



“Building for the Successful Transition of Your Agricultural Business” Fact Sheet Series

Developing the Next Generation of Managers

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Do you want to pass on your farm business to the next generation? If so, then you must consider developing the next generation of managers. Leadership and management skills are not inherited. They are something that every generation has to learn anew. Studying management is useful, but the real knowledge of how to manage a family business is gained through experience. As the manager of your family farm business, you are responsible for developing the next generation of managers.

Management skills—including marketing, financial, and leadership skills—are rarely developed in a systematic and progressive approach on family farms. It is not unheard of for older generation farmers to keep complete control of the business until retirement or even death. This can lead to difficulties for the next generation. Family farm businesses cannot wait until the retirement of the current manager to start this process. By this time, many successors are 40 to 45 years old and are poorly prepared to take over and make crucial decisions.

Farm business transition is a process, not an event. Developing the farm business manager who has excellent marketing, finance, and human resource management skills takes effort and considerable time. As the manager, how will you develop the next generation of management to lead your farm business?

Start Early

Most farm families want to grow the successor for the business from one or more of their children. Parents need to decide early in their own career if their goal is to transition

the business to the next generation. Parents’ interactions with their children will influence the children’s attitudes about the farm business. Parents who don’t talk about their work or are only tired and stressed at home should not expect that their children will want to join the family business (Venter, Boshoff, & Maas, 2005). Talk positively, but realistically, about the profession you have chosen. Sharing the positives about why you chose this career will help your children evaluate the opportunity for them to become part of the profession. Discussions over time should include topics about self-employment, importance of education, desire to continue the family business, attaining outside experience before entering the business, and attitudes toward the risk of investments.

A family business also provides plenty of opportunities to teach needed skills. Having children engaged in age-appropriate activities to learn the tricks of the trade, from early adolescence through their teen years, increases the probability of successful business transfer (Lambrecht, 2005). Care needs to be taken that the child does not become a slave to the business or he/she may rebel and not want to lead the business later in life.

Skills Can Come from Outside the Farm Business

One strategy of family businesses that have been successful at transferring the business from one generation to the next is requiring some education and experience away from the business (Lambrecht, 2005). If the succeeding generation worked elsewhere before joining the family business, earned a formal education, and even received

mentoring from someone other than their parents, they would probably be more competent and ready to ensure the continued successful performance of the family business (Venter, et al., 2005). Many business owners require a college diploma before a son or daughter can return to the farm. The college experience allows the child to develop self-discipline and learn about himself or herself as a person. Outside experience can also help the child become less dependent on the parent and the parent on the child.

Working for another business beyond college provides an added dimension of experience. Farm children often want to remain on the farm because it is familiar and has perceived lower personal risk than leaving the farm. Having the outside employment experience allows the son or daughter to actively choose farming as a career. Children should be encouraged to work for someone else before joining the family business. This can help the successor gain self-confidence and credibility regarding his or her abilities, experience with new technology, and management ideas/styles. It can also give the child a fallback career if the family business is not the best fit. The experience gained by outside employment can also add to their management capacity. An important question to consider is, “Are there skills that will be needed for the future of the business that they could learn better elsewhere?”

Selecting a Successor

Leading the farm business is not a birthright of the eldest son or daughter. The business manager should list all the potential candidates, including children, nieces and

nephews, in-laws, and nonfamily members. Table 1 can be used to compare the potential candidates.

Successors should join the family business for the right reasons. It is important that parents do not pressure their offspring to join the business. Provide this option when and if the children are interested and possess the necessary qualifications. Once the farm business owner has decided who will be the business successor(s), then they must begin the process of education, transition, and letting go of the farm business.

The Transition Period

If a potential successor is only treated as an employee then you will end up with an employee, not a manager, when it is time to transfer the business. Successors must take over management responsibility. An excellent way of providing initial guidance to your successor is to involve him/her in current decisions. Provide your protégé with the current problem and all the facts you have. Basically have them work through the problem. Ask questions when appropriate such as Why? and What if? This should not be confrontational but an opportunity for you to understand how your successor makes decisions.

Early in the transition period, opportunities to develop management skills should be provided. Allowing the successor to manage a parcel of land or an existing enterprise would be an example. All decisions, including purchasing, finance, marketing, and personnel management should be transferred. The current farm manager would be available for consultation and advice, but should not dictate the management decisions.

Table 1. Attributes of Potential Successors

Name					
Related Education	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5
Relevant Experience	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5
Commitment to Family and Farm	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5
Management Style	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5
Communication Ability	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5
Financial Stewardship	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5
Leadership Abilities	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5
Risk Orientation	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5
Creativity	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5
Guts and Ambition	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5
Values Alignment	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5
Total					
Suggested scale: 1 = Poor, 3 = Fair, 5 = Excellent					

The opportunities for management responsibility could be increased gradually. Giving complete responsibility and authority for new property rental and management or allowing successors to start a complimentary enterprise are ways to gradually increase their management skills.

The transition period allows the future manager to determine if they really want to manage the business, as well as allowing the current manager to determine if the right person has been identified. Sometimes, the future manager decides to leave the farm instead of staying. This is a good argument for having a transition period.

The transition can be accomplished gradually by relinquishing more and more responsibility and authority to the successor. Some experts advise that the current manager take a number of planned absences before retiring to provide an opportunity for the successor to see what it is like to manage the business alone. This also will allow the current manager to see that the farm does not fall apart without them.

Letting Go

A smooth transition will be achieved when the next generation has gained experience in all aspects of the farm business management. A parent who has delegated responsibility along with authority will then be able to switch roles and work for the successor or retire and pursue other interests. This should take place no later than 65 years of age. Longer than that and managers run the risk of “business as usual” and not being able to adapt to changes in the industry.

Communicate Through the Process

Communication is one of the main issues why family business succession plans fail or succeed. Lack of communication can lead to conflict between people. This conflict can quickly escalate to business and financial problems.

Trying to facilitate communication during the normal routine of managing the farm business is difficult, without the added burden of communicating transition planning.

Experts suggest holding a family retreat away from the business to discuss goals of the individual family members and of the farm business. This should be an opportunity to talk about concerns and ambitions in a nonconfrontational atmosphere. Every member of the family should be invited, including in-laws. Occasionally, external advisors such as a banker, lawyer, or financial advisor could be invited for part of the retreat. An impartial facilitator may also be included to assist with the planning process and communication throughout the retreat.

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