

WATER STREET SMARTS

Succession Planning Starts with a Crucial Conversation

Ken Rahjes interview with Darren Frye, President and CEO of Water Street Solutions

Q: We talked last week about protecting the future of a farming partnership. And, so as we recap a little bit, it was basically about knowing the plan if one of the partners should die or wants to exit the partnership. This week, we want to continue to build on that and discuss succession planning. So, what is that exactly?

A: Succession planning really helps the operational control of the business transition from one person who's in charge to the next person who will be in charge in the future. It's a transfer of power, and it's outlining all the steps and all the things needed to be able to do that. So in essence, it's a father transferring it to a son, or it's a father transferring it to *one* of three sons versus *all three* of them. It's outlining who does what, and how is that going to look if we brought the future to us today.

Q: Let's talk about the differences between, say, a transfer of power in a typical business and the transfer of power in a farming operation.

A: Well, you know I grew up on a farm, Ken, like you did. And growing up on a farm, we don't always have roles defined; we all do *everything*. We all get in involved in ordering seed, doing mechanical work, doing the crop plans, doing public relations with landlords and neighbors, and working together. So, a lot of times we grew up on the farm not *specializing*, but we really have a broad perspective of what it takes to run a farming operation. And that's all the people that are involved, really get into that.

But in business, in town, there are very defined roles. You might be the head of the operational side of the business. You might be the head of distribution and somebody's above you with a higher operations position. Then there's the CEO, and that's usually the dad of the family-owned business, the head or the founder who started it.

And so typically in business in an urban setting, where you're running a manufacturing business or some type of consulting business, you're going to have a succession plan that's going to, in a very detailed way, outline: "This is the person taking over, and this is the person who will be working for them in these areas of distribution, operations, HR, whatever." And so a father in town wouldn't necessarily say to his three sons, "You're all going to be the CEO some day." He picks one. He picks one based on their individual gifts, their abilities, their passions, and what he knows they have talked about over the years, and what he's recognized in those children.

On the farm, it's very different. We're not sure we *want* to single out and put one person in charge. We don't look necessarily at the talents of each individual. We say, "Hey, all of you can do all of this and you'll continue to do all of it and work together." And sometimes without that clear understanding, when the parents are absent and they've passed on and this succession plan wasn't clear, what really happens is siblings begin

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to squabble over those types of details and the next thing you know, the family splits up. They take pieces of the ground and pieces of the equipment and they go do their own thing because it's gotten too convoluted, and it's too challenging.

So that's the biggest difference I see: There's not that openness and that game plan to say this is how it's going to look, whereas in town if you have a business, you've already done those type of future exercises that can give you a better understanding and a clearer direction of where you're going.

Q: How do you start this process and have one of these seemingly tough conversations?

A: Well, you know they're tough because a lot of times we don't come to the table, lay our cards out and start having an open dialog. But you do have to trust each other, you have to have a shared vision, you have to *commit* to that shared vision, and then hold each other accountable to it. And, the biggest thing with starting any of these conversations: Be open. Be honest. Don't be emotional. Separate yourself. Don't be biased. You have to look at the individual need of your family and then the business needs of your operation when there are a lot of people involved.

One of the books that has helped me a lot in some of the dialog I've had to have is a book called *Crucial Conversations*, and I would ask the listeners to consider buying that book. It really helps you have a meaningful outcome when tensions are high. The author for that book is Kerry Patterson. This crucial conversation is something that needs to be had when tensions are high, and how do you get the most impact and the best outcome? That might give the listeners some tips and pointers on that.