Chapter 6

Prepare to Lead



Henry David Thoreau

DEVELOP THE NEXT GENERATION

Business leadership transition doesn't happen overnight.

eadership is the ability to set an objective, explore alternatives, take action and change course when appropriate.

Identifying one child as successor is challenging—especially when multiple family members are involved in the farming operation. It may be that only one child works in the business but does not have the skills to manage the operation. You may have several children, but not all of them work in the business. And what if one of your loyal employees is the right arm of the business?

The emotional strings that are tied to the decision are complex. The sentiment may cause you to make an emotional choice, rather than a business choice. Your reluctance to making a decision may result in losing a worthy successor who moves on, applying his or her ambitions to a different pursuit.

The best transition for you and your successor is a gradual transfer of responsibility. Concede your hesitation to let go. Use a realistic time line for the transition process. Allow plenty of time for hands-on training. Give yourself time to pursue other ventures as you engage in a plan of gradual transition.

MANAGEMENT SUCCESSION OPTIONS. There are three options for transferring ownership/management to the next generation or subsequent owner: transition to a family member, a loyal employee or a candidate from the outside.

Transition planning is best initiated early in the life of the business. The ownership successor must have time to learn the role of a leader. The candidate must demonstrate leadership skills to existing employees, customers and third-party vendors. The successors must



show that they are prepared to lead the business. With adequate time and a well-developed plan, a new owner can gain credibility. A gradual assumption of responsibility helps all parties to adapt to the transition.

As with most decisions in life, we have choices. The business can be left to a new owner voluntarily as part of a well-designed plan, or the owner can wait until he or she (or heirs) are forced to act because of death, disability or retirement. A comprehensive succession plan covers both options. Most people want to control the timing and the conditions of the transition. They want to design a plan and include a default strategy for unforeseen circumstances. If the anticipated successor is a child, one must plan for an interim manager until the child is ready.

SHARE THE ROLES AND RESPONSIBILITIES. A clear statement of management's strengths, responsibilities and capabilities reinforces the vigor of an operation. A company is said to be only as good as the people who work there. The vigor of an organization is only as good as the leadership that drives the operation.

This section of the development plan is designed to give confidence to team members, support management/personnel decisions and detail some of the critical responsibilities of the management team. Management today is not a seat-of-your-pants vocation. Leaders need education and development to succeed in today's marketplace. Development programs should be tailored to serve the individual needs of managers and the specific responsibilities of their role.

Just as a development plan details the systems, machinery and tools necessary to vertically integrate a market, a business needs managers with the skills and abilities necessary to handle a new endeavor. The development plan should detail the management

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How to Pass the Baton

Imagine the succession planning process as a relay race—success depends on four factors:

- 1. Sequence. Prepare the successor with the leadership skills and business experiences to lead the operation. Prepare the operation and the current owner for a seamless transition.
- 2. Timing. Incrementally pass the torch of leadership from one generation to the next over the course of a predetermined period of time.
- **3.** Baton passing. Manage the business and familial details of the process for a smooth and seamless transition.
- 4. Communication. Ensure an information exchange between the senior generation and successor(s). In many cases, owners choose to communicate with active and inactive family as well.

needs of the operation. It should also detail the development necessary to ensure that management is ready to succeed.

Writing the management responsibility section of the development plan forces the owner and current management team to establish the status of the business—and take a look at the factors that will help or hinder growth.

Though we address current goals in another section of the development plan, a summary of new ventures establishes a benchmark for management development.

- Where is the business headed based on industry demands?
- If the business is going in a new direction, what kind of management structure will serve the new focus?

- What is the current ability, educational and skill limitations of the management team?
- For which business functions or operational systems are the managers currently responsible?
- What kind of development is necessary to improve the skills and abilities of our current management team?
- What kinds of management skills and abilities are necessary to manage future business operations?
- What is the strength of our team, and how can we improve the depth of our management team candidates?

DEVELOPMENT PLANS FOR MANAGERS. After management candidates have been identified, assess their skills and measure their abilities. Share the business philosophy, ethics and vision at the outset, and observe candidates' work habits and interactions with other employees, customers, and vendors. The needs of the business as defined in the business plan will focus attention on certain skills.

Next, build a development plan for each candidate, which includes methods for improving management skills and a detailed action agreement in which the candidate is held accountable for improving skills and abilities.

A development plan is an important component in the selection process for a manager. A development plan is an action plan that formalizes the training and development process between owner and candidate. It puts in writing what a candidate has been asked to do to prepare for a bigger role in the family farming operation. Each plan is individualized for the candidate. The specific demands of your business are unlike any other.

A variety of methods should be used for the teaching and development of a new leader. Among the methods to consider:

- Demand outside work experience.
- Link to a mentor.

