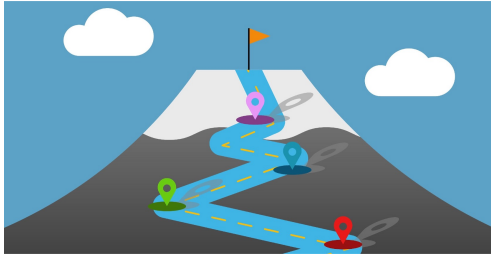


Roadmapping and Goals in Succession: Who, When and How to Transfer?



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Partnering Organizations



NORTH CENTRAL
REGIONAL CENTER
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NC STATE
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Southern Rural Development Center



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Institute for Family Business



2

Purpose:

Succession planning encompasses many emotional and financial aspects of a family and a business, making decisions and moving forward more difficult. This research-based curriculum with comprehensive handouts integrated will give participants the confidence they need to learn strategies for moving succession forward with their property or business. Both soft and hard skills are covered in the materials and will empower owners to develop and implement their succession plan.

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&



Farm Service Agency
U.S. DEPARTMENT OF AGRICULTURE

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Enter presenter information on this slide

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PROTECTING YOUR INFORMATION

- No personal stories
- General questions are welcome
- Personal questions should be asked outside of the group setting

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Important notes before we begin:

These materials are intended to present general information on succession planning.

The information may not be applicable to every state or territory.

These materials do not provide legal advice. Specific advice should be obtained from an attorney or another professional well versed in the facts and circumstances related to the individual seeking advice and the jurisdiction where the property is located.

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ICE BREAKER

Given all we discussed...

At your table consider the following questions:

What are topics you are fuzzy on?

What questions do you have now?

Write them on the “**parking lot**” page for now.

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Defining Succession Planning & Estate Planning

When we say:	We are referring to:
Succession Planning	The plan for transfer of management (decision-making abilities and authority) and/or ownership (shares, farm or forest assets, etc.) during the life of the owner(s)
Estate Planning	The plan for transfer of personal assets and property that will transition after the owner's life to designated beneficiaries

*Disclaimer: The terms *Succession Planning* and *Estate Planning* are defined differently depending on state/region. However, for use of this training, the definitions above are implemented.

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Defining Generations and Roles in Succession

When we say:	We are referring to:
Successor	The junior generation in the land/business, next individual(s) who will manage and/or own the land/business
Incumbent	The senior generation in the land/business, current owner/manager of the land/business

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Defining Businesses and Land

When we say:	We are referring to:
Businesses	Entities that could be farms, an LLC, sole proprietorship, land in a trust, corporation, company, and/or partnerships
Land	Any type of land, including but not limited to forests, bare land, vacant land, farmland, pasture, and land with buildings/barns

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TOPICS TO EXPLORE

Module #4: ROADMAPPING AND GOALS IN SUCCESSION: WHO, WHEN, AND HOW TO TRANSFER?	Purpose
	Setting Goals
	Vision & Mission
	How do we Plan to Transfer Management and Ownership?
	Roadmapping your Succession Process

Purpose of Module #4

To better understand who should be involved, who makes decisions, and who you should ask for help for your family and/or farm during the succession process.

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Setting Goals

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GOALS & OBJECTIVES ARE IMPORTANT



- **Goals** can help to shape where you are going, and **objectives** are how you will get there
 - Personally and professionally
- Goals and objectives give you something to work towards
 - Timelines and metrics can be established
 - You can set goals and objectives related to management and ownership succession

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GOALS CAN BE FINANCIAL OR NON-FINANCIAL



Non-financial

- Transgenerational control
- Status and reputation
- Benevolent social ties
- Emotional commitment

