

HEALTHY GROWTH

FOR YOUR FAMILY AGRIBUSINESS



FAMILY LEGACIES

BY TREVOR DICKINSON

HEALTHY GROWTH FOR YOUR FAMILY AGRIBUSINESS

Is a compilation of articles featured in Farmer's Weekly and ProGri publications over the past two years 2021 and 2022. The articles cover a range of topics pertinent to family agribusinesses including; Succession Planning, Strategic Planning, Estate Planning, Conflict Resolution, Family Meetings, Stewardship, Communication Issues, Risk Mitigation, Improving Family Relationships, Transitions and Attributes of Successful Family Agribusinesses.

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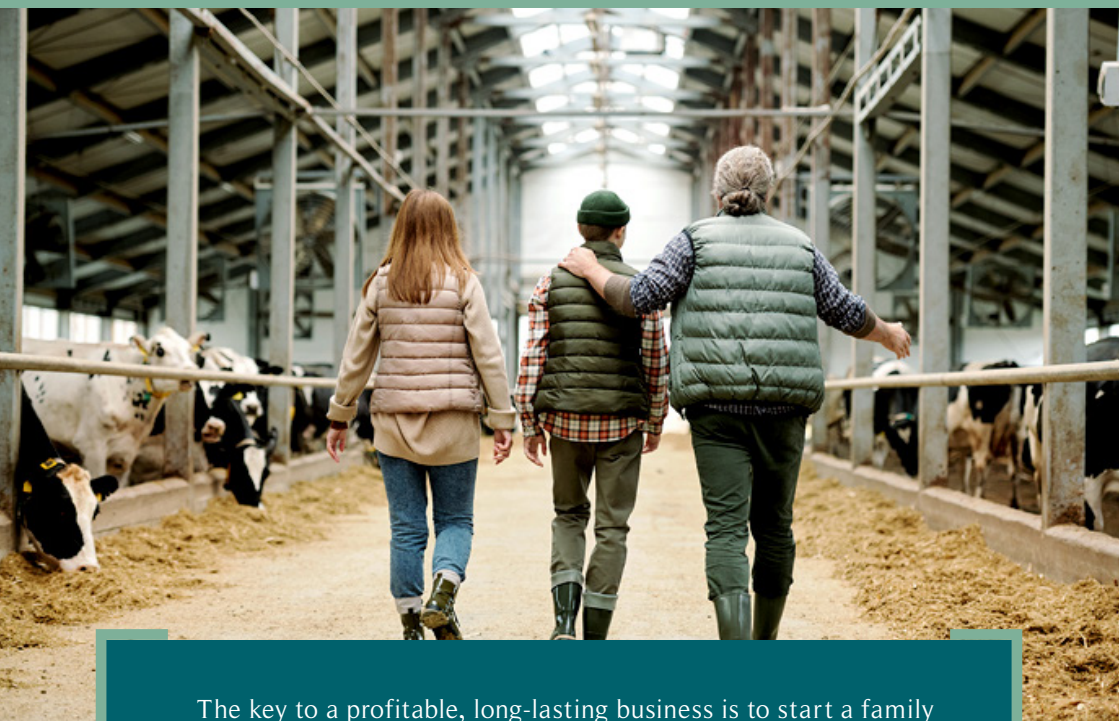
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OBSTACLES TO SUCCESSION PLANNING, AND HOW TO OVERCOME THEM

To be successful family agribusinesses need to confront or deal with the obstacles inherent in family agribusiness succession planning. These obstacles become stumbling blocks that obstruct family-owned businesses to move from their current state to successfully navigate the succession planning process.

SUCCESSION PLANNING: THE TIME TO TALK IS NOW

FARMER'S WEEKLY - 19 FEBRUARY 2021



The key to a profitable, long-lasting business is to start a family conversation about succession planning. And this needs to happen sooner rather than later.

Succession planning is crucial to the long-term success of a farming business, and should therefore be a major component of the operation's strategic plans. Yet all too often it is not. One reason for this is that it can be overwhelming to get started, so many farmers end up failing to clearly identify a successor or create a properly thought-out handover to the next generation.

LOGICAL STEPS

Think of succession planning like producing a crop: it does not happen overnight and requires many small steps from seed to sale. Here's a plan of action to get you going:

SCHEDULE A FAMILY MEETING

Succession planning requires input from the entire family, including current farm partners, as well as your children and their spouses. The process should get under way with a series of conversations, and during these you should talk about your target retirement date (even if it is a decade or more down the road), as well as your goals for the future of the farm. Understanding how each stakeholder feels about passing the farm on to the next generation is an essential first step in succession planning.

ASSEMBLE YOUR TEAM

It is always best to use experts to facilitate the process. They will also offer advice on the legal and tax implications of various decisions. One of the many advantages of having such a team is that you will gain access to the different options available and the best ideas. Make sure to choose advisers you like and respect, and who work well together, and prepare to have them involved throughout the process.

ESTABLISH GOALS FOR SUCCESSION

Set a target date for retirement and the steps that need to take place between now and then. These might include the phased transfer of labour, management and assets; training/mentoring the next generation; a financial plan (to fund retirement); and plans for contingencies that might arise between the establishment and execution of the succession plan.

If you want your farm to continue operating after you retire, it is important to consider your ultimate goals for the operation. To begin with, though, you will need to make sure that such a transition is possible and has a good chance of success.

MAKE A LIST OF ASSETS

As part of the transfer of ownership from one generation to the next, it is important to know which assets need to be accounted for as part of the purchase/sale, or included in the trust or gift. In addition to listing assets, include a note on whether you own 100% of these assets, or whether any partners or shareholders own a portion of them. This information should be shared with the advisory team, who will use it to create a plan for transferring assets to the next generation.

Your list should also include non-farm assets, including retirement accounts, rental/vacation properties, and insurance and investment vehicles not tied to the farm. Most farms are asset-rich and cash-poor, and you therefore need to know what you own, both on and off the farm, in order to plan for the future.

MAKE A LIST OF DEBTS

Debt is an important element of succession planning. If assets are still being financed, you will need to put a plan in place to pay them off or establish financing agreements for the next generation to take over the debt. There is another good reason for assessing the overall financial health of the farm. In a debt position or depressed market, the farm may be a liability to the next generation, rather than an opportunity. If the debts are worth more than the assets, you will have to ask whether the farm is worth passing on.

GATHER EXISTING DOCUMENTS

To obtain a complete picture of the farming operation, your advisers will want to know which documents exist as a starting point for succession planning. Assemble the documents of any shareholder agreements, life insurance policies, wills or trusts, powers of attorney and healthcare directives for the team to review and update if needed. If you have a previous and/or outdated succession plan, include it as well; this may need to be reviewed. Your updated plan will also need to be reviewed regularly to reflect your current goals or regulations.

AGREE ON A TIMELINE

Transfer of ownership and assets from one generation to the next doesn't happen overnight. As part of the planning process, agree on a tentative timeline for succession. It can take as long as a year to get a succession plan in place and up to a decade to fully execute the plan! So, it makes sense to start early. Establish a realistic timeline, and plan to do a little at a time in conjunction with your

advisers, who will help make recommendations for the optimal transfer of assets and operations. Rushing to complete a succession plan can lead to financial loss, or worse, family conflict and crisis.

