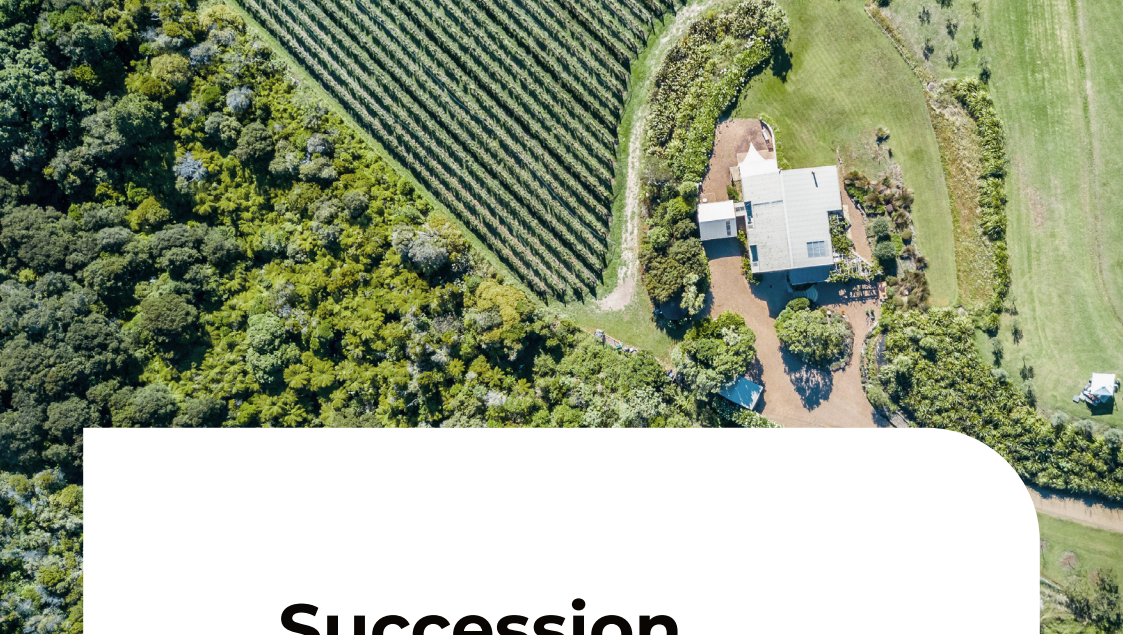


Succession Planning

The **9** Most Common Mistakes
made by Rural Families
and How To Avoid Them





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In this booklet, we've drawn on our 100+ years of collective experience in succession planning to identify the nine most common mistakes that farming families make, and how to avoid them happening to you and those you love.

Introduction

Inter-generational farming families are at the heart of New Zealand's primary sector, but even after all these years of transitioning from one generation to the next, we don't often do it well. Instead, succession planning becomes "the can that is kicked down the road" because of fear of the unknown or difficulty in getting started. As a result, relationships suffer, sometimes irrevocably which is the worst possible outcome for families who want their family unit to stay intact as change occurs around them.

What exactly is Succession Planning?

First and foremost, it's not simply about 'who will get the farm' – it's much bigger than that! Rural Coach's Dani Darke has described Succession Planning as the process of understanding the aspirations of all family members, discussing topics like value and equity, making decisions around the farm's future ownership, bringing the next generation through onto the farm in a planned and considered way, and helping the current owners take the next step into a new stage of life.

These are obviously big topics and they're not to be taken lightly. Authentic and honest conversations are required, together with an overarching awareness of why you're embarking on this process. While succession planning can be difficult to navigate, the alternative can be far worse in terms of mental health, relationships, or an unexpected event suddenly throwing your family's aspirations into disarray.

Let's have a look at the nine most common errors that are made, so you can learn from the experience of others and apply a best practice approach to your family's planning.

1

Waiting too long

None of us have a crystal ball. What we expect to be a smooth and simple transition can be disrupted due to life events or changes in circumstances that we haven't even imagined.

That's why we advocate for people to start their succession planning early.

Being proactive with your succession planning gives you time and options.

It also gives you the ability to include everyone in the process, and to make sure all voices are heard.



“It’s important to recognise that a Succession Plan is not a box ticking exercise. Circumstances change and so it’s important to have a written document which requires regular reviews. By having this in hand, you can celebrate successes, identify changes and adapt the plan as needed.”