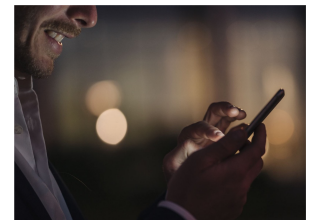
Financial

- Profit
- Growth
- Revenue
- Sales

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DISCUSSING GOALS TAKES TIME

- Don't expect everyone in the family to have the same goals
- The first goals discussion you have, may just be a fact-finding mission
- Family members will have different perspectives
- Find a consensus on 4-5 goals for the land/business
- Setting goals related to succession planning is important

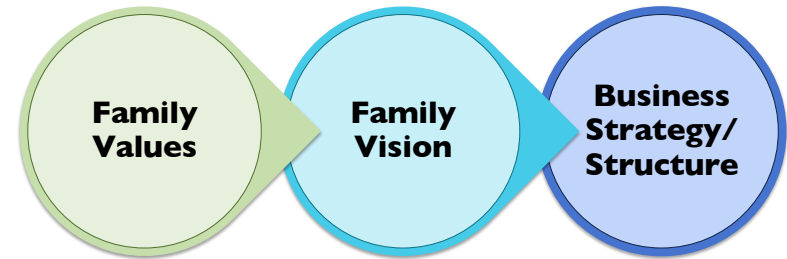


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Vision & Mission

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VALUES AFFECT THE VISION FOR THE LAND/BUSINESS



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VISION VS. MISSION

Vision

Where you want your business to go

Mission

The steps that you will take to achieve the business' vision

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DEVELOPING A VISION

- Description of what/where the land/business would be like some years from now
- Provides the context for managing the changes that will be necessary to reach goals
- Provides direction for developing strategy, finding opportunities, and allocating resources
- Rooted in reality, but focused on the future

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DEVELOPING YOUR VISION

- How do we want our land/business to look like in 10 years?
 - What new activities will our land/business be pursuing?
 - What will we be especially good at? What will make our business unique?
 - What will be the new roles of family members and/or employees in the business?
 - How does succession fit into our vision?
 - Lastly, what do we envision for our family?
- 



MISSION

- The steps that you will take to achieve the vision for your land/business
- Mission statements will often begin with “to” or an action verb
- Examples:
 - IKEA: To create a better everyday life for the many people.
 - Tesla: To accelerate the world's transition to sustainable energy.



HANDOUT: BRAINSTORM YOUR GOALS, VISION AND MISSION

Refer *Brainstorm Your Goals, Vision and Mission* Handout. Complete a rough draft of some succession goals (long-term and short-term), a vision and a mission for your land/business.

Module 5. Brainstorm Your Goals, Vision and Mission

Long-Term Goals Exercise

Specify for this long-term goal for the lunch business. Remember, your long-term goals DOWIE (Desired, Owned, Written, Inspiring, Visible, and Evaluated) you reward the vision. After the vision and fairly specific and measurable the long-term goals, complete the list. Are there areas of agreement? Are there conflicts between goal? If there are areas that conflict, be sure to seek those areas. Further discussion will be needed in these areas of conflict.

Example: Long-term goals could include passing the lunch-business from generation 1 to generation 2 within 12 years.

Long-term goal #1:

Long-term goal #2:

Long-term goal #3:

Adapted from "Vision and Objectives" by C. Robinson and "Vision and Objectives Worksheet" by C. Robinson

Page | 3

HANDOUT: VISION AND GOALS

This form will assist you in thinking through your goals for the land and/or business. Your goals should be specific, timebound, and attainable. Specific, time bound goals will help to hold you accountable for completing tasks, while attainable goals help you make progress on your succession plan.

Your goals could be financial, such as increasing profit over the next five years or saving money for a child's college education. Goals could be related to management, such as having younger generations in charge after ten years. It could be a combination of both financial and management goals that reflect your vision.

[illegible]

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Who Will Fill My Shoes: Succession Planning for Landowners and Businesses

MODULE 4. PLANNING YOUR RETIREMENT

Assess your retirement needs in preparation for future discussions with your legal and financial advisors. Consulting this information ahead of time can help you be more prepared for these conversations.

