

Preserving Family Relations

There are many perspectives in the generation transfer process.

Story & photo by *Kasey Miller, associate editor*

“Succession planning is not an event, it’s a process,” said Dave Specht, president of Advising Generations LLC. He told Cattlemen’s College® participants at the 2013 Cattle Industry Convention in Tampa, Fla., that the biggest obstacle to planning generational transfer is getting started.

Specht said the discussion often gets started too late because neither party — the senior nor the younger generation — wants to start the conversation for fear of offending the other. Oftentimes, bringing in a third party or attending a generation seminar can help get the conversation started.

For a successful discussion, Specht said both generations have to align their expectations. To do this, he urged attendees to think of questions from each facet of the operation, which he broke into:

1. family member, but not owner or operator;
 2. owner, but not family member or operator;
 3. operator, but not family or owner;
 4. family member and owner, but not operator;
 5. operator and owner, but not family;
 6. family and operator, but not owner; and
 7. family, operator and owner (see Fig. 1).
- Each member of the operation has a

different viewpoint, Specht said. If you learn to look through their lens, it can make the conversation smoother. For example, “4s” are worried about costs, when dividends will reach them, and how informed they are on the operation.

“These 4s are not evil, but they have a different lens [through which] they see the operation,” he said.

A 5 worries about whether employees are qualified and not just given the job because they are family. What kind of compensation is fair to family members that work in the business? Will the 5 get pushed out, or what if family issues creep in?

A 6 worries about how sweat equity counts and whether they are included in the estate plan. How do non-farm siblings get compensated? How long will it take to become an owner? Will the farm be gifted to me, or can I buy it? Shared ownership is hard for anything, even something as simple as a yo-yo, Specht explained, so a 6 can also worry about sharing ownership with siblings.

A 7 has all of these concerns and more, because they manage all of them. Does anyone care about the ranch as much as they do? To them, that answer is no, and the younger generation will never be as ready as the older will want them to be to take over the operation.

Specht reminds the senior operators that they were not “ready” when they took over, either. Don’t let “being ready” be the catalyst to start the transfer conversation. The hardest part of the transition includes letting go of control.

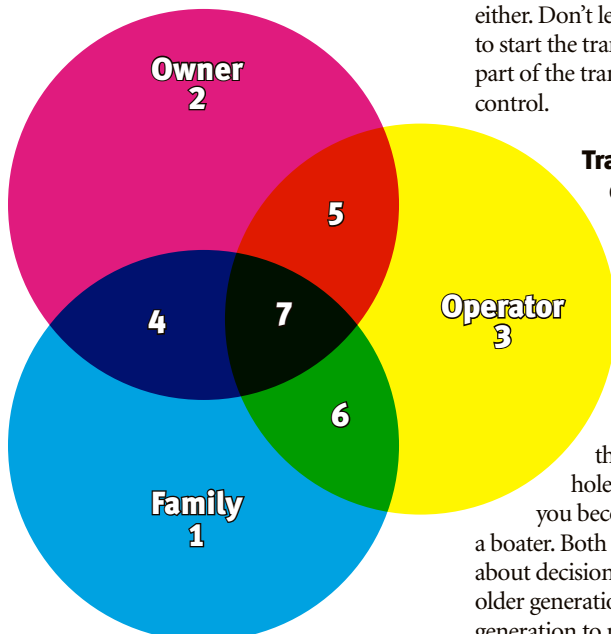
Transitioning the decision-making

Transferring the responsibility for decision-making should be a gradual process, Specht said. Using a boat as an analogy, he pointed out that a hole above the waterline means the fix will be costly, but the boat is still functional. A hole below the waterline means you become a swimmer instead of a boater. Both generations need to think about decisions and discuss them. Then the older generation should force the younger generation to make as many of the above-



► “If the first decision the younger generation has to make is a below-waterline decision, then everyone is sunk,” illustrated Dave Specht, president of Advising Generations LLC.

Fig. 1: Seven perspectives of farm involvement



waterline decisions as possible while the older generation is still around.

“If the first decision the younger generation has to make is a below-waterline decision, then everyone is sunk,” he illustrated.

“In the end, the focus is preserving relationships and perpetuating legacies,” he concluded. Tax reasons are a major benefit of succession planning, but the biggest benefit is maintaining those relationships.

Now in its 20th year, Cattlemen’s College has established a reputation as one of the most thorough cattle-producer education programs in the nation. The program is sponsored by Zoetis Animal Health (formerly Pfizer Animal Health) and coordinated by the National Cattlemen’s Beef Association (NCBA).



Editor’s Note: This article is part of the Angus Journal’s online coverage of the 2013 Cattle Industry Convention and NCBA Trade Show available online in the newsroom at www.4cattlemen.com.