

Facing the fear, family and future

By Denise Landow

With all the raw emotion and potential for hurt – discussions around succession planning can turn into hurtful arguments and families being ripped apart by unfairness, be it real or imagined.

Matthew Pickering, a succession planning specialist, has for many years sat around the table with families and knows the delicate issues involved, and the pain that can be avoided with the right strategy in place.

He says that all too often families don't know how to start the conversation around succession planning, even though the subject is so critical to the long-term well-being of a family and its business interests.

A barrier to talks beginning may be that parents are

scared of rejection, he says. They hold onto the assumption that a son or daughter will pick up the mantle when requested, however, the reality can be that children have no interest in continuing in their parents' line of work. Subconsciously parents realise this unpleasant reality, which they fear to face.

Many parents just assume their children will take on the farm and don't say anything.

"Where parents try to raise these delicate issues but the conversations aren't handled well – by some or all of the parties involved – the outcome becomes a minefield for hurt and damaged relationships," explains Matthew.

Parents also don't know how to display their vulnerability by admitting three key things:

- They don't know what the next phase of their lives looks like.
- They have few to zero options, interests or even a purpose beyond what they've been doing for a lifetime, and can no longer do.
- That no formal planning for succession has been considered or undertaken.

Sometimes adult children establish lifestyles elsewhere and are busy creating their own future – not necessarily wanting to 'come home to the farm' when their parents can no longer manage.



Matthew Pickering – farming succession planning specialist.

This puts the farm at risk of being sold – which may itself be a valid succession plan outcome. However, this still leaves mum and dad having nothing to ‘replace’ it with, and no meaningful focus.

TIMELY TRANSITIONS

For these reasons, an independent, experienced facilitator can help the family formulate a plan and manage the necessary transitions that everyone can work towards.

Succession planning philosophies are also changing. The traditional ‘eldest son gets handed the farm’ mind-set is now a relic of the past. There’s new thinking about how properties are transitioned to the next and future generations.

The advances in farming technology and age longevity are enabling parents to be actively farming well into their sixties. Realistically they may live another 20 or 30 years.

Devoid of estate and succession planning, any inheritances for children may not accrue until the children themselves are past the time when such capital can be fully leveraged. Without planning, in these situations, the benefit of wealth transition may miss the current X generation, being passed over to the benefit of the Y generation.

At first glance, succession planning is merely a transfer of physical assets and debt, however, once the process begins other realisations soon become clear.

For example, Matthew handled one case in which the parents had generated \$22 million in equity during their working life. The mother told Matthew, “I would give it all away for my two sons to be talking to each other, and getting on again.” The value of family unity, to this mother, was beyond priceless. Emotional and ethical issues are as important as land and buildings.

Critical factors to get right are tied to intangibles, such as strong aspirations to leave the much-beloved farm with a nice tidy bundle of purpose, meaning, dreams, and even feelings of confidence and security. Preparing well for a confident and smooth handover is a logical conclusion to the countless hours of work, sacrifice, enjoyment and future health of all concerned.

Awareness of the importance of succession planning is increasing, he says.

EARLY HURDLES

Picture this – an important family meeting, all gathered at mum and dad’s place, the roast steaming and the knife about to do its work – a symbol for the carving up of the family fortunes around the dinner table. All sorts of images flood

the mind – only a TV sitcom could do it justice. What usually doesn’t come to mind is a calm, friendly and reasonable discussion among family members who just completely agree on everything – that’s a farming fantasy.

Facing the future means having family conversations that have probably not taken place for 30 or 40 years. It’s the proverbial elephant in the room, but this beast can be dealt with one bite at a time. Matthew says that, understandably, most people don’t know where to start.

“A facilitator provides a framework for families to have early meaningful conversations about succession – which can be the difference between business growth or complete exit.”

Succession planning – “It’s such a big area that it can mean different things to different people,” Matthew explains.

Beginning with the end in mind is the logical and only real place to start. Getting clear and aligned on the family’s purpose and vision make it much easier to determine what path to take and what options are the best options. >>



Rural Succession Planning ‘Making it happen’

Not sure how to start or how to keep going?

Our nationwide team of professional facilitators can help you move forward.

We offer:

Independence from conflicting positions around ownership and family relationships.

Experience from over 350 years of practical first-hand dealing with the challenges and opportunities that working in rural business provides.

Specialists solely focused on rural business and strategic planning, rural succession planning and rural governance.



For a complementary conversation about your rural business and family, connect with us at our

www.ruralcoach.co.nz

‘contact us’ page.

>>SUCCESSION PLANNING

RULES OF ENGAGEMENT

One of the first steps is for all concerned to gain agreement with family members on the 'rules of engagement' – right from the start. Part of this agreement is how to deal constructively with conflict.

