



it wants to attract the best director candidates possible. Creating this type of culture can improve your recruitment efforts to attract the best qualified people for your board of directors.

### **Developing Board and Managerial Candidate Skills**

Developing board candidates with the proper skills required to lead the business forward has become an important activity for value-added businesses. This may also apply to the CEO and other managers. Essentially, you are developing the future leaders of the organization.

This development of people can occur internally, within the business, rather than with individuals outside of the business. Internal leader development is effective and efficient from a business cultural perspective. Research shows this is the best strategy for developing talent. So the board should be exposed to several individuals within the business who might be candidates as future leaders of the organization.

After these individuals have been identified, the board members need to meet them. They may be selected to give monthly reports at board meetings. They may participate and interact with board members at business retreats. This process allows a relationship to develop between the individuals and the board members that helps the board to make the best selection of future leaders.

If we examine the supply and demand of qualified workers in rural areas, we find that fewer people are graduating from rural high schools that typically went into these positions. At the same time there are larger numbers of pending retirements. So there is a gap between the supply and demand of talent in rural areas. Finding capable leaders and employees for value-added agricultural businesses is becoming increasingly difficult.

Some value-added businesses are moving their headquarters to locations where it is easier to recruit managers and directors. These are usually cities with an existing pool of potential candidates. You

don't want your employees driving long distances to work because of high fuel prices and the time constraint it puts on people with families. Ideally you want the headquarters located in an area where there's a large supply of people suitable for leadership positions and other jobs in your business.

This can be part of the succession planning process discussed below. Identifying key positions within the organization and determining how you will develop capable candidates for these positions is an important process. This is increasingly important as your business begins to expand.

### **Succession Planning**

Succession planning for business leaders is an important function of boards of directors. Many boards are grappling with succession planning and how to develop a succession plan for the future leaders of the business. There have been several studies documenting the pending retirements of many agricultural leaders, organization leaders and agricultural business employees.

Another aspect of succession planning is how to raise the question of succession planning with the CEO without giving the impression that the board is dissatisfied with the CEO. When you have a long-time manager in the organization, the board often feels uncomfortable raising the issue of succession planning. Conversely, the managers may wonder why the board is bringing up this topic.

A good board practice is to discuss succession planning as part of the manager's annual evaluation process. It can be introduced by asking the question, "What happens if the manager is hit by a car on his/her way to a board meeting" or "what happens if the plane goes down with the manager on board"? In other words, how will the organization function if the manager is no longer available due to some unexpected happening? Even though these types of events are rare, it provides a way of introducing the topic without making the current leaders uncomfortable.

Another question is how to go about succession planning at the organizational level, as value-added companies get more and more complex (we find some with 200-250 employees). With this size and scale, you've always got jobs open. It's important to have an on-going education program to prepare future employees in this job environment.

- Introduction to Governance – C5-70
- The Role of the Board of Directors – C5-71
- Board of Director Evaluations – C5-73
- Business Strategy and the Board of Directors – C5-74
- Governance Issues Unique to Start-up Businesses – C5-75
- Board of Director Educational Needs – C5-76

---

**... and justice for all**

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, gender, religion, age, disability, political beliefs, sexual orientation, and marital or family status. (Not all prohibited bases apply to all programs.) Many materials can be made available in alternative formats for ADA clients. To file a complaint of discrimination, write USDA, Office of Civil Rights, Room 326-W, Whitten Building, 14th and Independence Avenue, SW, Washington, DC 20250-9410 or call 202-720-5964.

Issued in furtherance of Cooperative Extension work, Acts of May 8 and June 30, 1914, in cooperation with the U.S. Department of Agriculture. Jack M. Payne, director, Cooperative Extension Service, Iowa State University of Science and Technology, Ames, Iowa.

---