Note your potential income and any current annual expenses.

List source of your retirement goal funds.

It helps, could include a description and date of your and/or spouse's personal net worth. Page 10a. Note your goal for the year-end of the year of your death, assets, savings, and investments, you wish to plan for. List the retirement. Some of the information you need have can be found in the Worksheet 10.

ASSETS	Value
Real estate	\$
IR/401k	\$
Investment accounts	\$
Personal Loans	\$
Personal assets	\$
Other assets	\$
Total assets	\$

LIABILITIES/INVESTMENTS	Value
Bank accounts	\$
IR/401k	\$
Personal Loans	\$
Investments	\$
Investment accounts	\$
Other assets	\$
Total Liabilities/Investments	\$

Roadmapping Your Succession Process

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WHAT IS A SUCCESSION ROADMAP?

Setting goals and tracking your family's progress through the succession process



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ROAD MAP

- **Defines the succession process in terms of:**

- **Who is responsible**
- **What the incumbent and successor are responsible for, respectively**
- **When responsibilities are transferred on the way to the transfer of full control**

SUCCESSION ROAD MAP

- Long timeframe and sequential transfer lead to conflict around roles, responsibilities, and economic incentives
- Can have uncertainties about roles and responsibilities if incumbent and successor are both involved in the business for extended periods
- If successor is appointed to top management but has no ownership timeline, this leads to successor feeling punished for efforts
- Roadmap can help address the inevitable governance challenges that will come up before succession is complete



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ADAPTING ROLES FOR THE INCUMBENT AND SUCCESSOR

It's not only about changing roles, but also about a change in self-understanding of the people involved

Incumbent transitions from leader/chief to eventually take on a consultant role

Successor transitions from having no role to the leader/chief



Incumbent is the one that initiates the transition process
They must realize the firm requires new managerial talent

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HANOUT: SUCCESSOR AND ORGANIZATIONAL ASSESSMENT

- This form will help you assess the individuals or organization you plan to include in your plan. For individuals, consider their age, heirs, character traits, needs, and life situation.
- With an organization, it is important to consider its mission, values, and conditions for accepting land.

Who Will Fill My Shoes? Succession Planning for Landowners and Businesses
MODULE 4: SUCCESSOR AND ORGANIZATIONAL ASSESSMENT

This form will help you assess the individuals or organization you plan to include in your plan. For individuals, consider their age, heirs, character traits, needs, and life situation. With an organization, it is important to consider its mission, values, and conditions for accepting land.

Assess the individual or organization you want to include in your plan. For individuals, think about their age, heirs, character traits, needs and life situation. For an organization, consider its mission, values, and conditions for accepting land. Be honest in your assessments.

For each individual successor, evaluate the following:

Name	Relationship to you
Address	
Current role or engagement in land/business management (if applicable)	
If you have multiple successors, how you considered how you will divide your estate? What will this successor receive?	

Logos: NC STATE, NC A&T, SRDC, FUTURE GENERATIONS, 05

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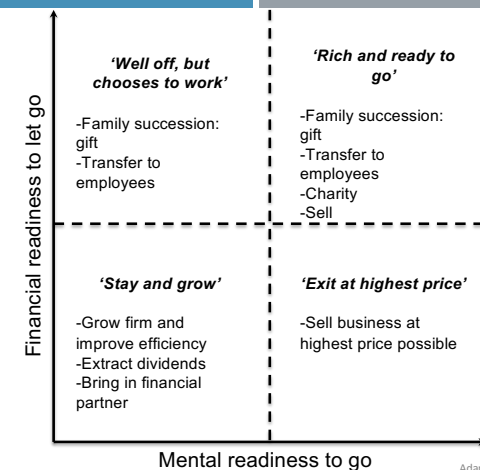
WHAT WILL TRANSITION?