An independent facilitator can help. Such professionals are not conflicted by family relationships or ownership. They have no vested interest in the outcome, other than to get a successful resolution for the parents, and therefore the entire family. An effective facilitator brings the difficult conversations to the table without compromising the process or the people involved.

They work one-on-one with individuals. Sometimes this can be assistance in planning for those upcoming conversations in strained spaces by coaching family members to be courageous, while also displaying due consideration for other parties.

Parents (dads in particular), have to get their heads around letting go. Their daily tasks are no longer tied to the clockwork of the farm. It's important their retirement days are filled with meaningful purpose. Adult children also have to understand what their parents are going through.

EXAMINING EVERYTHING

Any succession planning process takes time, and it varies depending upon many matters.

Two words are always at the forefront: assumptions and fairness. Both need to be peeled back and understood. Size of family, the strength of relationships and geographical location of family members can also be important because some adult children live overseas.

“Collaboration, teamwork, synergy are nice words to hear, but it’s even better when family members model and live these behaviours.”

Any previous succession planning work can be dusted off and re-examined.

Matthew says succession planning specialists have developed their own processes because no one size fits all. His company, Coach Approach Rural, has 11 key steps.

“Not all will be relevant for every situation, however at the start it’s valuable to consider them all.

“The parents’ needs are the priority. We begin with conversations to uncover what matters most in respect of themselves, the family and the business. The children and their partners are interviewed in separate conversations.

“This information is then shared so that all are on the same level of understanding.”

The next order of business involves helping the parents get clear on their vision. Family values are confirmed and the non-negotiable foundations are laid down. This paves the way for the professional team, i.e. bankers, accountants, solicitors and farm consultants to provide their expertise.

Accountants and solicitors have skills in their own field, and succession planners bring them into the process when required.

Action plans are developed, including set times for monitoring and reviews.

FAMILY COACH

Matthew sees himself as a facilitator who uses a combination of leadership skills including coaching, mentoring and teaching. His team’s members all have an in-depth understanding of the agricultural industry, strong relationship expertise, along with independence, professionalism and experience working with families through conflict to success.

Once any resistance to the process is worked through, the family then engages with each other, sharing their individual perspectives. Such openness creates trust, constructive conflict and unity.

When family members are motivated to learn new skills for a particular role, such as operations manager or director, then appropriate development plans are put in place to support their confident growth into these leadership jobs.

Collaboration, teamwork, synergy are nice words to hear, but it’s even better when family members model and live these behaviours. The rewarding part for Matthew as a professional, is that the whole family benefits in so many ways.

“It all starts with trust, and what a great value to springboard a family from,” he adds.



Getting thoughts down on paper is an important part of the process.

Given the opportunity, new generations bring fresh vigour, energy and ideas. These can revitalise a family business and provide the means for the aging parents to step back.

The combination of youthful vigour and aged wisdom often increases business performance.

How do families feel once they've worked through the process?

"Mostly relieved," Matthew smiles. "Other feelings and emotions include security, being safe, contentment, purposeful, engaged, valued, respected and focused."

Group unity and strong relationships are the most common needs and outcomes sought by families, he says. Without these, the purpose and achievement of the family business are tarnished.

Only a generation ago, farms were passed on to one or more children. Equity, being value in dollars, did not happen and achieving fairness was often by good luck rather than good management. With proper succession planning and time on your side to do this, children can feel they have been fairly treated. A formal plan is created with clear outcomes that everyone can understand and live with.

For example, nowadays, where equity is not equal, a good and fair result still can be achieved. Such planning can take into account the many forms of support, education, mentoring, babysitting, proximity to parents, elder care, custodianship of future inheritance, and so on.

Given New Zealand as a farming nation is less than 200 years old, notions and the practical tools around succession planning can be considered from more established countries.

For example, in Europe time horizons for family succession span 300 to 500 years. For such enduring family businesses, expectations around ownership are replaced with notions of custodianship and the privilege of playing a part in the continued sustainable growth and performance of the business.

In New Zealand, established multi-generation family businesses are taking on board longer term views to succession.

NO PLAN – NO OPTIONS

Having no plan is a potential disaster in the making.

"If you don't know where you want to be then any road will take you there," says Matthew.

Like anything important, people need to invest time, energy, and capital in order to get the required expertise to ensure succession planning is faced, worked on, and a plan completed.

Done well, succession planning never stops, he says. It's a process that has to be prioritised along with other important strategies. Adjustments need to be made when circumstances change. Good planning transcends generations and becomes a regular agenda item at the board table and future family meetings.

WHO STANDS TO BENEFIT THE MOST?

"That's easy – mum and dad," says Matthew. "The children will benefit too, they may not realise it in the early days.

"At the end of the day, proactive planning ensures that mum and dad can see that their life's work has been worth it – that they have made a difference for their family, their farming environment and their communities."

His best advice is to begin with the end in mind – this is the key. 