

When Do You Transfer Management Skills for the Operation?

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The right time depends on numerous factors, including who will take over, what skills they have to qualify them, how long the founding generation wants to be involved, whether the operation needs to expand to support more family members, as well as the strategy for passing on these skills and how the family envisions the next generation taking over.

Planning early and not only identifying who will take over, but also how that process will unfold is important to the long-term success of the operation. It takes more than just telling the next generation when and how to do things, but also getting into why things are done the way they are.

Getting started

Some questions to consider when looking to begin the transition of management skills:

1. What are everyone's goals and objectives for the future of the operation? For themselves and their families?
2. What skills do the founding generation currently bring the operation?
3. What new skills can the incoming generation contribute to the operation?
4. What skill-gaps might be filled through additional training or how might new skills be obtained?
5. Who is the best fit to take over management of the various aspects of the business?
6. What roles are members of the incoming generation best suited to take over?
7. What roles might other family members take-on that could lead to further buying into the transition plan?
8. What is the retirement plan for the founding generation?

Encourage family members, both founding and incoming generations, to share their goals and objectives for the operation and themselves. Clear and open sharing of these visions for the future can help the family come together and lead to a better understanding of each person's expectations and desires.

Urge family members to participate in a skills inventory. Identify skills held by those currently in the operation, as well as family members interested in joining the business. This approach can help recognize potential gaps, as well as who might be prepared to fill them. Where gaps are identified, watch for opportunities that could allow the next generation to build skills in these areas. Identified skill-gaps may help individuals choose a relevant degree in college or support them when working off the farm or ranch for a period of time.



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If a son is interested in running the feedlot and not in keeping the financial records, but a daughter is interested in the finances, then that might be a good division of labor and could set the operation up to be more successful than if the son was expected to do it all. Following such an approach can also permit family members to find their own niche within the business. It is important that all interested family members have a role in the business, helping them buy into its future, even if they are not future owners.



It is also important that the founding generation share their goals and expectations for retirement. How will they be financially supported once they leave the operation? Do they have enough savings to sustainv them or will revenue from the farm or ranch operation still be needed? If so, how much and where will it come from?

As life expectancy increases, so do the costs of retirement. This should be a topic of discussion between family members, especially where business decisions not only affect the incoming generation, but will also affect the retirement lifestyle possibilities of the founders.

A little at a time

It is more than likely, that the level of management the founding generation is operating with was not gathered-up all at once. Likewise, the best strategy for conveying this information to the incoming generation will be to work on it a little over a period of time.

Look for ways to encourage the incoming generation to take on responsibilities that will help them gain the necessary skills to become managers. A daughter interested in managing the farm might begin by leasing a field from the farm or from a neighbor. She could be made responsible for all decisions on inputs, harvest, marketing, etc. A son is interested in taking over management of the ranch might begin by purchasing a few head of cows and leasing the needed forage from the ranch.



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These options allow the daughter/son to make important management decisions, learn from their successes as well as from their mistakes, while not threatening the bottom line of the operation. This might also represent an opportunity for members of the founding generation to act as mentors.

For mentoring to be successful, the mentee must be willing to accept constructive criticism, learn from their mistakes, and be willing to consider alternative ways to approach decisions and challenges. The founding generation must be willing to give advice if asked for it, while also allowing the next generation to make decisions and learn from their mistakes. It is also important that they be willing to share their experience and the reasons behind their choices. For more on mentoring the next generation, see “How are you mentoring the next generation?” at AGLEGACY.org.

Another option might be to allow the next generation to price this year's calf crop or investigate sales opportunities for the crops produced. Then, before making any phone calls, sit down and talk over the various options.

Compare the alternatives they have suggested to the strategy the operation has traditionally followed. Take the time to explain why and how past choices have been made, as well as what factors were considered when making those selections. Often, sharing the details behind past decisions helps the next generation gain a better understanding of how to formulate business strategies for the future.

It is often said that “It's not what you know, but who you know.” While knowledge is important, building relationships is invaluable to future success. This is also true in agriculture. Anyone who has been involved for more than just a couple of years, has developed relationships with many neighbors, buyers, crop advisors, extension educators, etc. Take the time to introduce the next generation to these people and explain how they can assist in addressing business challenges.

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Next steps

Transition the next generation into positions of greater responsibility as they gain the necessary management skills and prove they can be successful in managing various components of the operation. This progression, along with mentoring and continued family discussions about the future of the business, will facilitate their growth and eventual confidence in managing the larger operation or the portion which they are best suited to handle.

It is important to remember that we are trying to convey the ability to make sound business decisions. These decisions will eventually fall to the next generation. By developing a more formal process for the transition, we hope to increase the chances of success, rather than have them wake up one day to find themselves managers of a farm or ranch for which they had no previous experience or understanding.

The self-paced courses and other materials available at AGLEGACY.org can help with structuring the process and organizing the decisions. Workbooks, bulletins, and links to external resources are linked on the site to assist, no matter where you might be in the process.



An online module, including a recorded presentation covering growing relationships with the next generation, and other information on developing your management succession plan is available at our website. For more on upcoming modules, past newsletters, and for information about Ag Legacy see AgLegacy.org. Requests for additional information may be emailed to Information@AgLegacy.org.



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