

# Farm Succession Planning

Women In Agriculture  
Liberal, KS  
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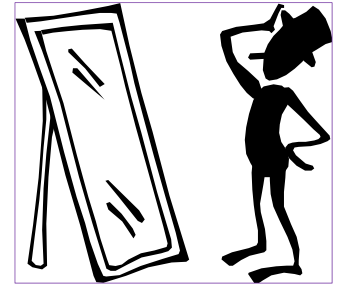
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# A Little About Me...

- K-State Research & Extension  
Assistant Director – Agriculture,  
Natural Resources and Community  
Development
  - Extension Profession Coach
- Extension Farm Management  
Specialist & Associate Professor
  - University of Wisconsin – Extension
  - University of Wisconsin – River Falls
- Feed Industry
- Farming



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# Rules and Promises



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# Today's Goals

- **Develop** an overall understanding about succession and the importance of succession planning
- **DISCUSS** succession issues
- **Share** succession observations
- **Learn** about succession Best Management Practices
- **Inspire** you to start planning for your succession project



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# Why?



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## What Is Succession Planning?



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## Estate Planning & Succession Planning

- My perspective
  - **ESTATE PLANNING** is about how assets will be transferred to heirs
  - **SUCCESSION PLANNING** involves discussing how the following will be transferred to the next generation:
    - Business ownership
      - And all that goes with it!
    - Business philosophy rights
    - Management and workload rights



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## Should You Engage In Succession Planning?



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## Why Should You Engage In Succession Planning?

- If no one is interested in taking over your farm after you're gone...
- If you don't care whether your farm continues after you're gone...
- Estate planning is probably enough



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## Test Questions To Determine If You Need Succession Planning

- To the current generation of owner/manager:
  - Do you always agree with your **successor's** business philosophy, management ideas and decisions?
- To the next generation of owner/manager:
  - Do you always agree with the **current owner/manager's** business philosophy, management ideas and decisions?



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## Who Should Be Involved In Your Succession Plan?

- The current owner/managers?
- The next generation of owner/managers?
  - Do you really know who wants to be?
- What about the non-farming heirs?
- What about the spouses?



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## Hopes, Fears and Obstacles Exercise

- **What do we want to see happen in our succession?**



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## Hopes, Fears and Obstacles Exercise

- What do we want to see happen in our succession?
- **What do we fear might happen in our succession?**



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## Hopes, Fears and Obstacles Exercise

- What do we want to see happen in our succession?
- What do we fear might happen in our succession?
- **What obstacles must we overcome in our succession?**



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## What Should Our Succession Planning Priorities Be?



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## Succession Concerns

### Participants' Apparent Ranking

Concern	Rank
Estate	1
Financial	2
Strategic	3
Emotional Roadblocks	4
Communication	5

### Succession Facilitators' Ranking

Concern	Rank
Estate	5
Financial	4
Strategic	3
Emotional Roadblocks	2
Communication	1



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## Succession BMPs



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## Succession Planning Best Management Practices (BMPs)

1. Find yourself a succession planning facilitator
  - Must have & maintain the trust of all parties
  - Must remain neutral
  - Must have good communication, conflict management and consensus building skills



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## Succession BMPs

- 2) Allow yourself enough time to conduct succession planning

- How much time?
  - Discuss later



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## Succession BMPs

- 3) Have your succession planning meetings at a neutral setting

- Restaurant meeting room
- Church
- Government building meeting room



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## Succession BMPs

- 4) The purpose of the first meeting(s) should be

- Purpose 1: Enable the facilitator to get to know the participants and the business better
- Purpose 2: Develop the succession planning team & succession planning rules



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## Sample First Meeting Agenda

- Get to know you exercise
- A presentation about the business
  - Presented by representatives from the current owner/managers and the future owners/managers
- A hopes, fears and obstacles exercise
- Developing your succession planning team's TAD
  - TAD = Team Agreement Document



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## Succession BMP's

- 5) Use the next meeting or two for the participants to learn about teamwork, communication and conflict management technics



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## Succession BMPs

- 6) Initiate discussions about actual business issues
- Business philosophy and strategy issues first
  - Operational issues second



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## Succession BMPs

- 7) Determine the financial implications of the succession
- The farm or ranch has to pay for
    - Itself
    - Its investment
    - The current owner's labor and management
    - The next generation owner's labor and management
  - The financial risk needs to be assessed



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## How Can We Make The Pie Bigger?



How do we better ensure we keep the pie?



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## Succession BMPs

- 8) Map out how the management and work responsibilities will transition from the current owner/managers to the next generation of owner/managers
- Time based model
  - Ability based model



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## Succession BMPs

- 9) Write a draft of your succession plan



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## Succession BMPs

- 10) Take the draft to your estate planner to develop a synergistic estate plan



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## Succession BMPs

- 11) Make any adjustments needed to finalize the plan
- 12) Implement the plan
- 13) Revisit & assess the plan regularly
- 14) Adjust plan as needed



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## Other Considerations

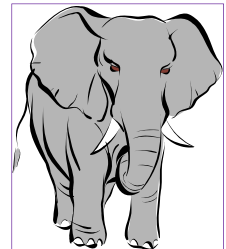
- Succession planning can be stressful, allow people to request a “time out”



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## Other Considerations

- The skeletons will come out of the closet and the elephant in the room needs to be addressed



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## Other Considerations

- Allow your facilitator to pull in other resources
  - Communication specialists
  - Conflict management specialists
  - Counselors
  - Mediators
  - Financial managers
  - Lawyers



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## Back to Time Commitment

Succession Planning Meeting	Meetings Required (1/2 Day Meeting)
Team building	1 to 2 Meetings
Communications	1 Meeting
Conflict management	1 Meeting
Business philosophy and strategy Issues	1 to 3 Meetings
Operational issues	1 to 3 Meetings
Financial issues	1 to 2 Meetings
Decision making and work responsibility transition map	1 to 2 Meetings
Estate planning	1 to 4 Meetings
Plan finalization	1 to 2 Meetings



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## Time Commitment

- Make sure you give yourself enough time
  - At least a year to develop the initial plan
  - **It is well worth the effort!!!!**
  - An ongoing process
    - Get started now
    - Make it a part of your ongoing business conversations



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## Questions?



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## Thank You!

Good Luck With Your Farm and Ranch  
Succession!



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