



Enterprising Rural Families™

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This newsletter is an instrument of the *Enterprising Rural Families: Making It Work* program of University of Wyoming Extension. For further information concerning the Enterprising Rural Families program or on-line course contact information@eRuralFamilies.org or go to <http://eRuralFamilies.org/>.

TIP OF THE MONTH:

MARKET ANALYSIS

Industry background questions:

- What industry are you in and how has the industry developed? What have been the industry's growth patterns?
- How do firms operate within the industry? What is their normal way of doing business?
- What is the average size of a business in your industry in gross sales, number of employees, capital investment, sales costs, and profit margin?
- What is the average size of the community where your type of business is located?
- What are the current trends of the industry in your business?
- What is the size of the market?
- What industry trends are predicted for the future? How will technology impact the industry?
- What about government regulations?
- How do your products and services fit into the industry?

Management Succession: Where Are We?

John P. Hewlett, UW Farm and Ranch Management Extension Specialist

Rural families very often plan to pass their business on to the next generation. While there are many resources available to assist with transferring business ownership (see: ERF Newsletter III:11), few exist to help with transferring management responsibilities.

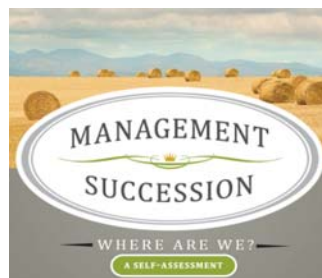
Only 1/3 of all family businesses successfully transition to the next generation, 70 percent do not survive to the second, and fully 90 percent do not survive to the third generation. There are many reasons why family businesses are not long-lived. However, there are tools to help successfully plan and accomplish a smooth transition of business ownership, leadership and management of any family business.

Rural families often give one of several reasons for avoiding succession planning: 1. Emotional Attachment to the Land- most rural families are emotionally attached to the lands they own and manage. In many cases, these lands have been a part of the family for more than one generation. Selling or dividing the land is often not considered due to these attachments; 2. No Plans to Retire- most full-time rural family managers have a difficult time even considering retiring. They often expect that they will "never" fully retire from their rural lifestyle; 3. Rural Lifestyle- the rural way of life is often what draws people to the country and keeps them there. Other lifestyles simply cannot match the opportunity to live, work and play together as family in the country, as well as offer the chance to teach children a strong work ethic; and 4. No Retirement Income- with no other sources for retirement income, many rural family business managers are prevented from fully retiring. Selling the rural business is often impossible, as the next generation is often unable to pay, and selling to an outside party does not keep the business in the family.



Online Resources Available

The academic professionals at RightRisk.org have developed an online course called Management Succession: Where Are We? to help rural enterprise managers improve their chances of successfully transitioning the business to the next generation. Simply log onto RightRisk.org, and click Mgt Succession: Where Are We? in the Products menu. The course is divided into several sections covering topics in management succession.



The first section provides an introduction to Kalang Ranch, a multi-generational family business. Background on the Miller family starts with Joe and his wife Judy who had just one son, Graham. Graham married Martha, a city girl who did not get along well with Joe. Graham and Martha had three children and believed they would one day own and operate the business. However, Joe died suddenly, leaving Graham to assume full responsibility for the entire business. He was not prepared to handle all the duties.



The online course provides many additional details on the Millers and outlines how their situation is similar to many rural family business founders--the individuals that created or built the business. Passing on management of a business developed after years of hard work is difficult at best. Owners are often reluctant to even consider transitioning leadership responsibilities due to control issues, fear, or the inability to choose who should become the next manager.

Interpersonal Issues

Interpersonal issues are often at the root of disruptions in families, as well as family businesses. There are many sources of conflict that can develop between the founders and next generation managers. These likely include some dimension of control, differing ideas about gender or roles, and may include differences in priorities, rivalries, or just general values.

The course helps to provide insights into the differences in perspective between generations. In addition, it provides a set of assessment questions to help evaluate where a family business may be in working through those differences. Finally, it provides some suggestions for approaches to help improve communications and resolve conflicts.

Business Issues



Any family business that has its business well in order is in a much better position to transition management responsibilities to the next manager. Often family businesses are not so well organized. The course provides insights into what more formalized business management might look like.

Formal business management documents include business plans, strategic management information, and a method of evaluating performance over time. Managers of many family businesses cite the following reasons for failing to develop or share such documents with other family members, including: lack of trust, difficulty in delegating, and lack of interest in sharing, preferring instead to go-it alone. This approach created several problems for the Miller family when Joe passed away. Details from their situation are used to help the user see that there is a better way.

The section on business issues provides insights into how a family business can better organize their information under three main questions: where are we, where do we want to go, and how do we get there. With these details in hand, the founders are in a much better position to develop sound plans for transition of management responsibilities.

Assessments in this section challenge the user to reflect on various aspects of their formal business management: how well they communicate, what business policies they have in place, the level of business reporting and documentation they follow, and how well they involve family members in the management of the business.

The Succession Planning Process

Most founders plan to transition management responsibilities to the next generation. They often do not know where to begin and what steps to follow once they have made a start. The next section in the *Management Succession: Where Are We?* course outlines a seven step process for a successful business transition. The process begins with establishing a timeline and progresses through to the end with a challenge to “Enjoy the Future.” Along the way, the user is guided through some of the issues and differences between transfer of ownership and transfer of management.



Several alternative approaches for accomplishing these goals are investigated.

Course assessments help determine where the user may be in the process of planning and implementing a succession process. Materials also provide suggestions for developing a timeline, establishing a planning team, selecting a successor, developing a written plan, communicating the plan, as well as planning for retirement.

Where Do We Go From Here?

The final section of the course briefly reviews the issues surrounding management succession. In addition, it provides an overview of the electronic assessment tool included with the course. This tool includes many additional assessment questions and can help shed light on those areas where a family might need the most assistance in successfully moving their management succession process forward. The tool even automatically scores the assessment. A paper version is also available in the Resources section.

A second family situation is described, providing background and discussion of the issues faced by the Morgan family. In this scenario, the family is able to accomplish a successful transition of management duties to the next generation, despite a number of individuals and personalities involved.

Finally, the Where Do We Go From Here section provides a listing and description of a number of other courses and resources available to family business owners and next generation members who may be looking to improve their chances of successfully transferring the business to the next generation.

Other course materials are located under separate tabs and include a glossary of terms, a frequently asked questions list, an additional readings list, the electronic assessment tool, and more.

For more information or to access the online course materials, visit the RightRisk web site at RightRisk.org. Click on Products and select *Management Succession: Where Are We?* from the courses available.



(Business management and record keeping in family businesses are covered in greater detail in the **Enterprising Rural Families: Making It Work™** on-line course.)



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