

Mapping Your Ag Legacy: Where do you begin?

Rita stared at the pamphlet in her hand. The title read “Is your family ready for transition?” The title scared her because she knew the answer was “No” and, when she had tried to bring it up with her father in the past, he had made it clear he was not interested in talking about it.

She knew it was important, especially as her father got older. She had spent hours with him on the tractor, fixing fence and moving cows on horseback. Still, she had no idea how he sold the calves or purchased hay. It had always been his job to make those decisions. As she stared at that pamphlet, she wondered what the family would do if he wasn’t able to make those decisions anymore.

She also knew it would be a complicated discussion. While she did help out at times, she lived in town with her family. They enjoyed coming out to help but it was really her brother Craig that did the most with the operation these days. They had another brother who lived in another state. While he had no interest in the ranch, he wasn’t shy about his desire to just sell the land. This is probably why her father had been avoiding the discussion. He had worked too hard to just see his kids sell it away.



What can Rita do to begin the process? Where can she begin in helping her family start down the path to map out a plan to pass on the management of the family ranch before it is too late?

Maps

National Geographic defines a map as a symbolic representation of selected characteristics of a place. Maps present information about the world in a simple, visual way. They teach about the world by showing sizes and shapes of countries, locations of features, and distances between places (National Geographic).

Maps are helpful in navigating a route on a trip, determining how far it is to your favorite fishing spot, or the location of your favorite store at the mall. However, maps can also be helpful for other aspects of our lives as well. A map could also represent a series of steps needed to achieve a goal.

For example, a college student refers to a university list of required courses for a particular major and then meets with an advisor to make a plan to complete the requirements. This usually includes when to take certain classes and what electives would complement the student’s career objectives. In the same manner, it is common practice to create a business plan prior to starting a new business. Both plans map out a series of steps that will help the individual achieve the goal, whether a college degree or a successful business.

Families can also create a plan that maps out a series of steps to help create a transition plan, including passing on the day-to-day management of the family farm or ranch to the next generation.

Now what?

Where to begin? Take a note from the road trip example and begin where you are! Next, determine where you want to end up. Once you know where you are and where you want to be, fill in the steps to get there and create your own transition map. This map will help guide you and your family as you work towards creating your Ag Legacy. While each family's path will look different, as there are innumerable variables influencing the process, there are common steps that can serve as an outline to help you and your family map a path to achieve your goals.

Beginning where you are means first evaluating where the business is. What is going well? What is not? Have conversations with those currently involved in the operation. Discuss observations, concerns, and suggestions.

Here are some questions to help jumpstart the process:

- What resources does the business currently have?
- Who is currently involved in the day-to-day operation of the farm or ranch?
- Is anyone else interested in joining the operation?
- Is the business profitable currently?
- Are there new or additional opportunities?
- Who in the next generation is interested in taking over management?

SWOT What is That?

Answering these questions can help you and your family document where the family is and where the business is. This can help determine what steps may be needed to fill in any blanks in the map. An organized method for making these assessments is known as a SWOT analysis. A SWOT analysis is a framework for identifying and analyzing an organization's Strengths, Weaknesses, Opportunities and Threats.

The primary goal of a SWOT analysis is to increase awareness of the factors that go into making a business decision or establishing a business strategy. To do this, SWOT analyzes the internal and external environment and the factors that can impact the viability of a decision (Bigelow et al., 2023). In this case, you are evaluating the family's preparedness to pass on the

management of the family operation to the next generation. Remember, think about this as a process rather than an event. This can help avoid the pitfall of missing the opportunity to learn from experiences and opportunities by instead focusing too hard on the end goal.



Ownership vs Management

Ownership

- Owns the assets and net worth of the business
- Affected by the financial performance of business
- Requires capital

Management

- Runs the day to day operation of the business
- Responsible for the financial performance of the business
- Requires the right skills and competence

The Transfer

Most people jump to the idea of transferring ownership of the operation when discussing a transition plan. While this is important, the transfer of day-to-day management of the operation is often thought to be the same as ownership. In many instances, this may be one in the same for those involved. However, it is important to understand the difference and plan separately for each.



