

# *TRANSITION MANAGEMENT IN THE WILD WORLD OF GLOBAL ECONOMICS*

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Road Warrior of Agriculture: [www.cornandsoybeandigest.com](http://www.cornandsoybeandigest.com)

# ***New Normal in the Wild World of Global Economics***

- black swans “tail risk”
- volatility in extremes
- more opportunity to succeed or fail
- widening the gap of profitability
- proactive “HUT Principle”

# *The State of Global Economies: Percent of World GDP*

<b>Developed/Rich Nations</b>		<b>Emerging/Growing Nations</b>	
USA	23.6%	China	9.3%
Euro Sector	26.0%	Brazil/Russia /India/S. Africa	<u>8.6%</u>
Japan	<u>8.3%</u>	Total BRICS	17.9%
Summation of Developed	57.9%		
		South Korea	1.6%
		Indonesia	1.1%
		Mexico	1.6%
		Turkey	<u>1.2%</u>
		Total KIM-T	5.5%
		Summation of Emerging	23.4%

# *Supersized Supercycle*

- half of world growth in emerging nations
- BRICS & KIM-T's = U.S. economy (as a % of world GDP)
- ethanol & biofuels
- oil, gas, & minerals
- low value of dollar
- low interest rates
- minimal opportunity for investments
- 320/260/60 rule
- mother nature/production concentration

# Global Economic GDP Growth Assessment

Fill in current status and check **green**, **yellow** or **red** for each region.

<u>Location</u>	<u>Current</u>	<u>Green</u>	<u>Yellow</u>	<u>Red</u>
USA				
Europe				
Japan				
BRICS Nations* KIM-T Nations**				

\*Brazil, Russia, India, China, and South Africa

\*\* South Korea, Indonesia, Mexico, and Turkey



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# *Fast Facts about Long-Lived Businesses*

- one in three businesses are second generation
- 500 to 1 chance of reaching sixth generation
- oldest business in U.S. is 400 years old
  - former student is 11<sup>th</sup> generation
- larger farms in revenue have lower exit rates
- European/U.S. farms have 27% to 40% exit rate in a five year period

# Qualities of Long-Lived Businesses

- “Core values count!”
  - strong sense of values shared with family members, employees, customers, and suppliers
- frugality
  - conservative on debt
  - strong liquidity
  - profit plan
- transition/planning
  - incremental changes
  - continuous changes
  - astute planning
- development
  - staff and employee development
  - deliberate in identifying successes
- relationships
  - long term relationships with employees, customers, suppliers, & community

# *Pitfalls of Transition*

- no job responsibilities, wages, compensation plan, or fringe benefits in writing
- younger generation taking over an unprofitable business
- younger generation acquiring rusted out, worn out & faded out assets
- assuming non-farm sibling has no interest in farm assets
- sole source of income in retirement is sale or lease of farm
- assuming estate plan is a transition plan
- overemphasis on type of business structure
- assuming the older generation dies first
- procrastination, divorce, or long term health care



# *Rules for Business Transition, Growth, and Evolution 1*

- resource assessment of land, facilities, livestock, & machinery for estate
- profitability of the business
- community assessment
- independent and written goals of each generation
- skill assessment of existing & new members
- development of business plan
- living arrangements of each generation
- 50% of older generation's income in retirement from Social Security & off-farm investments

# ***Rules for Business Transition, Growth, and Evolution 2***

- 3 to 5 year rule for younger generation
- 6 year rule for younger generation
- disgruntled daughter/son-in-law
- advisory team/facilitator
  - an investment, not a cost
- transition timeline, job responsibilities, and compensation
- 3-1-1 rule: fair and equitable, not equal, treatment of siblings
- required reading – *The Ultimate Gift* by Jim Stovall