because what is at risk may be absolute survival. Due to the personal nature of the endeavor and the breadth of family that may be actively involved, failure can be devastating—especially when you consider that most family operations comprise an overwhelming majority of the family's net worth.
- Integrity and commitment are the most important traits of a leader. Nothing trumps honesty, hard work and perseverance.
- Upon entering the family business, the leadership successor must become a student of the organization—learning about its value proposition, processes and people. He or she must also become a student of leadership, motivation, management and business.
- In preparation for a leadership position, a successor may benefit from a mentor, coach or adviser. Don't ever overlook the value of a good mentor. The opportunity to learn from the experience of another person is priceless. It increases effectiveness while stabilizing the learning curve.
- The senior generation must delegate responsibility and allow the successor to make decisions and suffer mistakes. Learning requires the consequence of real risk/reward trade-offs.
- The generational shadow of the founder may be the primary reason for conflict in a second-generation family business. The controlling generation must become mentors to the next generation, allowing them to grow in a nonjudgmental environment.

CHAPTER 6 EXERCISE

LEADERSHIP SKILLS INVENTORY

How ready is the next generation to lead? Leadership may be the single biggest gap in any succession plan. Use this inventory to assess a potential leader's skills, strengths and areas for growth. The results should serve as the starting point for building a development plan tailored for each aspiring leader.

DOING THE RIGHT THINGS – LEADERSHIP SKILLS

Check the box.

YES **NO**

- | | | |
|--|--------------------------|--------------------------|
| 1. Creates and effectively communicates a clear vision. | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Enlists a team to achieve business/operational goals. | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Ownership is a privilege, not an entitlement. | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Treats partners, employees, strategic alliances and third-party vendors as integral team members. | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Creates a positive, constructive, results-oriented working environment. | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Recognizes potential areas for conflict and uses good leadership to minimize the negative impact. | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Creates systems, focuses on people and generates results. | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. Knows and demonstrates that a leader's primary responsibility is grooming other leaders. | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. Demonstrates good business etiquette and sound ethics. | <input type="checkbox"/> | <input type="checkbox"/> |
| 10. Delegates with clear responsibility and accountability. | <input type="checkbox"/> | <input type="checkbox"/> |
| 11. Accepts criticism and uses failure as a learning opportunity. | <input type="checkbox"/> | <input type="checkbox"/> |

DOING THINGS RIGHT – MANAGEMENT SKILLS

Check the box.

YES	NO
<input type="checkbox"/>	<input type="checkbox"/>

1. Uses action plans to achieve organizational goals.

2. Selects team members based on their attitude first and qualifications second.

<input type="checkbox"/>	<input type="checkbox"/>
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3. Performs all duties and responsibilities with an owner's resolve.

<input type="checkbox"/>	<input type="checkbox"/>
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4. Is committed to professional development.

<input type="checkbox"/>	<input type="checkbox"/>
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5. Demonstrates excellent financial management.

<input type="checkbox"/>	<input type="checkbox"/>
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6. Looks for improvement in business systems, personnel, market development, management skills, etc.

<input type="checkbox"/>	<input type="checkbox"/>
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7. Uses technology to increase efficiency, improve effectiveness and cut expenses.

<input type="checkbox"/>	<input type="checkbox"/>
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8. Effectively delegates, encourages others to accept responsibility.

<input type="checkbox"/>	<input type="checkbox"/>
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9. Effectively prioritizes, based on clearly defined objectives and an intuitive risk/reward measure.

<input type="checkbox"/>	<input type="checkbox"/>
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10. Uses good planning, thorough analysis, goal setting, budgeting and regular follow-up.

<input type="checkbox"/>	<input type="checkbox"/>
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NOTES:

You can also find this tool at
www.FarmJournalLegacyProject.com.