TAKE ACTION

Once all the pieces are in place, work with the team of experts to begin implementing your succession plan. This can be one of the most difficult steps to take; people get stuck at the implementation phase. To prevent the succession plan from continually being placed on the back-burner, allow the most passionate member of the family to take the lead and help drive the process.



SUCCESSION PLANNING: GET EXPERT HELP AND UNDERSTAND YOUR OPTIONS

FARMER'S WEEKLY - 12 MARCH 2021



Even if succession seems straightforward, as when passing on operations to a single heir, several steps are needed to facilitate the transfer of the farm from one generation to the next.

Succession planning may require changing business structures and deciding between a direct sale and placing assets in trust. In more complex cases, it might make sense to divide farming operations, enter into a contract with an outside farmer or sell the farm. There is no one-size-fits-all approach.

Because of the complex nature of a succession plan, a team that includes a lawyer and accountant is indispensable in helping to evaluate the legal and tax implications of different business structures and vehicles (such as trusts) used to transfer assets and operations. A professional team will also be needed to complete the paperwork required to prepare a formal succession plan.

EVALUATING OPERATIONS

Once your family has established its goals for the future of the farm, including an estimated retirement date and a plan to shift operations and assets, your advisers will look at the current business structure and determine whether it can help you meet those goals, or if restructuring is needed.

Each business structure (a company, joint venture/partners, or trust) has its advantages and disadvantages, and each affects taxes, liabilities and the ease of transferring assets in and out of the business in a different way.

Which business structure is best for your farm will depend on a number of factors. Partnership agreements are generally suitable, as this structure enables the separation of land from farming operations and allows operations to be placed with the partner who is farming. Having all the assets tied up in one business entity can cause problems.

A partnership set-up gives your heirs control of the operations, including the freedom to maintain the farm, buy equipment and make decisions about operations without interference from their non-farming siblings, who may own the land (and receive rent from the siblings who farm it).

CRAFTING A PLAN

After the business structure is evaluated (and changed, if need be), you will need to plan how operations will be transferred and who will take over the farm. Transferring ownership should involve the following three steps:

1. HAND OFF ASPECTS OF FARM MANAGEMENT

Give farming heirs additional responsibilities; this will help prepare them to take over farm management when you retire. Consider separating livestock from cropping operations, for example, and letting each heir run a specific aspect of the farm.

2. CONVERT FARMING HEIRS FROM EMPLOYEES TO PARTNERS

As their responsibilities increase, reward your farming heirs with additional compensation, including a salary and performance incentives.

3. BEGIN TRANSFERRING ASSETS

In preparation for succession, encourage your heirs to begin acquiring assets, or start transferring assets into their names or the business's.

Implementing a succession plan over time is far better for the future of the farm. As your heirs prepare to take over the operation, they will need help from you. The phased transfer of ownership from a farmer to a single heir is relatively straightforward.

The process becomes more complex when there are several heirs, especially if they include a combination of farming and non-farming children, or no heirs at all. There is often the risk, of course, that the farm could get chopped up into small pieces or be run by a group of partners, including some with no ties to farming, that cannot reach consensus on how to move forward.

Although things are obviously less straightforward in these situations, you do have options. Scenarios could include giving land, equipment and livestock to farming heirs and giving rental properties and mineral rights to non-farming heirs, or simply selling the farm and splitting the proceeds.

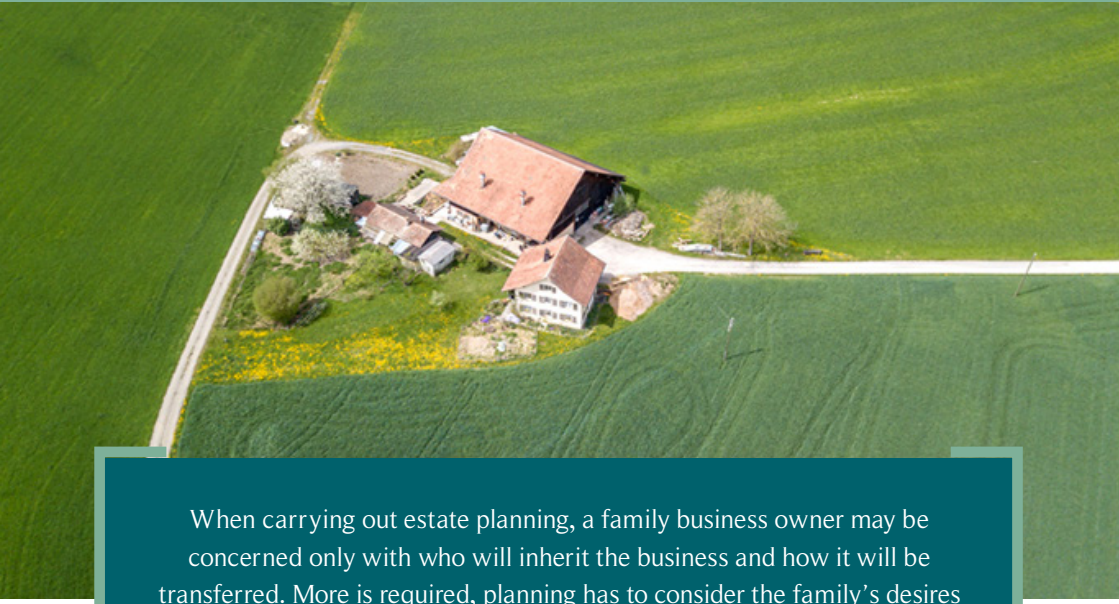
With no heirs, the land and equipment could be let to a neighbour or a beginner farmer. In this case, you would retain ownership of the farm as part of your retirement portfolio and the rental income would provide ongoing income.

It can be expensive to assemble a team to make recommendations about an optimal business structure and plans for passing on operations to the next generation, but investing in a succession plan is essential. You do not want to work for 30 years or longer, only to see the results of your hard work fall apart.



STRATEGIC PLANNING FOR FAMILIES IN BUSINESS

FARMER'S WEEKLY - 16 APRIL 2021



When carrying out estate planning, a family business owner may be concerned only with who will inherit the business and how it will be transferred. More is required, planning has to consider the family's desires and intentions for the business, as well as strategies for the future of the operation.

Statistics suggest that a family business has only a one-in-three chance of reaching the second generation. Yet few business founders believe that their business will be the one to fail. The reasons why so many family businesses don't survive have to do with the ways that family considerations can overwhelm business realities, and the consequent lack of focus on the need for business renewal.

This dynamic arises from the unique quality of the family business, in that people from different generations of the same family may share management and ownership in the business. Not every family member inherits ownership and not every family member works in the business. But those who do, or want to, often make their decisions based on personal rather than business considerations.

The key challenge in planning for the family business is helping the family negotiate the boundary between the world of the family and the world of the business. If family members agree on an approach to cover these areas, the possibility of destructive conflict is diminished. To achieve this, the family can use two overlapping, interrelated, but quite different planning teams.

The first is a council of family members whose tasks are to deal with the business of the family, develop a new generation of family members, regulate the members' involvement in the business, and align the business with the family's plans. The council expresses the will of the family in relation to its business.

But the family council alone cannot design the future of a strong family business. The planning process also must deal with business realities, helping the business develop and innovate along paths that are sometimes difficult for a family to allow. This is achieved by convening a proactive business board of directors that represents the needs of the business. Different elements of planning are carried out by the family council and the board.

