

THE BUSINESS OF DAIRYING

Who We Are

Greg Squires manages DairyES and has consulted in business and financial planning for hundreds of dairy operations in over 30 states. Through this work and a strong background in production management consulting, Greg has cultivated significant relationships with dairy producers and other industry influencers across the U.S.

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Resources for Today's Dairy Industry

If you believe in managing change and are considering steps to improve the productivity and efficiency of your business, DairyES can help you meet your goals. To learn more about DairyES and how we can help lead your business through the process of managing change, please contact us.

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(419) 282-6244
gsquires@DairyES.com
www.DairyES.com

The greatest legacy: preparing the next generation

Many of my clients have heard me say how fascinated I am with families who can work and operate a business together. It's hard enough to just be family let alone with the added stress of working side by side for another 40-80 hours each week.

Families who operate businesses also often have a particular challenge in planning for managerial succession. How and when do parents, aunts/uncles and other senior generation members stop being directors, and become coaches to children and other junior generation members? In some of the more challenged situations I've seen over the years we are talking about three generations where the *grandparents* are directing business activities and obviously haven't enabled either of the two junior generations to truly manage the business – Grandma still writes *all* the checks.

Several of you may have just chuckled at that last statement even though it depicts a fairly extreme example not overly representative of most farms today. But let's see how many of you might be able to relate to this more subtle situation I experienced several years ago with a multiple-generation operation in the Midwest. I had my second on-farm visit scheduled and experienced the following exchange with the son of the principal owner immediately upon arriving at the farm (the son was the department head for all dairy operations employees):

Sam: We've got a major problem and you're going to have to help us figure out a solution.

Me: Tell me about it.

Sam: Well, you know we've had several on-going issues with productivity and reproductive management over the past three to four months or so.

Me: Yes, and I'm generally aware of the corrective action steps you've planned and implemented.

Sam: Well, Dad apparently wasn't happy with our progress in getting our arms around this and decided to take matters into his own hands. I took a couple days away from the farm last weekend and when I got back, he had fired the Herdsman and Assistant Herdsman.

Now, take a guess at the ages of Dad and Son from this scenario – at the time of the incident, Son was in his late 30's and Dad was in his early 60's. Although this incident clearly is an example of how not to train and develop a successor, they actually had been doing several things right in terms of managerial succession. Son was given the opportunity to progressively provide greater leadership to the farm's overall operating workforce and effort. What he wasn't provided was decision rights or "control." This incident was not a unique example of the dynamic between Dad and Son to this farm. In fact, I was hired to help them develop a more effective transition of management among the generations.

Potential Roadblocks

The first and most important question senior generation farm owners must candidly answer early in the business' evolution is "are we committed to seeing this business succeed beyond our lifetimes?" Without an affirmative answer to this question, a fully

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effective generational transition will be severely hampered. Making business continuation a priority will help ensure all other business planning and actions support the transition goal. It will foster a *culture* of trans-generational management continuity throughout the business model.

There are several natural and very human characteristics that can be potential pitfalls along the journey of a trans-generational business including:

Personal financial insecurity This has been a major contributing factor especially among those who are of an age to have been impacted by the Great Depression. There is a deeply rooted sense of financial insecurity as people age, become less productive, and are less able to directly influence how their personal living needs will be met.

Control Some people find it very difficult or even counter-intuitive to allow an employee or child to make their own decisions and learn from their own mistakes. The most effective mode of learning for most people is experience. Senior owners must allow junior generations to scrape their noses...and often.

Directing Directing someone is different than controlling in that it is more deeply rooted out of expediency and not wanting to purposefully limit autonomy. While it is usually easier to tell someone how to perform a task with step-by-step detail, it will not help them develop their own problem-solving skills. Directing can also be similar to controlling in that it will lead to the same feelings of frustration and never allow the successor to see the bigger picture but only the immediate task at hand.

Pride Some people cannot share in the deep personal reward of success unless they are perceived by others (or see themselves) as the key decision maker. A senior generational's sense of pride can be much more richly rewarded from the business' long-term achievements that succeed his or her lifetime.

Emphasize failure One would fully expect a developing manager to fail, and perhaps even fail often. The opportunity in failure is to focus on the learning that resulted from the experience, not constant reminders of the failure's occurrence.

Visionary It may seem odd to list something as a pitfall that would be generally accepted as a very positive characteristic but junior generationals who must succeed extraordinary visionaries often find it difficult to emerge from his or her shadows. The visionary must be open to, and even encourage, new ideas and strategies forwarded by successors.

Steps to effective managerial transition

The steps to managerial succession planning cannot be condensed into a three-year timeline – it is a progression that begins in childhood and doesn't end until the incumbent(s) dies. As parents, the senior generation can begin the process of teaching young children how to solve their own problems and experience the consequences of their own decisions and actions well before ever reaching the age where they are “coming into the business.” Children are also exposed to their parent's personal and work ethic as well as their sense of responsibility therefore transference begins at an early age.

As children enter their late teens and early adulthood, the progression continues as they are trained by experience and begin to realize how various procedures and protocols impact animal, human and financial performance. As the junior generation reaches their mid-to-late twenties, they should be exposed to higher level decision making and asked to contribute to strategic discussions.

By the time the successor generation enters their 30's, they should be very involved in all levels of decision making and planning. They should also have leadership roles within the organization chart commensurate to their experience and perhaps interests. This is a foundational stage in a manager's development as they begin to wrap their arms around the business as an organization and how the various enterprises and departments contribute to the collective financial outcome. It is also a foundational period as they are afforded the opportunities to contribute significantly to the continued vision of the family business.

Timing the final stages of the transition process is equally difficult as to when the baton should be fully handed over and the incumbents finalize their transition from managers to mentors. One accepted attribute of “the right time” is that it should be completed while both incumbent and successor are running essentially at full speed. Reaching the final stages of transition at this point will allow ample time for successors to put their mark on the business while also having the luxury of a strong and experienced coach and mentor to help provide insights to the more challenging decisions and opportunities.

The most important message I have for incumbents is this: realize that the greatest personal satisfaction you will experience as CEO of your family business will come from the legacy of its continued, multigenerational success. 