Management Transitions: 
Handing Over the Reins

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"Successful management transitions don't just happen... they are planned."

—Dr. David Kohl

When a family farm or ranch is handed down to successive generations there are a multitude of potential economic and relationship issues that can derail the best-laid plans, but foresight and planning will greatly improve the odds of a successful management transfer. Most successful cases we have observed during the past 30 years were due to early and deliberate planning. Good transitions between managers leave little to chance (Table 1).

Some ranch families may think the title Chief Executive Officer (CEO) sounds too corporate for ranching and does not apply to them. On many ranches it may be “Dad” or “Grandpa,” or it could be “Grandma.” If the ranch is managed by outside talent, it may be “the general manager.” Whatever the title, there is one decision maker who carries more weight than all others and for the purpose of this discussion, that person will be the CEO. For a family ranch to make it from one generation to the next, with every CEO there must be a successor. Here again someone may say that life on our ranch is not so simple. However, one of the keys to successfully passing on the ranch to the next generation is planning for the future. Thinking in terms of “CEO” and “successor” is the first step in that direction.

The focus of this article will be on four problematic aspects of the transition process: 1) a reasoned approach to identifying the right successor, 2) open and honest communications on the ranch, 3) development of the successor, and 4) the exit of the current CEO.

The Successor

There are countless ways that the reins of a ranch can be passed on from one CEO to the next. Certainly, there are amazing stories of how someone with little insight or experience rose to the occasion and assumed responsibilities of a ranch, improving its performance and bettering the lifestyle for everyone involved. There are many more stories where this did not occur. Often the selection of the successor is left to fate or convenience. If ranch families are serious about passing on the ranch, they must realize that successors should be picked not only because they know the business, but because of their ability to lead.

Leadership revolves around vision, ideas, direction, and being able to inspire people. A leader is great not because of his power, but because of his ability to empower others. The industrialist J. Paul Getty believed that regardless of an executive’s intelligence, knowledge, or experience, if he could not achieve results through people, he was worthless as an executive.2

Some people find themselves being a successor because they live at the ranch, or perhaps out of out of a sense of guilt or loyalty, or to avoid being disinherited. Still others are successors because it was the path of least resistance. Others could not get another job elsewhere offering the same opportunity or lifestyle. In some cases, the problem of choosing the right successor occurs because it is impossible for parents to be objective when assessing the skills, abilities, and competencies of their children. Although occurring less frequently than in the past, primogeniture, the exclusive right of inheritance by the eldest son, may be the deciding factor. If successors are not objectively chosen on merit, they may not be capable of handling the position of the ranch’s CEO.3

Two pioneering management studies, both published as best-selling books, Good to Great and First Break All the Rules: What the World’s Greatest Managers Do Differently, reached the same conclusion. Businesses became great by getting the right people in the right jobs, doing the right things, and by getting the wrong people out of the business.4 This may mean that a family has to recognize that a younger son or a daughter has the best leadership qualities. Perhaps the family sees that only outside talent can keep the ranch in the family for another generation. These are hard questions to answer, but ranches have a much better chance of lasting another generation when the successor is objectively selected and prepared for the position of ranch CEO.

Communication

Good communication and interpersonal relationships are imperative to overall ranch performance and sustainability. Although poor business decisions can cause the ultimate