The council comprises members of the family, while the board consists of representatives of the family owners responsible for oversight and development of the business. While some family members may be members of both groups, each group has its own function.

THE FAMILY COUNCIL

Planning is not a natural function of a family. Family members spend a lot of time bumping up against each other, and rather than plan, they try to find a fast way to restore family harmony. They develop habits of avoiding issues, denying problems, and keeping secrets from each other. If an issue is controversial or upsetting, families often learn not to talk about it, or to talk with everyone but the person in question. Such evasiveness can become a problem for business planning.

A competent financial planner, in contrast, will begin to ask family members the tough questions:

- Who will run the business in future?
- Who will own it?
- What are the expectations of financial participation for those who work in the business and those who do not?
- How will decisions be made?

These questions produce difficulties because the family is not organised to answer them as a business. They tend to act as a family, dealing with each question as a single instance rather than anticipating them and making binding policies and decisions.

Even just getting together may challenge the family's established communication and power structures. For example, if a family is divided about which sibling should become the next CEO of the business, or does not want to talk about who is being paid what by the business, they may resist meeting for a discussion of the future. Some business owners will say, "This is my decision, and mine alone, so why should my children be involved?"

A financial planner might agree that this is the case, but suggest that precisely because there is so much potential for controversy, the family needs to get together to discuss plans, or to hear and react to plans formed by the founder. In this case, they will need to convene as a family council to discuss these issues.

The family council should secure the future of the family business in four areas:

- The company's mission and values;
- The next generation's development plan;
- Guidelines for family involvement;
- Ownership and transfer policies.

THE BOARD OF DIRECTORS

The board of directors' primary task is to look at the business independently of the family's needs. This group has a different purpose, and usually a different composition, than the family council. It typically includes the key business owner and may include family members who play key roles. But unlike the family council, it might also include key non-family executives and independent, non-family directors or advisers.

The family council tells the family and the business how it would like people to be involved in the operation, and sets out the values and policies it wishes to follow. But while the family is looking after itself and is not focused on business concerns, the board must help the family realise what is possible, and how it can get what it wants.

Put another way, family members want the business to be an engine for their livelihood, and the board will often have to challenge the family, and even set some limits on pay, distribution, or family involvement.

The board of directors should focus on four areas of strategic planning:

- Business renewal;
- Capital needs: business and owners;
- Key employees: leadership team;
- Succession governance.

DON'T DELAY!

A family that is several years from a generational transition should begin its planning process as soon as possible by forming a family council and using its board of directors as an active force. The board cannot do its planning without having input from the family about its desires, values and priorities. The process often continues over several years, with each group working on its own, but also having frequent communication and interaction.

A family business is a complex system; a multifaceted planning approach is required to move it ahead smoothly and profitably.



WHY ESTATE PLANNING IS ESSENTIAL TO MINIMIZE FAMILY STRIFE

FARMERS WEEKLY – 21 MAY 2021

ESTATE
PLANNING
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When business-owning parents leave their children equal shares, a battle can erupt between those who work for the business and those who don't. There are better ways to fairly distribute wealth to heirs.

Almost all parents, in their estate planning, say they want their assets to be divided equally among their children. This concept seems so obviously fair that it's rarely challenged.

But is it really fair to give siblings equal shares in the family farm when one has worked hard for 20 years building the agribusiness while the others have had nothing to do with it?

Most people would agree that this is probably not fair. When parents think about their estate, they rapidly retreat to equality because this at least has the appearance of being fair. It might also seem like a simpler approach than creating a meaningful division of assets.

However, there are many ways to fairly dispense family wealth that don't depend on the straight-forward, 'equal' treatment of one's heirs. When children are given equal shares in the family farm, a battle often ensues. In some cases, those who participate in the agribusiness end up with more in value than those who don't. Where siblings are joint shareholders in a business, the dividend flow is controlled by those siblings in the management of the company. Those who don't work for the family business often do not receive a fair share of the financial benefits.

To make more informed decisions about dividing their wealth, parents must review the differences in assets, as well as the differences in their children's needs, capabilities and goals, and the family values the parents want to promote. Ideally a conscious choice made after considering all of these factors, even if it ultimately does result in equal division, will be considered more prudent, and therefore more rewarding, to parents as well as their children.

No matter what kind of split is finally adopted, the goal is to create a rational system that is also clearly explained to the heirs to avoid any lasting resentments from forming.

ESTATE PLANNING OBJECTIVES

When the farm is the largest single asset in the estate, which is usually the case, parents face an immediate dilemma: how to divide among children who are working in the agribusiness and those who aren't working there. Their first instinct might be to pass on equal shares in the agribusiness. If pressed as to how this will work from the younger generation's standpoint, they usually respond by saying that those in the agribusiness should be given voting control. While that might protect the agribusiness from interference by siblings who know the least about its operations, it will also only increase the tension amongst the group.

Before coming to this decision, parents should explore the issues more deeply. First, they must question what they're trying to accomplish by dividing ownership equally. Is it just to avoid any impression of favouritism? Or do they assume that the family farm should be able to provide support for all of their children, just as it did for them? Perhaps they are attempting to perpetuate the family as a unit, by keeping all its members in the agribusiness.

If the idea is to provide equal wealth to their children, an equal share in the family farm will be equal in name only. While working siblings can benefit from salary and bonuses, non-participating siblings hold a very illiquid investment which offers them little or no opportunity to use their capital for their own purposes. Unless a great deal of preparation has been done within the family, an equal split of shares will lead to a perception of 'unfairness' and disharmony among siblings. Even when dividends are paid, there's still stress because the non-participant's capital is locked in the business.

If the parents' goal is to keep the family together as owners, they must begin training their offspring from an early age in owning and managing a business together. The children must learn how to work with one another in a partnership situation, and they must learn how to view the needs of the agribusiness objectively and separate their own needs from those of the farm. If the parents' goal is to have the business be the 'goose that lays the golden eggs' for their children, a rigorous financial assessment of the company must be made.

Even though the business may have supported the family while the children were being raised, it's unlikely that it will be able to provide comparable income for all of the children and their families. According to Lisa Griffiths, associate director at BDO Wealth Advisors, parents should follow the following principles when dividing assets:

- In the case of one of the children being chosen to inherit the family agribusiness, the beneficiary should take out a life insurance policy on their parents' lives and pay the premiums in order to provide liquidity for pay out to the other children who are not inheriting the family farm. Any life insurance should be structured correctly using existing trusts or companies in order to provide some meaningful estate duty relief.
- Family meetings are imperative to reduce the risk of family strife. If this has not been done, writing a letter to the family, which will only be opened after the death of the parents, can go a long way to explaining the reasons for a particular division of the assets and any conditions thereto.
- Keep the number of residual heirs to a minimum. Each residual heir should be consulted on major decisions concerning the estate. Deal with smaller legacies and bequests as specific legacies and bequests of a defined amount or asset. This will reduce the capacity for dissention.
- Finally, be sensitive. To those heirs who may have not received the largest assets, try to bequeath an item of significant sentimental or familial importance.

COMMUNICATING THE PLAN

A family meeting should be called only after an estate plan has been discussed in great detail by the parents and their advisors. At the meeting, the parents should present the plan to the heirs. The heirs should then be given some time to ask questions and express their feelings. Sometimes the spouses of the heirs may be invited as well, as it's usually better for them to be included in the discussion. This is because they, too, will be affected by the decisions.

