

## What is Your Management Succession Plan?

By Caleb Carter, UW Agriculture and Horticulture Educator

**F**armers and ranchers looking to one day retire know that estate or succession planning includes consideration of taxes, wills, probate, powers of attorney and so forth. They also realize that putting a solid estate plan together likely involves an attorney, an accountant, and perhaps a tax professional. While these details are important in the process of passing on legal ownership of the land and other assets, they do not address the passing on of day-to-day management of the operation. Nor does the approach cover preparing the next generation to take over when the time comes.

Many believe that the son, daughter, or other successor who has been working alongside them for years has picked-up all the needed management skills and is ready to make the big decisions alone. Yet, there is often a hesitancy to pass on this right. You may even have heard one of the neighbors proclaim “They just need to get out there on the tractor and figure it out! That’s how I learned!” This might be a sign that the current owner/manager is waiting for some demonstration of skill or level of maturity before turning over these important responsibilities.

However, this leaves open the question, “How do we pass on these skills in such a way that we feel confident in the next generation’s ability, not only to continue in our footsteps, but also to carry on our legacy?” It might even be possible, though we may be unwilling to admit it, that the next generation could improve on our legacy or take it in a new direction we hadn’t recognized was open to us.



### Where Do We Begin?

The most intimidating step with any new venture is often the first. While there are many ways one might go about beginning the process of transitioning management skills for the farm or ranch business, starting with three, basic questions can be helpful, these include: “Where are we?”, “Where do we want to go?”, and “How do we get there from here?”

Answering the question “Where are we?” consists of determining the net worth of the farm or ranch in addition to identifying the strengths, weaknesses, opportunities, and barriers within the current environment. This can be accomplished through a SWOB analysis that can help identify the business’ internal strengths and weaknesses, as well as any external opportunities or barriers to succession. Developing a full awareness of the business’

situation, including its financial resources and opportunities, can help with both strategic planning and decision making.

Looking at the question “Where do we want to go?” requires examining the vision, mission, and goal of the business. The entire family should be involved in describing the desired future for the family farm or ranch business. Responding to “How do we get there from here?” involves identifying and analyzing alternative strategies for achieving the business goals. Families should keep in mind the limitations imposed by the resources available and attempt to identify any additional resources that may be needed for success.

## Formalized Succession Plan

Following a formalized plan is certainly not required; however, doing so can help ensure that critical steps are not overlooked along the way. Here we present one option for a formalized plan to work through the transition of management skills to the next generation.

One example of a formalized transition approach is the Management Succession series available from AG LEGACY (see [AgLegacy.org](http://AgLegacy.org) > Learning). The self-paced materials, along with the accompanying workbook and other resources, provide details on how this process can help.

### Succession Plan Components

The method consists of seven components, including:

1. Executive Summary: Written after the plan is developed, highlights the plan components.
2. Business Overview: Provides a sense of the business in general, i.e., size, people involved, history, values, vision, etc.
3. Strategic Plan: Gives direction for the future, outlining specific steps to get there and the need to set goals and prioritize them based on available resources. This will be discussed in more detail below.
4. Retirement Plan: Offers insights into the founder’s view of retirement, how they see it unfolding, and their vision of their lifestyle in retirement.
5. Succession Planning Process: Describes the approach the founders and successors plan to use to transition management responsibilities. It includes many components and will be explained in more detail below.
6. Financial Plan: A detailed financial plan can help provide founders a sense of security as they move toward retirement and



help successors understand the current state of finances within the business.

7. Contingency Plan: Both founders and successors need to understand how circumstances will be handled if things don't go according to plan.

Viewing all these components together can be intimidating. Having a formal process to move through one step at a time can help to make it feel more manageable, while providing everyone an opportunity to be involved and get onto the same page.

The strategic plan is an opportunity for both founders and successors to share input on goals, their associated cost, and alternative approaches for achieving them. Prioritizing and monitoring the goals can help in measuring forward progress.



## Strategic Plan

The strategic plan consists of drafting:

1. Values: Guiding principles for the organization.
2. Vision Statement: Inspiring, guiding statement describing how the organization views their part in the world.
3. Mission statement: Directive statement describing how the organization will function to fulfil the mission.
4. SWOB analysis: Strengths, weaknesses, opportunities, and barriers to the transition of management responsibilities.
5. Strategic goals: Broad, long-term goals which support the mission statement; prioritized with a view of available resources and current expertise.
6. Implementation plan: Describes how each goal, objective, and plan will be implemented, by whom, when, and with what resources?
7. Monitoring plan: A strategy for periodic or continuous monitoring of each goal, objective, plan, and movement forward.

## Written Plan Segments

Once the founders and others involved have advanced through these initial steps, they are ready to begin planning for succession and the transition of management responsibilities. The written plan can be broken down into seven components, including:



1. Establish a timeline: It takes time! Start early and don't rush the process. The timeline gives all involved a better understanding of the time required to make the transition.
2. Establish a planning team: This helps everyone understand who will be involved in charting the transition journey and how input will be taken.
3. Select the appropriate successor(s): One of the first steps in getting started, is identifying who will be taking over. This should be an open process and all interested parties should be considered.
4. Develop a written plan: This document outlines the process for all interested parties and helps them to see where they fit in. It should also include a description of previously agreed upon Best Succession Management Practices (BSMPs) planned for implementation.
5. Communicate the plan: Who will be informed of the plan? When? How? How will you deal with conflict?

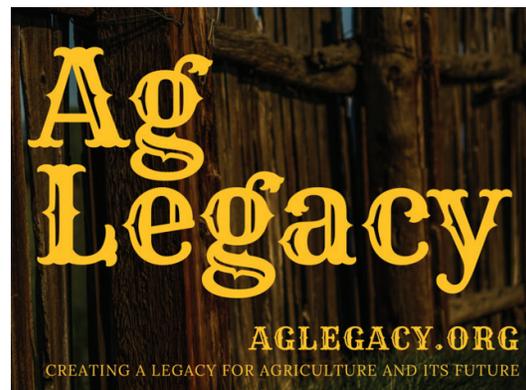


6. Plan for retirement: This component helps founders think through their personal expectations for retirement. Plans for work and recreation are included, as well as big-picture financial considerations.
7. Enjoy the years ahead: Having a plan in place, complete with the many of the details already worked out, will help founders enjoy the years ahead as they participate in the succession process as it moves forward.

Succession, first and foremost, should be understood as a process. It takes time and may not always go smoothly. However, having a formal, written plan to refer to can help everyone feel a part of the process. It is also important to remember that even the best plans will never substitute for strong relationships and a dynamic team spirit; these are inspired by a sense of being valued and appreciated for one's contributions.

Everyone should be willing to be flexible as they navigate this journey together. Founders and successors may find that there are new ideas or opportunities that might help the business in the future or provide opportunities for family members to become involved. Hurt feelings and frustration can be a part of the process as well. Having a process for addressing these, as they arise, can help keep the process moving forward.

Tune into our live webinar for more information on developing your management succession plan. An on online component will explore this concept further following the webinar presentation, using an anonymous and interactive experience. For more on upcoming presentations and for information about Ag Legacy see [AgLegacy.org](http://AgLegacy.org). Requests for additional information may be emailed to [Information@AgLegacy.org](mailto:Information@AgLegacy.org).



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