- Governance Transition:
 - Ownership percentage
 - Management
- Transition of Functional Responsibilities:
 - Human resources
 - Business strategy
 - Marketing
- Other Transitions: Dividend disbursement



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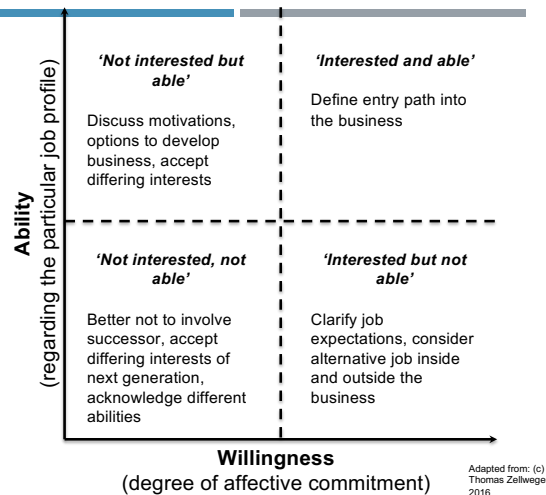
EXIT QUADRANT: INCUMBENT GENERATION CONSIDERATIONS



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Adapted from:
(c) Thomas Zellweger, 2016

SUCCESSOR CONSIDERATIONS: WILLINGNESS AND ABILITY OF THE SUCCESSOR



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HANDOUT: QUADRANTS FOR EXIT AND ENTRY OF INCUMBENT AND SUCCESSOR

Please take some time to complete the handout.
First indicate on the quadrant where the
incumbent and successor are **NOW**.

Then, choose a number of years in the **FUTURE**
and indicate where you would expect for the
successor and incumbent to be at that time.

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GOALS OF INCUMBENT AND SUCCESSOR

- Incumbents often seek a fit between their own personal values and preferences and the characteristics of the successor
- Incumbent and successor are mutually dependent; both parties need to acknowledge each other's goals and concerns
- It is critical to make the goals, considerations, and fears of both sides clear and explicit; if understanding is lacking, it is difficult if not impossible, to close the deal to the satisfaction of both parties

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PLANNING FOR RESPONSIBILITY TRANSFER

- Time usually elapsed between some initial discussion about succession and the actual handover of both management and ownership control



- Intra-family succession is about 6.5 years
- Transfer to employees is about 3.3 years
- Sales are about 1.6 years

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ROADMAP EXAMPLE

		Year T	Year +1	Year+2	Year T+3	Year T+4	Year T+5	Year T+6
Age	Incumbent: Peter	65	66	67	68	69	70	71
	Successor: Ruth	35	36	37	38	39	40	41
Governance Transition								
Ownership Percentage	Incumbent	100	100	80	80	20	20	0
	Successor	0	0	20	20	80	80	100
Board Management	Incumbent	CEO	CEO	CEO	CEO	Advisor	Advisor	Advisor
	Successor	Manager	Manager	Manager	Manager	CEO	CEO	CEO
Transition of Functional Responsibilities								
Human Resources		Peter	Both	Both	Both	Ruth	Ruth	Ruth
Business Strategy		Peter	Both	Both	Both	Ruth	Ruth	Ruth
Marketing		Peter	Ruth	Ruth	Ruth	Ruth	Ruth	Ruth
Transition Miscellaneous								
Dividend		100K to Peter	50K to Peter	0	0	0	0	0

Adapted from:
(c) Thomas Zellweger,
2016

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ROADMAP ACTIVITY

		Year T	Year +1	Year+2	Year T+3	Year T+4	Year T+5	Year T+6
Age	Incumbent:							
	Successor:							
Governance Transition								
Ownership Percentage	Incumbent	100						0
	Successor	0						100
Board Management	Incumbent							
	Successor							
Transition of Functional Responsibilities								
Human Resources								
Business Strategy								
Marketing								
Transition Miscellaneous								
Dividend								

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HANDOUT: ROADMAPMING YOUR SUCCESSION

Refer *Roadmapping Your Succession* Handout. Page 2 is a single successor scenario and page 3 is a multiple successor scenario.