It's important to make it clear at the outset of the meeting that this isn't a session to vote on, or even agree to, the plan for dividing the estate. It's simply the opportunity for the parents to explain, as fully as possible, why they have made certain decisions and to hear how their children feel about them. The proceedings may lead to further refinement of the plan to alleviate unintended hardships.

In most cases, it will take more than one family meeting to discuss the estate plan and resolve any issues that arise. It will take time for each child to sort out what his/her feelings are, and why he/she has them. Over time, if the dialogue is allowed to continue, a resolution will result.

If heirs will have to work together to maintain the business, they should be trained how to co-operate as soon as the plan is discussed, or even before. Business owners who initiate an early process for dividing assets, and who openly communicate decisions, will realise several benefits. For example, the process will enable them to make wiser decisions about how to treat their children; it will help train the children to become good stewards of the wealth they will eventually hold as their own; it will allow the children's feelings to be heard and for them to hear the feelings of their parents; and it will make it much more likely that the parents' hopes for their children will be realised.



WHEN PARENTS AND CHILDREN CLASH

FARMER'S WEEKLY – 11 JUNE 2021



Parent and child can work together on the farm, love each other, state their needs, be heard and learn to negotiate their differences. It starts with respect and compromise.

Long gone are the times when it could be taken for granted that only sons would follow in their fathers' footsteps and take over the family farm. These days, daughters often grow up to play leading roles on the farm. Other families choose to hire from outside the family to ensure that the operation is run by people with the appropriate training and skills.

However, where succession on the farm follows a more traditional pattern, it is not uncommon to see conflict emerge, especially as the next generation starts to have families of their own.

When children return to the farm to join the family business, conflict can often arise between the older generation and the younger one – the latter will be eager to implement what they've learnt at college or university, and to modernise the way the farm is run by implementing new technologies that may not be familiar to the previous generation.

The parent, who more often than not is head of the business at the time, might be intimidated, insulted or just plain stubborn, causing him/her to resist new ideas. This might not be without reason; the farmer has decades of experience.

So how can the two generations learn to work together and benefit from the skills and expertise both parties can bring to the table? The answer lies in mutual respect and effective communication.

STRONG ALLIES, FIERCE ENEMIES

When families work together as a single unit, there's little to compare with the strength of their connection and the singularity of their focus. When they cannot come together as a unit, the battle can be fierce.

Yet it's too simplistic to describe most relationships between parents and their children as either loving or combative. The business created by parents, or the multi-generational business they successfully steward, becomes part of their identity. It is therefore, not uncommon for a farmer to feel a sense of loss when the time comes to hand over the reins.

This inner conflict may manifest in the form of small gestures in a parent's simultaneous promotion and subtle sabotage of the child's efforts. The project he/she hands over and then critically micromanages is explained away as mentoring, and the child in turn suffers a crisis of self-confidence.

Both parents and children take their family business personally. The son or daughter is not merely an employee. What happens with the business can have a direct effect on the sense of harmony felt within the family. The power of this connection must be acknowledged. The contradictory dynamic of unconditional love and competition must be addressed. Resolution can best be achieved through communication and compromise.

The parents must mentor their children in the way they would have wanted to be guided and taught when they first started working on the farm. He/she must want to not only impart knowledge but also help develop essential qualities in his/her successor.

Above all, the farmer must believe that preparing his/her child for succession will establish their legacy, and not their demise. Children, on the other hand, should open themselves up to being mentored, and value the knowledge and experience of their parents. They need to honour their parents while finding their own way.



WHY YOU SHOULD CONSIDER A PRENUPTIAL AGREEMENT

FARMER'S WEEKLY – 9 JULY 2021



Together with a restrictive shareholder agreement, a prenuptial agreement ensures that an ex-spouse will not automatically be a family business shareholder. If the subject is raised far in advance of marriage, or with children before they enter into serious relationships, it is less likely to result in arguments and hurt feelings.

A prenuptial agreement, also known as an antenuptial or premarital agreement, in conjunction with a restrictive shareholder agreement, is the best way to ensure that the wealth generated by a family agribusiness stays within the family. Raising the issue can spark tension between the future spouses, and often their families as well, but there are ways of managing the situation in such a way as to minimise the potential for conflict.

While prenuptial agreements can be a source of strife if not handled properly, these agreements can also serve to prevent some common family business conflicts. When a shareholder signs a prenuptial agreement, the likelihood that a future spouse will gain an interest in the family farm is minimised. With this extra level of assurance, members of the senior generation may be more inclined to begin or continue to transfer ownership shares to the family member about to be wed.

Similarly, prenuptial agreements for senior shareholders contemplating a second marriage serve to assure younger shareholders that the new spouse and his or her family won't automatically acquire a stake in the family agribusiness. This becomes increasingly important as the younger generation increases their investment of time, money and energy in operating the business.

PROTECTING PRENUPTIAL ASSETS

A prenuptial agreement is a legal contract designed to define the rights of the two parties to property acquired before and during marriage. These agreements generally focus on two contingencies, namely divorce and death. They are commonly used to waive or relinquish certain future spousal rights and interests. These spousal rights extend to retirement plan interests, income and property owned before or acquired during the marriage, and other assets, including ownership in a family business.

In the event of a divorce, a prenuptial agreement may provide protection for pre-owned, gifted or inherited assets. The agreement can also be used to exclude a spouse from receipt of maintenance, or limit the amount of maintenance awarded.

Prenuptial agreements are often used in second or subsequent marriages to delineate what, if anything, a surviving spouse will receive upon the death of his or her partner. It is imperative to engage an experienced corporate and estate planning attorney who is familiar with family law, and experienced in drafting and defending prenuptial agreements.

PROTECTING THE FAMILY FARM IN THE CASE OF DIVORCE

A prenuptial agreement can ensure that an ownership interest in the family farm won't be transferred to the ex-spouse. A restrictive shareholder agreement can further limit the rights of a shareholder and ensure ownership control among existing shareholders. Without these types of agreements, ownership could confer certain legal rights upon the former spouse, including the right to attend shareholder meetings. The cost of purchasing an ex-spouse's interest in the business can result in financial hardship to the family and to the business, as well as being an emotional 'thorn' in everyone's side.

If a divorce occurs and the family business interest is matrimonial property, the interest must be valued. Each party will hire an appraiser to review the family business's financial information, some of which may become part of the court record. Since court records are generally available to the public, the business's confidential information may fall into the hands of competitors. To prevent this kind of debacle, it is wise to demand a 'protective order' or other device designed to keep vital information confidential.

RAISING THE ISSUE

Because each family business, and each family unit, is unique, there is no single right time to discuss prenuptial agreements. However, the earlier the subject is discussed, the better. One of the legal requirements for prenuptial agreements is that both parties enter the agreement voluntarily. The notion stands a better chance of being accepted if the prenuptial agreement is presented as a way of protecting the family agribusiness and, as such, the entire family.

It is often a good idea for the older generation to raise the issue of a prenuptial agreement during a family meeting or a board meeting. If the topic is discussed before a marriage is contemplated, no specific family member feels singled out. This can soothe feelings and ultimately permit the process to proceed smoothly.

Additionally, or alternatively, lawyers can lead the discussion about the need to consider a prenuptial agreement. Because the family attorney is an outside party, the potential for friction will be reduced.

