

Succession – where to start.

A friend of mine has a poster on the wall that says “it takes as much planning to safely get down from a mountain as it does to climb it.” This also applies to business development and succession. It takes time to plan succession properly and it takes time to execute succession properly, so you need to start early. But that is not what we observe.

The issue of succession planning is no longer confined to an intergenerational problem within a family where a younger generation want to run and own the farm. Now many families have no children that are interested in going farming and yet the parents have built a very sizable asset and want to leave much of their equity working in a business they love and understand. In this latter case succession is a transition of operational management, (responsibility) and governance (control) and eventually ownership to non-family.

Why is it that farmers / farming families leave it so late to start putting in place a succession plan – often waiting until there is already a crisis of some sort.

Probable reasons that farmers do not start early;

- 1) Don't realise it takes so much time
- 2) Too busy building the business
- 3) Too busy enjoying operating the business.
- 4) Parents assuming what their children's aspirations are.
- 5) Don't think that there is any need to do this until the children are much older when we will know if they are interested in farming.
- 6) We have got a large amount of tax credits that we want to use up before we move to our children having an ownership stake in the business. (not sure this is a reason, but will leave that to you if your feedback says it is.)
- 7) It all looks too daunting and don't know where to start.

Or could there be other deeper underlying obstacles and questions?

- 1) Succession “implies the “passing of the baton” when you're spent!” and I am not ready to concede that.
- 2) We have been able to build the farm business so that it is financially big enough to support several families but are the next generation skilled enough to manage such a large business?
- 3) Where do I get my identity from if the farm is run by someone else?
- 4) How will I feel if they do it better than I was doing it?

- 5) What am I going to do with myself?
- 6) How will I feel if I find out that our businesses is not big enough to make family succession possible?
- 7) What will happen to the social status of the family if the next generation don't do this well?
- 8) What am I going to do that is as much fun if I hand over the farm to someone else?
- 9) What can of worms will we open when we start to talk to each other and our children and their partners about all this?
- 10) Assumptions about what other family member's needs and aspirations are.
- 11) At the moment the family relationships seem fine – if we get this wrong we could split up the family. If it is not broken, why fix it?
- 12) Some families have a long history of not communicating with each other
- 13) What is the difference between equal and equitable?
- 14) How can we make it fair between farming and non-farming children because it is the farming family that takes all the risk and so shouldn't they get a greater share of the reward?
- 15) Should our children's significant others be involved in the conversations?
- 16) We don't trust our child's partner.
- 17) Is our family accountant or lawyer really the only/right person that we can go to to have these discussions?
- 18) Who are other skilled people that can help in this process?
- 19) What is the process?
- 20) We are not ready to relinquish control
- 21) We didn't realise the extent or the implication of the significant wealth we have created.

Our contention is that the issues in this long list are the real reasons that farmers don't address the succession issue until most of them are forced to in some way rather than the initial 7 points frequently used.

After reviewing the extensive list of possible reasons why farmers are slow to begin working on a succession plan it is clear that;

- 1) That parents that are able to socialise the activities of the business “across the kitchen table” with their children from a young age are preparing the family well for the conversations that they need to have as adults.
- 2) It is very unlikely that there is just one “off the shelf” solution that suits all or even most businesses and situations.
- 3) That for the process to be embarked upon with a high chance of success all family members need to come with genuine goodwill to be positively involved in the process and understand how important the process is . (past or present tense??)
- 4) That the people with whom a family need to work with need to be very skilled in facilitation, is trusted by all the family, has the ability to create “ a safe discovery of views” and then find the common ground upon which to build a much broader agreed future for the business and family. These are not the technical skills of an accountant or a lawyer etc, these skills are needed much later in the process. The skill of this person is in facilitation.

Whatever the reason for the delay, the key to a successful conclusion is to start. The start must begin with communication to discover an understanding of everyone’s views, goals, aspirations and needs.

To achieve this, there are key sets of questions to be asked;

Firstly of the parents

- 1) What are the core family values that you want to see strong into the future?
- 2) What do you feel is the purpose of the business?
- 3) What future do you want for the other members of the family? How could this be achieved? What would it look like?
- 4) What future do you want for the family business? How could this be achieved? What would it look like?
- 5) What future do you want for yourself?

Next for each of the children in separate conversations

- 1) What are the core family values that you have been brought up with?
- 2) What future do you want for the other members of the family? How could this be achieved? What would it look like?

- 3) What future do you want to see for Mum & Dad? How could this be achieved? What would it look like?
- 4) What future do you want for the family business? How could this be achieved? What would it look like?
- 5) What future do you want for your own business? How could this be achieved?
- 6) What future do you want for yourself?

These are “discovery questions” and a skilled person will take these first opinions, edit them, give back to each person for confirmation, edit some more and then share with the family in stages.

The intuition and skill of the person pulling all this together are critical because they need to be able to “see through” the reaction of some people and identify when the things that are voiced are based on assumptions, which lead to statements by others being wrongly interpreted and further comment made on this basis. They also have to be able to identify when people are saying things they think others want to hear and are not saying what they are actually thinking. They have to be able to “read” people very well.

If this is done well the “discovery phase” should result in a strengthening of relationships within the family and an understanding that they have more aspirations in common than different. This then becomes the platform of a new agreed understanding about the future and what each person’s real involvement in all of this is going forward.

One of the successful outcomes could be a family charter. The other is that finally a working succession plan can be built.

In conclusion the process of getting started on succession planning would also be much easier if we had a different understanding of succession plans.

To paraphrase Paul & Juanita Marshall, “One that is no longer represents the handing over the baton to a new generation once the older generation had run its dash.” Instead we should think about a succession plan as a way of creating the room and certainty for the next generation to contribute and to also create space for the older generation to continue their on-going contribution to a shared vision of the future.

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