Single Successor Scenario

		Year T	Year +1	Year+2	Year T+3	Year T+4	Year T+5	Year T+6
Age	Incumbent:							
	Successor:							
Governance Transition								
Ownership Percentage	Incumbent							
	Successor							
Board Management	Incumbent							
	Successor							
Transition of Functional Responsibilities								
Human Resources								
Business Strategy								
Marketing								
Transition Miscellaneous								
Dividend								

Adapted from Zellweger (2016)

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Multiple Successor Scenario

		Year T	Year +1	Year+2	Year T+3	Year T+4	Year T+5	Year T+6
Age	Incumbent:							
	Successor 1:							
	Successor 2:							
Governance Transition								
Ownership Percentage	Incumbent							
	Successor 1							
	Successor 2							
Board Management	Incumbent							
	Successor 1							
	Successor 2							
Transition of Functional Responsibilities								
Human Resources								
Business Strategy								
Marketing								
Transition Miscellaneous								
Dividend								

Adapted from Zellweger (2016)

HANDOUT: YOUR SUCCESSION PLANNING TIMELINE

You can record and retain your important dates or milestones for your succession plan.

When Will I Be Ready? Succession Planning for Landowners and Businesses

Record important events for your succession plan here and check them off!

Assess Planning

Business Valuation	Date
Accounting Review	Date
Financial Statement Audit	Date
Business Plan Review	Date
Succession Plan Review	Date

Active Planning

Successor	Date
Advisor	Date
Financial Advisor	Date
Attorney/Agent	Date
Consultant	Date
Coach	Date
Other	Date

Test

Financial Statement Audit	Date
Business Plan Review	Date

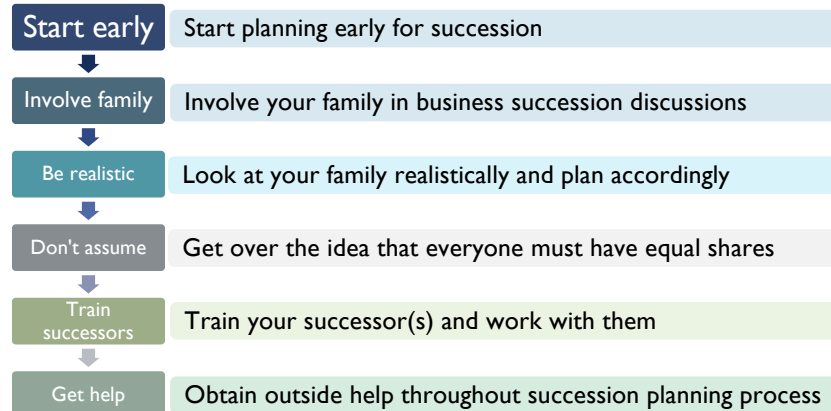
Assess Gifting (if applicable)

Gift of Cash	Date
Gift of Stock	Date
Gift of Real Estate	Date
Gift of Business Interest	Date

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PLANNING FOR SUCCESSION



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HANDOUT: STRATEGIES FOR SUCCESSION

This form will help you record and analyze your strategies for succession.

Who Will Fill My Shoes: Succession Planning for Landowners and Business

MODULE 4: STRATEGIES FOR SUCCESSION

This form will help you record and analyze your strategies for succession. Record your strategies for succession here. Include any ideas for your contingency plan.

Component	Possible Strategies
Current:	
Transition:	<ul style="list-style-type: none"> — as thought about having brother as manager but his body was for sale and never wanted to run the family — considered having more than one successor on board for decision making but decided it would be too time-consuming
Future:	
Management (day-to-day)	
Current:	
Transition:	
Future:	

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Questions

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**Please share
your thoughts.**



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