As emotions often run high when a wedding is close at hand, the family business shareholder should discuss the need for a prenuptial agreement with his or her intended spouse before the engagement is announced. The agreement should be negotiated and signed well before the wedding date.

OWNERSHIP TRANSFERS

The older generation should carefully consider the manner in which a family agribusiness interest is transferred to the younger generation. It is wise to do so in a way that protects the business interest from subsequent division, dilution or redemption by compensating payment to an ex-spouse in the event of the child's divorce. Care should also be taken to avoid involvement of the family business in a divorce proceeding. Ensuring that the share transfers are not on the joint names of the family member and the spouse helps maintain a separation of ownership of shares.

Share transfers through the use of gifts, with proper documentation of those gifts, may keep the property separate and safe from non-family members. Generally, if a gift is made in trust, the business interest will not be treated as matrimonial property.

If the next-generation member is buying the business interest, care should be taken to avoid making the purchase with marital funds. Restrictive buy-sell agreements provide additional assurances that the business will remain in the family. Buy-sell agreements can prevent unwanted share transfers by allowing the company or the other shareholders to approve any proposed transfer.

Some family businesses create two classes of shares – voting and nonvoting – and exercise greater care in the transfer of voting shares to decrease the likelihood that a non-family member will acquire voting rights. If the business interest is transferred at death, the interest is treated as the recipient's separate non-marital property. Again, it is generally safest to transfer the interest to a trust created for the benefit of the desired family members.

To take advantage of these planning opportunities in a manner that minimises family conflict and protects the family business, consult your corporate and estate planning attorneys and discuss these concepts with your children well before they enter into a serious relationship.



FAMILY MEETINGS: LEARNING TO PLAN PRODUCTIVELY TOGETHER

FARMER'S WEEKLY – 20 AUGUST 2021



Give each person an opportunity to voice disagreements in your family business. Doing so will not only reduce resentment, but help define the role of the next generation.

Do you worry that conflict might arise if you and your children discuss the future of your family business together? Worse still, do you worry that conflict within the business could harm both family relationships and the operation of the company? You are not alone; many senior-generation leaders like you have sleepless nights about this issue.

The media and entertainment industries tend to accentuate the bad news about family businesses. Their stories about feuding heirs suggest that every family business is headed for disaster. So, it's reasonable to think that your own will suffer the same fate.

Unfortunately, the good news about family businesses is seldom told. When they work well, these companies are often amongst the most efficient and competitive around. And family-based agribusinesses are no different.

Strong family businesses leverage unique trust, love and loyalty that don't exist outside the family. Families in business together have their differences, of course, but in general they learn to manage these differences. What if you think your own family members may not be able to sort out their differences?

What if you fear that family dialogue will uncover conflict between your children and their spouses, or even between you and your spouse? After all, your differences in the past may have generated arguments and unpleasantness, and tension may smoulder beneath the surface, ready to flare when the discussion commences.

Naturally, you'll be concerned that family meetings might provoke yelling, tears, or someone storming out of the room, any of which could alienate you from each other. Again, you are not alone. Most agribusiness families who haven't yet sat down and talked share the same anxieties.

SHARING YOUR DREAMS

In former generations, agribusiness families avoided conflict by submitting to a strong leader who was obeyed without question or quarrel. Few families today would put up with such dictatorship. A more modern, and far healthier, approach would be to first ask yourself questions such as: do my dreams for the business match those of my children? And should we not strive to have a family conversation as a way of creating a shared dream?

Other questions to ask might be: if we keep our family business, will my generation be financially secure? Who will own shares? Who will be the next CEO? If I sell the business, how will family relationships change? And how will family members find fulfilling careers elsewhere?

Some in your position might say: “I’ll keep my plans secret. If they fight about what I’ve done, at least I’ll be dead and gone.” That sounds harsh, and it is. If your planning process doesn’t include your children as active participants, you must guess at what they want and need, and you may guess wrong.

LEARNING TO PLAN AS A TEAM

Most agribusiness families can learn to plan productively together. These conversations can be strange, even scary at first, but they pay huge dividends. Family dialogue accesses knowledge about your family that you cannot discover on your own, no matter how well you think you know your children. Unless you talk with your children, there is a high risk that your undisclosed plans will take them for granted and by surprise.

Don’t delay this process! Start having family dialogues while you are still healthy and influential. Here are some suggestions to get you started:

- Select a neutral meeting site. Your home, office or manufacturing plant is not neutral. Your family holiday home, if you have one, might be appropriate, provided everyone associates the place with pleasant experiences. If not, choose a resort with a conference centre.
- Reserve a private room with comfortable chairs, good lighting and cheerful decor with flipchart and audio-visuals, if you need them.

- At some point, consider including your children's spouses in these discussions, unless there are strong reasons for not inviting them. Don't decide without consulting your children, however; they, too, may be worried about family conflict. They might want to meet without spouses for the first few sessions.
- Involve your children from the outset in planning family meetings, site selection, dates, meals, menus, and so on. Honour their schedules and preferences. Encourage them to share ownership of the meeting.
- Prepare a meeting agenda well in advance. Invite each participant to suggest agenda items. Everyone should receive the written agenda several days before the meeting. Ask the younger generation to coordinate and prepare the agenda.
- Pay attention to the sequence of agenda items. It's wise to handle non-controversial items first (this helps build an attitude of productive discussion) and place potentially divisive items towards the end. Share good news about the company. And help less experienced family members understand financial and technical matters.
- Strive to create a safe forum for discussion. Encourage questions and comments, and concentrate on listening and on understanding what others say. Let them finish without interrupting. Reframe others' input in your own words, as in "I hear you say ... is that what you meant?" When they agree that your words convey their meaning, write them on the flipchart without stopping to evaluate or refute what was said. Then go on to the next speaker.
- Set limits. Family members have different attention spans and levels of interest, so have an hourly break. Also avoid marathon sessions; don't meet for more than six hours a day. Keep cell phones off at all times. Schedule some fun and free time. An overnight stay encourages socialising, contemplation and pillow talk.
- Save the last two hours for a wrap-up. If you make decisions that require action, assign who does what and by when. If you need another meeting, nail down the time and place before you adjourn. Spend the last half-hour evaluating the meeting itself. Go around the table asking each person to comment on how he or she thought the meeting went, and how it could be improved next time.

FACILITATORS OR HINDERERS?

Do you think your family could accomplish all this on their own, or would it be better to obtain the help of an outside facilitator? Once again, you should involve the children in this decision and in deciding whom to hire. If you choose a facilitator without consulting them, they may view the facilitator as your hired gun.

Be careful about choosing a facilitator. Your current outside advisers (lawyer, accountant, financial planner) probably don't have the skills. They might try facilitating out of loyalty to you, but are likely to lack the experience or objectivity to be effective.

Be wary of an adviser who seems eager to try. A well-intended amateur might not notice (or simply ignore) all the signs of family tension and conflict. The best facilitators understand both the 'hard side' and the 'soft side' of business families; they know business in addition to understanding family dynamics. A highly qualified family business consultant is likely to be your best choice.

The role of the next generation in your family agribusiness will be best determined by harnessing your collective business judgement through productive family dialogue. Strong agribusiness families don't let conflict, or the prospect of conflict, deter them from exercising their best collective business judgement. If conflict arises, they learn to manage it, and so can you.