Matthew Pickering - Coach

2

Not including everyone in the process

Effective succession planning is not just about what the current owners want. It also includes hearing from the next generation – whether they be on or off farm.

For those children who are back home to work on the farm, they will be looking for clarity as to where they fit in with regards to the farm's future.

For those who haven't come home, it's inevitable that questions will linger over their involvement and where they fit into the frame too.

This situation can lead to conflict or friction at a family level with feelings likely to fester over time, resulting in resentment or an inability to participate fully in the succession planning process when it is eventually started.



“I've worked with many situations where the children that are not going to take over the farm have been fully supportive of their farming siblings to get 'more' than them to ensure the farm stays in the family. Sometimes this doesn't hold true so we need to provide a safe environment where brave conversations can be had in a respectful manner.”

Sarah Barr - Coach

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Not giving Succession Planning the time it deserves

In terms of timing to allow for this process, there's no perfect time or timeframe, but it is critical that the conversations are held while there's sufficient time to think, discuss and explore options. That way, a smooth transition or outcome can occur, rather than decisions having to be made under urgency, with high emotion involved, accompanied by probable stress and duress.



“Having sufficient time to walk through a process is the best determinant of future succession planning success. There are big decisions to be made and often this means lifting the lid on layers of assumptions and emotions. My recommendation is not only to start early, but to allow time for each step in the process so that your plan is considered and done well.”

Dani Darke - Coach

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Not creating a safe space where everyone can be heard



Often families think they can conduct a Succession Planning process themselves and they really do have the best intentions in doing so. However, there can be unspoken power gradients in a family that may cause people to stay quiet.

For example, with dad chairing the meeting, are you sure that you've really understood your daughter-in-law's point of view, or has she kept quiet, not wanting to step on any toes, or feeling it's not her place to have a say? Has mum been really open about what she wants, or has she been playing the role of peacemaker?



“Every family has its own dynamics and behaviours and having someone neutral in the room, keeping the conversation moving forward is really important.”

Chris Coughlan - Coach

5

Assuming the outcome



Farm succession planning is a process of determining the future of your farming assets, however, this doesn't necessarily mean simply passing the farm on to the next generation.

For example, as you go through the process, you might decide as a family that you are best to sell the land or pursue another option.

The worst thing you can do is assume a *fait accompli* from the start, as this can negate the process and close your mind to all possible options.



“It’s important to develop a safe space where aspirations can be shared and understood. The next step in the process is to explore and develop options – and to then uncover preferred pathways that work for everyone.”

Brett Robinson - Coach

6

Not being realistic

It's important to align expectations with reality; for example, transitioning an unprofitable business forward to the next generation will not be feasible.

Creating a shared vision for the family that everyone has had input into is crucial to the plan's efficacy. We all know families where succession planning is the elephant in the room, or has only been addressed when things have started to go a bit pear-shaped. Be courageous, and get the conversation on the table. This could mean upskilling family members around the financial aspects of the business.



“In one example, I worked with parents who wanted to settle three children into separate businesses, but the existing equity was only meeting the parents' needs. In this situation, an important part of the succession process was resetting expectations so that everyone at the table understood what the land could reasonably deliver and sustain.”

John Redpath - Coach

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Not adopting a “Values Based” Approach

It's almost impossible to have honest and authentic conversations if you don't come to the table with an understanding of your own values and how they shape you, together with a genuine desire to understand the values of those around you.

One of the best ways to understand your values is to undertake a Values Discovery Questionnaire. There are no right or wrong answers in these questionnaires, but they do require your honest responses to get the most from them.

Starting Succession Planning with a Values Discovery review means that everyone brings their real self to the process, which eliminates any commonly held assumptions that can otherwise derail the process.



“My best advice is to start by understanding your own values and the values of those you love. By understanding what makes you tick, and what makes others tick, you can meet them where they are, and start to have conversations that are authentic and real.”

Scott Neeley - Coach

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Not using an Independent Facilitator

Effective succession planning works best when there is an independent facilitator who has the trust and respect of everyone at the table.

When choosing this person, you want to know that they have experience and expertise in this field. You also want someone who is independent from all members of the family, so that there is no unintended bias.

In the past, farmers have gravitated toward their accountant or lawyer to help them figure out 'what next'. There's a growing realisation that accountants and lawyers do not always have the experience to gently guide families through the succession pre-planning conversations.