- Allow for on-the-job experience.
- Participate in training at local colleges, industry seminars and workshops.
- Attend business planning and strategy sessions with accountants and bankers.
- Attend commodity, co-op, association or grower meetings.
- Attend personal or group meetings with advisers and experts on various subjects.

"The Bridge Builder"

By Will Allen Dromgoole

An old man, going a lone highway, Came, at the evening, cold and gray, To a chasm, vast and deep and wide, Through which was flowing a sullen tide.

The old man crossed in the twilight dim; The sullen stream had no fear for him; But he turned, when safe on the other side, And built a bridge to span the tide.

"Old man," said a fellow pilgrim, near,
"You are wasting strength with building here;
Your journey will end with the ending day;
You never again will pass this way;
You've crossed the chasm, deep and wide.
Why build you this bridge at the evening
tide?"

The builder lifted his old gray head:
"Good friend, in the path I have come,"
he said,

"There followeth after me today, A youth, whose feet must pass this way.

This chasm, that has been naught to me, To that fair-haired youth may a pitfall be. He, too, must cross in the twilight dim; Good friend, I am building this bridge for him."

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Guidelines for Grooming Tomorrow's Leaders

Keep in mind that young people are not always born entrepreneurs; they need extra training and careful guidance. Here are some guidelines to remember when grooming tomorrow's leaders.

- Successors are not entrepreneurs starting their own businesses; successors are managers who assume a going concern with its own set of complex challenges. Entrepreneurs are risk takers who thrive on the edge and revel in challenge. Next-generation leaders must be adept at creating systematic processes, financial control and team building.
- Leadership does matter, for three reasons:
 - 1. Family firms have different goals than publicly owned companies. Family operations are oriented to serve a broad set of objectives that serve familial demands and personal issues.
 - 2. Family operations have a greater potential for long-term conflict. People are emotional beings; it is the atmosphere of the family business that causes some to respond inappropriately to disagreement and conflict.
 - 3. Leadership succession is far more important for family firms than nonfamily firms because what is at risk may be absolute survival. Due to the personal nature of the endeavor and the breadth of family that may be actively involved, failure can be devastating—especially when you consider that most family operations comprise an overwhelming majority of the family's net worth.
- Integrity and commitment are the most important traits of a leader. Nothing trumps honesty, hard work and perseverance.
- Upon entering the family business, the leadership successor must become a student of the organization—learning about its value proposition, processes and people. He or she must also become a student of leadership, motivation, management and business.
- In preparation for a leadership position, a successor may benefit from a mentor, coach or adviser. Don't ever overlook the value of a good mentor. The opportunity to learn from the experience of another person is priceless. It increases effectiveness while stabilizing the learning curve.
- The senior generation must delegate responsibility and allow the successor to make decisions and suffer mistakes. Learning requires the consequence of real risk/reward trade-offs.
- The generational shadow of the founder may be the primary reason for conflict in a second-generation family business. The controlling generation must become mentors to the next generation, allowing them to grow in a nonjudgmental environment.

CHAPTER 6 EXERCISE LEADERSHIP SKILLS INVENTORY

How ready is the next generation to lead? Leadership may be the single biggest gap in any succession plan. Use this inventory to assess a potential leader's skills, strengths and areas for growth. The results should serve as the starting point for building a development plan tailored for each aspiring leader.

DOING THE RIGHT THINGS — LEADERSHIP SKILLS	Check the box.
1. Creates and effectively communicates a clear vision.	YES NO
2. Enlists a team to achieve business/operational goals.	
3. Ownership is a privilege, not an entitlement.	
4. Treats partners, employees, strategic alliances and third-party vendors as integral team members.	
5. Creates a positive, constructive, results-oriented working environment.	
6. Recognizes potential areas for conflict and uses good leadership to minimize the negative impact.	
7. Creates systems, focuses on people and generates results.	
8. Knows and demonstrates that a leader's primary responsibility is grooming other leaders.	
9. Demonstrates good business etiquette and sound ethics.	
10. Delegates with clear responsibility and accountability.	
11. Accepts criticism and uses failure as a learning opportunity.	

DOING THINGS RIGHT — MANAGEMENT SKILLS	Check YES	the box. NO
1. Uses action plans to achieve organizational goals.		
Selects team members based on their attitude first and qualifications second.		
3. Performs all duties and responsibilities with an owner's resolve.		
4. Is committed to professional development.		
Demonstrates excellent financial management.		
6. Looks for improvement in business systems, personnel, market development, management skills, etc.		
7. Uses technology to increase efficiency, improve effectiveness and cut expenses.		
3. Effectively delegates, encourages others to accept responsibility.		
3. Effectively prioritizes, based on clearly defined objectives and an intuitive risk/reward measure.		
0. Uses good planning, thorough analysis, goal setting, budgeting and regular follow-up.		
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