HOW TO PREVENT A FAMILY FEUD

FARMER'S WEEKLY – 9 JULY 2021



Most volatile family agribusiness disputes have deep-rooted causes that stem from secrecy, distrust and avoidance. By confronting these issues early on, conflict can be avoided.

The most infamous and intractable form of family conflict is the family feud. Little wonder, perhaps that it is the theme of so many TV soap operas. But while family feuds may be fascinating in their universality, they can cause profound emotional pain and do great harm to a business.

Family feuds can be complex, but certain elements stand out. In most cases, the parties are more invested in being 'right' and keeping their distance than in the painful task of sitting down with their rivals and trying to get to the roots of the issue and forging a compromise. Compromise is seen as a weakness, and hurting the other person is seen as more important than self-interest.

Family feuds usually involve two people who see each other's motives in black and white, with no neutral third party to intervene. Feuding parties tend to communicate poorly and are unable to accept differences. They perceive unfairness in the way they are treated, and feel wronged. There is usually a patriarch or matriarch on the scene or in the wings who is distant, stern, demanding, and unclear about his or her intentions.

SIBLING RIVALRIES THAT ESCALATE

Feuds often erupt between children or heirs, and the seeds of a family feud are often planted years in advance. In many cases, patriarchs don't let their children know where they stand on important issues or what they expect from the children. An agribusiness owner who hasn't revealed a successor, for example, can precipitate a nasty fight if he or she dies unexpectedly.

These silent fathers' or mothers' reasoning is curious: if my children don't know what they expect or where they stand, they'll work harder for the agribusiness. This is a big mistake, and is a tactic that works only for a short time. Ultimately, uncertainty over parental approval has devastating emotional effects on children, and their insecurity can turn to anger at an innocent bystander.

Feuds are also triggered in families that foster a spirit of intense competition between siblings or fail to intervene actively in sibling rivalry. Brothers and sisters often fight as children, but in most families, parents regulate them. But when parents refuse to take a stand or teach their children ways to resolve conflicts productively, this attitude will extend into adulthood and produce a family that is ripe for feuding.

One father, for example, fostered conflict in his family agribusiness by his own misguided actions. He told each of his warring sons: “You’re right, but don’t do anything about it.” Another founder made it clear that his acceptance of his children could best be expressed in business terms. When a child got upset, he would give him or her a better title in the business or a gift of shares. This led to growing rivalry and increasing resentment, both from family members who were passed over and those who received the meaningless titles. It also made for a very confused business!

Feuds can erupt when parents try to help one child in secret so that the others won’t know, or when they encourage unrealistic expectations in their children. Other parental behaviours that foster feuding include:

- Unrealistic praise of children’s abilities and talent, or telling them they can do anything they want.
- Not letting anyone in the agribusiness ‘hurt’ family members by evaluating them realistically or pressuring them for high performance.
- Changing established plans when a child disappoints or disagrees with the parent.
- Letting every child know there is space for him or her in the agribusiness, no matter what. Here the stage may be set for a nasty feud after the parents die if the children discover there isn’t enough for everybody.
- Not taking a stand.

Pre-feuding families often fail to do the obvious: get everyone together to clear the air. Such families usually have no established pathways for resolving issues, and their style is one of avoidance.

They deal with conflict by cutting it off, or get third parties, such as spouses, to explain their feelings. When boiling point is reached, it’s already too late. Families like these seldom have mediators or ‘healers’ to keep everyone together. In healthy family businesses, this role is often played by the mother or an older, non-family business participant who has everybody’s trust and can get people to talk.

The message is clear: most feuds in a family business stem from members' unrealistic expectations about the operation fostered within an environment where there is no open discussion of conflicts and no sharing of real difficulties. If you want to avoid these destructive conflicts, you need to create strong, open relationships and build leadership in the next generation. To do this, you have to plan well in advance, make your feelings and intentions clear, and collaborate with all family members. A family council is the best vehicle for this.

Even if a feud erupts, several avenues to healing are still available. They may involve one party's leaving the agribusiness, splitting assets, disengaging through a series of steps, or reconciling with the other party. But unless a solution is found, disaster is almost always the result. The remedy cannot be a secret either, as secrecy, distrust and avoidance are likely to be the three evils that created the feud in the first place.

MEDIATING

One family member, or someone else trusted by all, should take on the role of 'healer'. This can be a thankless task at first and the person trying to carry it out should be ready for the long haul. Healing may require several attempts at reconciliation, which may mean talks in which the issues are not mentioned directly. Then, slowly, the parties can begin rebuilding a positive relationship.

In a family feud, it often happens that two people, or two parts of a family, break contact with each other. Over time, they may even forget what started the rift, but it remains nonetheless. People talk about 'pride' keeping them apart, or waiting for the other party to end it. What they fail to see is that either party can heal the split simply by reaching out to the other. The initiator may be rebuffed or distrusted at first, until his or her intentions become clear.

The key to overcoming a feud is to find an opportunity for the parties to come together and remember what was positive about their relationship.



THE RESPONSIBILITY OF STEWARDSHIP

FARMER'S WEEKLY – 22 OCTOBER 2021



The most successful agribusiness families understand that their enterprise is not a possession. It's a legacy they are obliged to take care of for future generations.

Running a family agribusiness and apportioning its wealth inevitably give rise to conflict from time to time. Families who negotiate this conflict successfully almost always do so because they have adopted a special perspective about what they own. These thriving multigenerational agribusinesses live by the principle that the enterprise is not a personal possession; rather, it is a trust given to them for safekeeping and for which they have great respect.

These agribusiness owners don't view themselves primarily as proprietors; they recognise that their family is entrusted with the responsibility of stewardship. Of course, members of these families occasionally have their differences. But even though they may argue at times, their sense of stewardship brings them back to unity of focus and effort.

Most importantly, it tempers proprietary interest, which is typified by a "What's in it for me?" or "It's mine, and I can do what I want with it" attitude. Stewardship-orientated families share a sense of attachment to, and personal investment in, the company's purpose and values. Their allegiance is to the business itself more than to the individual company managers. In other words, these families know why the business is worth all their trouble, and worth more than their individual proprietary interests.

In 1997, the giant French luxury goods manufacturer Hermès won the prestigious Family Business Award from the International Institute of Management Development. Accepting the award, Bernard Puech, one of the owners, told the audience of more than 200 family business owners: "We in the fifth generation do not view ourselves as owners of the company; we are merely taking care of it for our children."

This compelling statement exemplifies the sense of sacred trust shared by business families who have developed a stewardship paradigm. Paradigms encompass our prejudices, values, beliefs and perspectives learnt from our experiences over the years. They filter our views of the world and inevitably shape our behaviour. Although no two families in business have exactly the same ownership paradigm, their actions and attitudes reflect some combination of the stewardship and proprietorship orientations.

THE PROPRIETORSHIP PARADIGM

Family members who approach ownership primarily from a proprietorship orientation view their businesses as possessions that they are entitled to exploit and consume. The proprietorship orientation can easily fuel conflict as family members vie with each other to use the business for their own purposes. In some business families, greed and a self-serving attitude masquerade as claims of rightful reward and return on investment.

Conflict occurs when interests clash, and self-defence inevitably emerges when parties are polarised and win-lose patterns are established. Agribusiness owners with a proprietorship orientation hold beliefs such as the following:

- Business ownership is my right, and I'm entitled to the benefits.
- My business exists for my best interests, and I expect it to adjust to my needs.
- Every day brings a new threat by those wanting to destroy what I've built and worked hard for. I'll protect my rights, regardless of the cost.
- I intend to take as much as I can out of this business.