That's not to say that there isn't a role for accountants and lawyers in Succession Planning. There will be decision making that needs documenting, and financial and legal structures that need refining or revisiting.



“Most families are grateful for our experience, expertise and structured process. They also value our independence, seeing us as one step removed from their traditional advisors who often have stronger or more enduring relationships with one or two family members.”

Rob Hewitt - Coach

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Not putting things in writing

If you treat succession planning as a process that can be discussed individually with family members, or wrapped up over a Sunday roast, then you are not being fair on yourself or your family members.

Ultimately, you want to invest the time and energy required to develop a plan and then you want to formalise it in writing, with specifics documented and accountability steps included.



“Some say that succession planning should start the day you buy your farm so that every strategic decision is made with the end in mind! Realistically, there’s never a better time to start than now, even if it’s simply to raise the subject with your family and to seek their endorsement to get the process underway.”

Ashley Burdon - Coach

Who are we?

At Rural Coach, we are rural New Zealanders just like you. Our core focus is creating safe environments for personal and professional learning and development. With our support, you can have the future-focused conversations that matter and bring everyone in your family or business along with you.



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Case Study

The Bourkes from Te Puke

John Bourke (Dad)

For me, the Succession Planning process with Rural Coach was really all about **finishing off something that we had started as a family, but we didn't really know how to conclude it effectively.**

In terms of what we wanted to get out of it when we started, it was about making sure there was no family animosity when we 'fell off the perch' so to speak. A lawyer once said to me that "you can't rule from the grave, but while you're still here, you can make sure that you've got things right". That really sparked a light for Raewyn and me, and it spurred us into action to make sure we got things done properly so that things were fair and equitable for both our children and their families, because they too had all made sacrifices to get the family business to where it is today.

The thing I liked most about the process with Rural Coach was that it was open, honest and transparent with no animosity along the way. They started by having each family member complete a survey which was done individually and

in confidence. Then we all came together to go over the answers and to quietly work our way through their guided process. Our Coach had a remarkable ability to draw things out of people without getting them upset or uncomfortable, and there was never any feeling that you were being rushed or pressured.

At the end of the process, the thing that I felt most of all was peace-of-mind. "It was like we all went into a safe bubble when we shared our answers and then from there, it was everyone in the bubble working together to develop up our eventual plan."

If friends ever ask me about Rural Coach, I tell them they were easy to talk to, and that it's a wonderful feeling to now have things sorted, before it's too late.

Our process took over a year and throughout the period, I always felt like we were working toward a solution to succession. Overall, it was a "pressureless process" and one I would highly recommend to others in the kiwifruit industry who want to get it right.



Succession Planning

With Rural Coach, all your bases are covered, everyone is listened to, and by working through their orderly process, your decision making is just so much easier.

Aidan Bourke (Son)

Using Rural Coach was the best decision, because they focused on everything at a holistic level - which meant not just looking at the legal and financial aspects of the family business, **but also getting us to talk about the social, psychological, and environmental things that were important to us.** I found that side of it really interesting as it opened my eyes to hear the answers from each person in our family, and it made it a lot easier to make decisions that took into account everyone's views and priorities.

In terms of their style, I thought that they were incredibly perceptive, recognising when it was important to probe further to get someone to say what they wanted to say. The other thing that was really good was that the meetings happened around the family table, with our Coach keeping everything on track.

For our family, it was largely smooth sailing because we'd had loose conversations in the past, although there were a couple of things said that rocked the boat, but even then, we were given time to reflect, and the forum and process meant that

there was never an opportunity to get upset.

Our family found the process endorsing and more than anything, it was a relief to know where we were going. While we all had a fair idea beforehand, Rural Coach turned a rough game plan into a clear vision with surety. For my wife, it meant that she could be at ease around where we were heading. And for my parents, it was really good because they'd worked hard to achieve what they had, but in terms of 'what next' they wanted to be mindful of what everyone in our family wanted.

If someone asked me about getting Rural Coach on board, I would say 'do it' and 'take the time to do it well'. Don't rush it and don't try and do it alone or with a legal or financial advisor only. You want to dig into the psychological aspects of it, so that the outcomes are significant and final for everyone.

With Rural Coach, all your bases are covered, everyone is listened to, and by working through their orderly process, your decision making is just so much easier.



RuralCoach

**Helping rural New Zealanders have
the conversations that matter.**

Confident farmers achieving their dreams

Ready when you are

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