All too often, ownership is transferred with little to no thought about transferring the management responsibilities or it is assumed that this has been transferred through experience. Unfortunately, the process of transferring the knowledge and experience that goes along with day-to-day management of the family farm or ranch likely requires a more purposeful effort and needs careful consideration to be successful. For more information on options for transferring ownership refer to the newsletter “*Preserving Your Legacy: What to do if the family isn’t Interested?*” found at AGLEGACY.org.

Planning for Succession

There are steps to follow that can help families ensure they include everyone involved and are considering all components when planning for the transition of management responsibilities. The steps for succession planning include:

- **Establish a timeline:** The key to this step is to start early. This is a process, not an event. None of us knows what the future might bring. Rather than waiting until the issue is forced upon you, start the process in calm circumstances when there is time to discuss issues and come to an agreement.
- **Establish a planning team:** Decide who should be involved in the development and implementation of the transition plan. The planning team should consist of family members, business associates, and/or outside advisors. Ideally, the retiring generation should provide leadership while coaching and mentoring the younger generation. This will allow a shift of power in a controlled, smooth, and gradual manner.
- **Select the appropriate successors(s):** Identify and select an appropriate successor. It is important to make sure the process for selecting a successor is clear and understandable to anyone interested in being a candidate. Make sure the person selected is interested in the position, committed to the mission of the business, and has the right skills and experience to be successful.
- **Develop a written plan:** Put the transition plan in writing. A written plan should detail the steps for dealing with business and interpersonal aspects of the transition process.
- **Communicate the plan:** Communicate the details of the transition plan to family, employees, and others who have interest in the continuity and success of the business.
- **Plan for retirement:** For most farm families, the farm is not only the source of current income; it is also the source of income for retirement as well. Many farmers believe there is no such thing as retirement. Retirement may mean scaling back rather than not working anymore.
- **Enjoy the years ahead:** Step back from the business and enjoy retirement. The best laid plans will fail if you do not relinquish control and allow your successor or successors to take the reins. The secret to success is making sure that your life in retirement is full and satisfying.

Goal Oriented

It is important that the planning process be goal oriented. The goals form the stepping stones or checkpoints along the path mapped out to move the family toward their goals. True goals are measurable and are tied to a timeline. Goals and objectives allow those involved to measure progress towards a destination. In goal-based management, strategic goals are openly identified, discussed, and prioritized before decisions are made.

Resources for Further Guidance

The online Management Succession course takes families on a path towards developing a goal-oriented succession plan for transferring both the ownership as well as the management of the operation. The overall course is broken into three separate modules.

The succession planning process is introduced in the “*Management Succession: Where Are We?*” module. The “*Management Succession: Where Do We Want to Go?*” module focuses on the succession planning process and how you can begin planning where you want to go for your own situation.

The third module, titled “*Management Succession: How Do We Get There from Here?*”, goes beyond the goals for change from Module 2 to focus on developing a roadmap for change. These modules can all be found at AGLEGACY.org under courses, along with other supporting course materials.

The Only Dumb Question...

Just as the old adage says, “The only dumb question is one not asked,” sometimes the best course of action is just to begin the conversation. Ask other family members currently involved in the operation about their thoughts and goals for the future. Where do they see themselves in 3 years, 5 years, or 10 years? Where do they see the operation? You might be surprised by what you learn and it may help you to generate further discussion.

For more on techniques for better communication see the module titled “*How are you communicating with the next generation?*” at AGLEGACY.org under Modules. The tools found there can help ease the tension when trying to improve communication among family members. A key component to a successful transition process.

Resources

National Geographic Education. September 11, 2023. Map. <https://education.nationalgeographic.org/resource/map/>. Accessed October 9, 2023.

Bigelow, Stephen J., Mary K. Pratt, Linda Tucci. February 2023. SWOT analysis (strengths, weaknesses, opportunities and threats analysis). TechTarget.com. <https://www.techtarget.com/searchcio/definition/SWOT-analysis-strengths-weaknesses-opportunities-and-threats-analysis#:~:text=SWOT%20analysis%20is%20a%20framework,or%20establishing%20a%20business%20strategy>. Accessed October 10, 2023.

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