THE STEWARDSHIP PARADIGM

Families who emphasise stewardship view their business very differently: as a trust to be guarded, preserved and nurtured. Promoting the welfare of the business as a whole, above the special interests of individuals, is considered a primary obligation of ownership. These families relate to each other and their businesses in a spirit of gratitude for their perceived abundance as opposed to a sense of entitlement. There is a sincere and workable balance between self-interest and the common good. Behaviour and interactions are characterised by trust, confidence, respect and openness.

The stewardship orientation nurtures attitudes and actions that help business-owning families bridge differences and renegotiate expectations. While individuals may differ about what to do or when and how to do it, the stewardship orientation brings them back to the centre and enables them to recognise the purpose and mission behind their decisions and actions.

Members of these families tend to hold the following perspectives and values:

- They treat the agribusiness as an opportunity entrusted to them, and consider it their mission to ensure its well-being.
- They take to heart their commitment to long-term success. This means going beyond lip service, offering quality products and services rather than cutting corners to make a fast buck, and attending to the real wants and needs of their customers rather than selling them short.
- They feel a genuine sense of loyalty and caring toward the family as a whole and towards each other individually.
- They live their lives with a spirit of gratitude and a sense of abundance, as opposed to entitlement and scarcity.
- They recognise that they are not islands unto themselves; when appropriate, they ask for outside help.
- They acknowledge the importance of being a 'relationship-first' family business. They spend time, money and energy on opening up communication, developing a process for sharing information, building consensus, analysing and solving problems, and creating policies and procedures that keep family and non-family employees working together. In short, they understand that relationships are part of the foundation of the family business, and try to assess them honestly.

THE PRINCIPLE OF STEWARDSHIP

Stewardship is the most common value seen in families who are successful in passing their business from one generation to the next. To be a good steward is to take personal responsibility for leaving resources better than they were when they came into your care.

Stewardship springs from the ancient idea that the wise management and passing on of property and privilege is an honourable role that brings meaning and pride to the steward. An entrepreneur or owner who values stewardship believes it is his or her duty, responsibility and privilege to pass the agribusiness on to others, for them to build and serve in similar fashion, creating a process of continual improvement and progress down the generations.

Agribusiness owners who see themselves primarily as proprietors will have no reason to continue growing the business, taking risks or looking for opportunities once they have all they need or want. Owners who value stewardship, however, remain truly committed to the ongoing growth of the business. They are motivated to continue to take risks, looking for opportunities and working extra hard, and they continually find meaning in doing so.

GUIDING THE NEXT GENERATION

Agribusiness owners who embrace stewardship will be more motivated to submit to the difficult process of succession. Stewardship encourages them to prepare a successor or successors. It helps them with the difficult step of giving up power in the business and relinquishing control, and it helps them teach younger family members to lead the way.

An attitude of stewardship empowers business owners as parents, too. Families who believe in proprietorship risk creating a sense of entitlement in their children, because the perspective that children see at work is a self-centred one. In contrast, families who believe in stewardship have an opportunity to pass on a more generous, future-directed approach. This equips the children of wealthy, successful business families to cope better with inherited wealth and privilege.



BALANCING NEED WITH ABILITY TO PAY

FARMER'S WEEKLY – 19 NOVEMBER 2021



A critical juncture in the life of the family agribusiness is the transition from one generation to the next. One of the reasons for this is that the capacity of the business to pay any form of remuneration has to be balanced with the requirements of the individuals who own and operate it.

In many family agribusinesses, succession is a period not only of highly charged emotions, but of danger, for it is at this stage that the capital integrity of the operation may be put at risk. Most family businesses that progress through the classic phases of business growth (survival, stable, professional and institutional) have figured out how to transfer ownership down the generations without threatening the capital base.

A major deterrent to building and preserving an adequate capital base for a family agribusiness is the senior generation's perception that it must somehow harvest its equity during the succession process. That perception is neither right nor wrong.

Family businesses are sold every day to facilitate such harvesting, and, for the senior generation that built the business, selling may well be a natural and highly appropriate culmination to a lifetime's work. But while the sell option may work for the senior generation, it is not a particularly effective transfer tax strategy and may mark the end of the business as an economic resource for the family.

Access to a stable capital base is essential for the long-term success of most enterprises. And no business can sustain its market position, let alone grow, when its capital base is dramatically diluted each time the mantle of ownership shifts from one generation to the next.

Fair market value, as traditionally defined, is a poor measure of the worth of the family agribusiness for the purpose of the intra-family succession of ownership. A more realistic and accurate transition yardstick is need, together with ability to pay.

Balancing need against ability to pay results in flexibility. Without such flexibility, the two generations may ultimately have to pay much higher transition costs, such as income and estate taxes. Need is a twofold concept. Monetarily, it is the sum of money that the senior family members believe they 'need' to maintain the lifestyle they enjoy and achieve their financial objectives. However, need also has a powerful social component that ties the vocational and social identification of the senior generation to the business during its transition plan.

On the financial side, the concept of need may begin with a private conversation between spouses about how much is enough. Wanting to be helpful, financial advisors often attempt to define this number for their clients and offend the very people they are trying to serve.

Advisors can, however, help set goals, provide tools to work with, and then get out of the way while the business owners define this benchmark for themselves. The goal here is to arrive at an annual or monthly figure for maintaining their life-style, along with the date on which they will turn over leadership (financial advisors should avoid the loaded word 'retire').

DETERMINING NEED

It takes four steps to ascertain need. The first is to discuss the economic demands of the business and what is required to sustain, or re-energise, the company's growth. The second step is to identify the economic goals of the family and community, with an emphasis on children and grandchildren. The goal here is for senior family members to discuss their children's share and involvement in the business, each child's capabilities, and what they (the older generation) want their legacy for their family and community to be.

Step three should be to draw up a budget for the senior family members, working out their current living expenses and what they may need to accumulate outside the business to sustain their lifestyle after succession. People in higher socio-economic brackets often have a poor grasp of how much they spend each year and on what.

It's also important for the older family members to define what their post succession lifestyle will look like. To do this, they need to think only about themselves. Many business owners have lived such responsible lives for so long, focusing on the business, their children and their communities, that they struggle to articulate what they personally want out of the transition.

This may mean defining their ideal life; where they dream of living or travelling; how often they want to be in contact with the business; what they have always wanted to do but never had the time for; and what non-economic needs the family or even the business may have that they would finally like to address. This 'dreaming' is important; unless senior family members believe that the succession plan will work for them personally, both financially and emotionally, it will simply never get done.

QUESTIONS TO CONSIDER

Here are a few key questions that will help you as the business owner to establish your financial requirements after succession.

- What assets do you have outside the business?
- What do you believe the rate of inflation will be during your retirement, and what rate of return would you like to see on your traditional investments?
- What is your target date for succession, and what, if anything, would you like to do for the business after succession?
- Will you continue working in the family agribusiness after succession? Or will you even be working at all?
- Do you have children or others who depend on you for economic support?
- Which of your children do you envisage being involved in the family agribusiness as shareholders and/or managers? Has the family determined how the children will enter the family agribusiness, and has the business determined how the children will be evaluated and promoted?
- What would you like to do for those children (if any) who are not destined to co-own the business? How do you equate this with the economic opportunity afforded to the children who are involved?
- Where do you intend to live? Will you be buying a new house, and what will you do with your current residence?
- Do you have any special goals you would like to meet regarding the community? Would you like to involve your greater family in meeting these goals? Have you discussed these issues with your family?

