

# SUCCESSION PLANNING 101:

## *Guidelines for a successful succession planning family meeting*

**The most important thing to identify early on in any interaction is the desired outcome.**

*What will success look like at the end of the process? How important is it to ensure future family get togethers are enjoyable? If you haven't written down your family values and vision (a family charter is also highly recommended) it would be worthwhile doing this first.*

Good communication is the foundation of any interaction. Many farming families in business together do not communicate their hopes, fears and opinions well. Without transparent processes individuals can only interpret situations from their own perspective. Feelings get bottled up, trust is compromised and individuals feel unappreciated. At the first get together for a family meeting that discusses succession planning it is important to set the ground rules.

While recognising the need to address succession planning is a positive step in the right direction, the process can take many years and is not without challenges along the way. Historically, succession planning has not been done well within agricultural families. It is important to acknowledge people who take the issue out of the too hard basket are making a brave attempt to address the situation.

For most families open communication and transparency of process are an important value. Setting the ground rules for family meetings where business, emotions and feelings of self worth are likely to arise is an important first step.

- Acknowledge it may be difficult for some people to put into words what their position is
- There will be different comfort levels in the room
- By understanding certain topics, due to their nature, will evoke strong emotions and cause heated discussions that may have to run their course, family members can acknowledge setting time limits is not always possible
- Nobody likes to feel ambushed or cornered
- Fair is often not the same as equal when it comes to rural succession planning
- People are the greatest asset of any business and 'family' is at the heart of multigenerational operations
- Understanding the future direction of the business is essential. Without a sustainable business that can still be viable at the end of the process the outcome will not be successful if a goal is to hand over to the next generation.
- Effective communication will contribute to a successful outcome.
- Succession planning is an essential risk management strategy. It contributes to the strategic direction the business needs to take and should be an agenda item at all management meetings. This is because it relates to the future direction of the business.
- Part of the process will identify skills deficits and future training must be identified to upskill family members where needed

- It is important to not underestimate the importance of financial literacy. The figures must be understood if the impact of decisions are to be understood
- It may be necessary to make detours as part of the process. This is not a problem as long as the end goal is clearly understood and everyone has ownership of the process and outcome.
- A succession plan is made at a point in time based on future expectations. It should comprise a balance of flexibility and certainty
- While different generations have overlapping needs and desires there will be conflict

### **Examples of ground rules include:**

- Every person at the meeting should feel valued and has a right to an opinion or feeling on various topics
- Focus on the problem not the person
- Respect others right to have an opinion or feeling that you don't share
- Accept another person's right to have an opinion, think about how you express your views when you respond that does not criticise or diminish the importance to them
- An agenda of topics to be distributed prior to the meeting
- Agenda items will be prioritised and time allocated to discuss each. The allocated time may vary.
- No phone calls to be taken during the meeting and all mobile phones to be turned off (to show commitment to the process)
- A summary of key issues will be given at the end of each meeting with future actions noted. Minutes of the meeting to be distributed within the following week. Outcomes are to be documented for example – additional information to be sourced, quotes to be obtained, discussion to continue at next meeting, agreement reached or to be revisited in six months etc.
- Priority areas will be different for each family. It is important to identify the order of importance for the individuals and the business.

### **Important questions to consider:**

- How can we achieve a mutually desirable outcome?
- At what stage do we need to engage external specialists (accountants, lawyers, financial planners, mediators etc)?
- Can we honestly sit down and conduct a productive meeting without a facilitator who is not a family member and still maintain harmony?
- Are the owners of the farming assets prepared to have these discussions?
- What are the outcomes, or guiding principles of your succession process? For example family harmony, a viable agricultural business after the distribution of assets, fair is not the same as equal, retiring parents have a secure future income and asset base, open communication, commitment to the process and consensus to accept the outcome.

### **It is essential you:**

- Remember people are the greatest asset
- Understand trust underpins all successful relationships between existing and new family members and overall outcomes
- Consider this, to achieve harmonious relationships you must seek harmony yourself and interact with others from this perspective
- Separate the succession and estate plans

- Acknowledge the process takes years, take the time to do it properly, bring in advisors when needed and include all family member at the appropriate times
- Document the process and formalise outcomes
- Outline how decisions will be made eg family discussion, investigation, review, seek feedback for owner of the assets to formalise the final decision (if parents intend to have the final veto this must be stated upfront)
- Commit to good communication systems. Document everything and imply nothing
- Talk through the implications of all decisions as succession is a process and journey not a final destination
- Remember there is no one approach you must adopt. Simply taking action is good start.

## **Suggestions prior to the initial Succession Planning meeting include:**

### *Individuals -*

- read through the individual reflection worksheet
- complete the individual worksheet
- consider suggestions of meeting rules

### *Partners -*

- discuss your responses with your partner
- filter through each point remove the emotion to identify the relevant issue or point and really talk through the why behind each response
- compile a summary of the combined responses