

Succession and Transition Planning - Where do I start?

It is an issue that has undoubtedly been raised around the kitchen table for most farming families as successive generations look to embrace the family farming business.

In most cases with the assistance of professionals, some families go on to design and implement a successful plan while for others, the path to succession can cause angst and grief.

It is estimated that less than 20 per cent of farming families have implemented a formal succession plan. The challenges are numerous.

Overcoming these barriers and ultimately executing formal agreements, which clearly set out the roles, responsibilities and opportunities of all family members may seem unattainable for many.

How is a successful outcome achieved – one which satisfies the family's wishes, allows the next generation to prosper, provides for the current owner's future needs and achieves a fair outcome for all family members?



STARTING THE CONVERSATION

The first step in succession planning, is to open the lines of communication between the stakeholders. Unfortunately, fear of family conflict often delays the planning process. Once the generations are talking, however, everyone will start to think about his or her involvement in the future of the farm business.

Succession planning cannot be approached as a one-time event. Instead, it is a process that should begin long before the owners plan to exit the business. Starting the conversation early ensures you can select from the widest range of options available to you.

If the next generation are finishing up school and approaching the next chapter in life, this can be a perfect opportunity to start a conversation to provide clarity on what their future on the farm could be and for the current owners to gain an understanding of who might be interested in the future management and/or ownership of the farming business.

For many current owners the idea of continuing the farm legacy is part of their dream. They can look back with pride and satisfaction at the results of their willingness to take risks, to work hard and to engage in self-sacrifice along the way.

If there has been a tradition of keeping the business in the family, current owners often have a desire to continue this tradition into the next generation. Similarly, in many cases the future owners believe that they have a key responsibility to keep the previous generations' dream alive. This is a good start to raise the prospect of succession and transition planning.

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The best way to conduct the initial conversation is to have a family meeting.

- To better understand the attitudes of the various participants.
- To obtain a commitment from all family members to the process and to the goal of achieving a positive outcome.
- To gain and share a better understanding of the family legacy and the needs and expectations of all participants.
- To identify any potential impediments to a successful outcome.
- To ensure that the process is undertaken in a way that maintains family harmony and business prosperity.
- To gain an understanding of the retirement lifestyle goals and aspirations of the current owners.

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Some of the questions/discussions that you could consider are:

- What would be the ideal outcome from the succession planning process for the farm and the business?
- What would be the ideal outcome from the succession planning process for the family?
- What would you like to happen to make you feel the process was successful? What about the family?
- What are the key issues that would need to be resolved to reach an outcome that would satisfy everyone?
- What would be the outcome if this process wasn't successful – for the business and for the family?
- What are the key issues that you think could put at risk a good outcome?

It is important that any issues are clearly identified, and a resolution and commitment is achieved.

A family meeting may help identify the potential for any overt or hidden conflict or difficulties amongst family members that may inhibit the planning process.

It should also help all participants understand in an open and honest manner, the feelings and attitudes of the various stakeholders. The participants need to discuss their thoughts and feelings honestly and openly without fear or favour to gain maximum benefit.

Many families are reluctant to start this first conversation and find the subject of succession too sensitive and confronting.

You may wish to use the services of a professional facilitator who can provide independent guidance and can assist in gaining an understanding of each of the stakeholder's goals and expectations.

The facilitator will then be able to use the information gained at this initial meeting to better plan a positive succession and transition outcome.

WOULD YOU LIKE TO KNOW MORE?

If you would like to know more about how a facilitator can assist you to develop and document a plan that follows a formal and structured process whilst considering your business, personal and family objectives, please feel free to contact Andrew at Rural Transition Services on 1300 474 701 or contact@ruraltransitionservices.com.au.

