



SUCCESSION PLANNING

FAMILY TIES SUCCESSION PLANNING

Succession planning in relation to Agriculture, farming and commercial enterprise is a complex and sometimes daunting task, but the benefits of families working together are real and the idea of a family legacy living on through generations is hard to ignore.

Research tells us that 80% of small to medium size enterprises are family owned, with many already having several generations involved in their businesses. Unfortunately, the same research tells us that many business owners and farmers put off succession planning because they are too tied up in the day to day issues of being a business owner or simply don't want to think about their mortality.

Succession is a complex process, it is very personal and there is no one right solution, especially with many personalities involved. This is exactly why it is important to think of now and not when you are hit by an issue outside of your control, especially regarding health.

The stakes are high because family relationships can be at stake, conversations are personal and often confrontational. Our natural tendency is to avoid such conflict, especially as families, but you need to accept that crucial conversations must be had and there will be a level of fear, anxiety, and anger, as not everyone is going to get what they want or think they deserve.

Working together, making decisions together, communicating together and not running for cover will see the right result in the end.



Building a Sustainable Business

An important part of any succession plan is building a profitable platform from which to launch. A solid foundation, good structure, manageable debt, good cash flow and strong governance are all important factors. After all, if you want your legacy to carry on long past your day to day involvement, we need it to be successful when we hand over the reins.



The Right Strategy for You

There are many ways you can structure your succession plan but first and foremost you must recognise that having a plan is important. Many if not most family businesses have not clearly communicated their intentions or written anything down, which creates speculation and assumption. Making assumptions about your family's interests, capabilities to be to be involved and desire to be a part of the family's interests is dangerous. You mustn't assume that just because family members currently work in the business, that others don't aspire to do so. It is best to enter the process with few preconceived ideas and be open to whatever is thrown in your direction.



Spanning the Generation Gap

Remember we are dealing with veterans, baby boomers, Gen X and Gen Y personalities, values and cultures, each with a different communication style.

Generational knowledge is an important asset in a family business. It is easy for the founding generation to forget to pass on their years of knowledge, assuming that future generations have it in their genes. Generational knowledge is gained over many years of making tiny adjustments in seeking perfection and founding generations are typically not great teachers as they are blissfully unaware of how much they actually know.

Plan to ensure the incoming generation have the time and opportunity to develop the necessary skills to take over the family business

The younger generations approach to life is different and therefore it is important that they bridge the generational knowledge gap, which has significant value.

Communication is a skill that all businesses need, but none more so than family businesses. It is hard to sit back and watch others do the same task you have been doing for many years, especially if it is done differently. Don't necessarily expect the younger generation to work longer and harder than you have, it takes a lot more effort to build a successful business than it does to take over a successful business. The new entrants will bring with them new ideas and technology so embrace the change as you develop the plan.

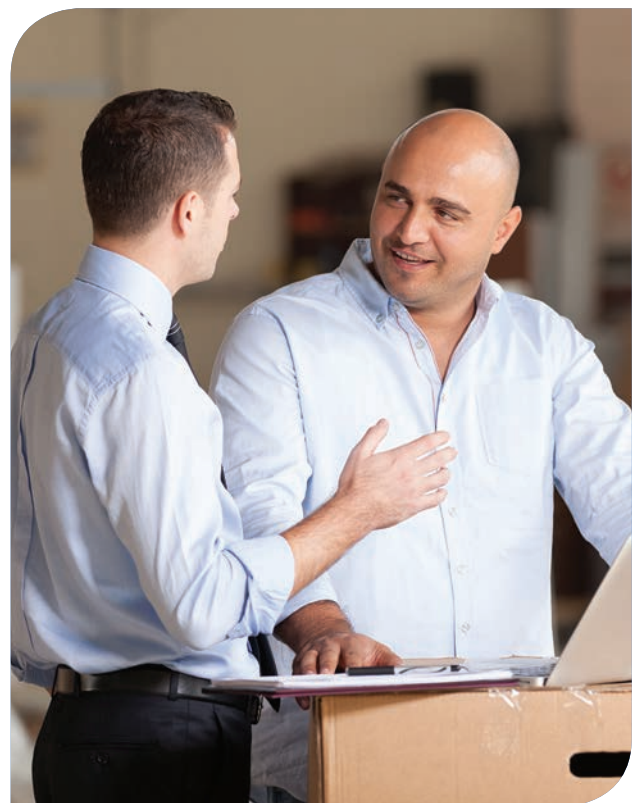
When a family can harness the wisdom, experience and respect of the older generation then the results will be unbeatable.



Engaging a Professional

It is most advisable to engage a professional when developing your succession plan, being the go-between and chair-person for the many family meetings that will likely take place. With many individuals and personalities involved, this process takes time and communication is vital.

When is the right time to engage a consultant? Almost certainly the time is now, but because it is a family business the dynamics are different in succession. The consultant is being invited into the family and must be able to interact, interpret, understand and be sensitive to the entire environment, not just the numbers. Succession is not a quick process, there is a lot to consider and it will likely take two years not two months so it is best to crack on with it earlier rather than later.





Step by Step

The purpose of a succession plan is to take the shared vision of the family and make it a reality. It does this by looking at when, where and how and identifying the steps necessary to achieve their goals. The first step is to break the business down into ownership, management and governance. This is especially important if some family members already work in the business and others intend to come and work in the business... there can only be one boss.

This allows for the transition of roles and ownership as the outgoing generation steps away and the incoming generation step in.

It should be said, that even though succession is a difficult process and robust debate will certainly take place, this is not a good enough reason to put it off.

Consideration must be given to how the succession is funded, are the outgoing generation going to leave funds in the business or do the incoming generation have the ability to fundraise independently? If the outgoing generation leave money in, what is the structure for paying it back?

Family businesses succeed through the passion and commitment of the owners but don't let passion get on the way of change. Many outgoing generations put their families through university and encourage them to seek new skills with different employers to give them exposure to new ideas and philosophies.

The incoming generation has to be able to take the business forward, not just over, or the legacy will be lost forever.