The final step in this initial process is to determine how much you will have to set aside in non-business assets to meet the following basic needs:

1. Maintain the lifestyle you have worked so hard to achieve.
2. Attain your desired level of personal economic freedom.
3. Depart from the business with confidence.
4. Have sufficient resources to meet your special family and community needs.

A SHARED FAMILY VISION

It is important to acknowledge at this stage that the economic model deals with the easier part of the succession process: the economics of the transaction. The truly difficult work is creating a shared family vision for the future of the business, especially when the departing generation is taking from the succession significantly less than the fair market value.

Rarely is this shift completed in one generation; it takes time, wise governance, good management, and perhaps some luck before a business and a family can progress from 'professional' to 'institutional'. One generation has to see this status as an attainable goal, limit its own personal financial gain, and set in motion the process of building a family value system that says, "This will be our economic and social centrepiece for generations to come."

The question then becomes: does the business have the ability to pay for this? This can be answered by first answering the following:

- Can the business generate sufficient resources for ownership succession to finance the owners' needs, while still meeting its own capital requirements?
- Will lenders, suppliers and other equity holders allow existing credit relationships to shift to the new ownership team without personal guarantees from the senior generation?
- Are members of the succeeding generation willing to suppress their own financial ambitions for the sake of building up the business for the long term?



CAN YOUR AGRIBUSINESS AFFORD TO MEET YOUR FAMILY'S NEEDS?

FARMER'S WEEKLY – 21 JANUARY 2022



The previous article in this series focused on the needs of the people who own and operate a family agribusiness, especially when ownership is passing from one generation to the next. This article discusses how the business can develop the capacity to meet these needs.

Once the financial needs of the senior generation, who currently own the business, are established, the obvious question becomes: can the business generate enough to pay for these? Its ability to do so is determined by the answers to the following questions:

- Can the agribusiness generate sufficient resources to finance these needs while still meeting its own capital requirements?
- Will lenders, suppliers and other equity holders allow existing credit relationships to shift to the new ownership team without the personal guarantees from the senior generation?
- Is the successor generation willing to suppress its own financial ambitions so that the needs of the older generation can be accommodated first?

Ability to pay is based on the future, not the past. This implies that it is crucial to ensure the long-term financial success of the business (as far as this is possible). This is often overlooked in traditional approaches to succession, which tend to focus exclusively on the company's historical numbers and fail to consider what the agribusiness should look like in years to come.

Basing ability to pay entirely on the past violates the principle that the family agribusiness is the engine family businesses that will make a prosperous future possible. It also negates the idea that each generation of owners should regard themselves as stewards of the company.

BUILDING LASTING SUCCESS

Long-term business vitality centres on fostering 'innovative development', which involves attracting and holding onto talented and motivated people, as well as having access to sufficient capital to sustain long-term growth. These fundamentals are all too frequently ignored by family businesses.

To be able to expand, remain competitive, and attract skilled and motivated people, an agribusiness should have the resources to afford the following:

- Managers, employees and part-time labourers (if used);
- Marketing and selling;
- Capital for new equipment;
- Start-up costs for new products;
- Working capital;
- Research and development.

Many owners of family agribusinesses fail to focus on these factors. Instead, they concentrate on a good work ethic, a commitment to customer service, and the ability to make intuitive quick decisions to thwart problems before they get out of control, or capitalise on new opportunities while others were still studying the problem. In other words, they have put their focus elsewhere.

Others rely on a product that they have produced and sold essentially unchanged for a couple of decades. With the tight margins common in today's global markets and with product life cycles measured in months rather than years, many of these businesses are operating on borrowed time.

Such organisations must look to new consumer tastes, new distribution channels, and ways of increasing their margins, or risk becoming unprofitable and falling by the wayside.

THE IMPORTANCE OF TRUST

One of the hallmarks of many successful family-owned agribusinesses is that they run 'lean and mean' and are proud of it. This is not necessarily a bad thing; even the public sector is trying to get back to the basics. But for many of these companies, this is more than a business strategy; it is part of their culture and deeply embedded in the owner's need for control.

The trouble is that these businesses have often grown in size and complexity, and it's simply beyond the ability of one person to make all the decisions. Taking the next step also has its hazards. If the new generation of owners elects to split up management functions, they may discover that serious distrust (usually unspoken) and disagreements can arise. The only solution here may be to subject managers to the discipline of professional governance by an impartial board of directors.

FINANCES

As described, to maintain technical competitiveness, adequately staff the organization, and sustain growth, the business must be able to have access to sufficient capital. Implicit in this is the willingness of the senior generation to pass its equity on to the succeeding generation at little or no cost. In payment for this equity shift, the successor generation should be willing to restrain its own economic demands on the business during this transition.

Trust becomes a critical part of this equation, and this trust is best nurtured with the aid of a well-thought-out strategic plan that contains agreed-on targets for payments to the senior generation, and clearly understood benchmarks to ensure that the fiscal health of the business remains unimpaired. More often than not, owners and successors are surprised to learn that on this basis, the agribusiness does in fact have the ability to pay.

The real trouble occurs when this process is delayed too long; if this happens, there simply may not be enough time for the senior generation to harvest sufficient resources without crippling the company with debt or forcing it into questionable quick-fix strategies. When the equation truly cannot be balanced, it is probably time to sell.

Unpleasant though this reality might be, discovering it as part of a respectful, inclusive planning process is surely better than ignoring it until the successor generation becomes tired of waiting or the agribusiness is sold in a panic due to ill health.

THE NUTS AND BOLTS

The objective at the end of the day is to create additional, non-business net worth for the senior owners, and ultimately eliminate their financial dependence on the company. If these owners are still on the company's debt as personal guarantors, negotiations with the lenders will probably be necessary to eliminate or shift those guarantees to the younger generation before the senior owners can be expected to part with significant equity.

As the company initiates such a plan, actual equity must begin moving between the generations as the determined benchmarks are reached. This is important not only because it will enhance the level of trust between generations, but because it will send a strong signal to lenders, suppliers, key customers, and employees that the transition is moving forward on time and as planned.

There are a number of ways to provide the senior generation with additional resources:

- Increase compensation so that it is geared to profits or sales for a specific transition period. This should lessen any concerns about its being unaffordable or unreasonable.
- Increase the rentals of outside-owned properties or equipment used by the business, or buy additional property or equipment for this purpose.
- Set aside consulting compensation for post-succession assistance to the company and/or lump-sum payments for non-competition covenants.
- Repay old shareholder debt.
- Create passive income streams with equipment partnerships, royalty income and directors' fees.

Even if it ultimately proves impossible to balance the equation, doing the sums promotes an essential dialogue among the three constituents of the transition: the senior generation, the successor generation, and the business and its stakeholders. This fosters an understanding of the business fundamentals that are involved in a succession, and, in some cases, helps to prevent conflict.

If the equation does balance, the results will be more predictable, people will feel included and valued, and the business will have taken a giant step towards becoming a long-term wealth generator for all owners, past, present and future.



ARE YOU A ‘PEOPLE- PLEASER’ OR ‘JUSTICE COLLECTOR’?

FARMER’S WEEKLY – 18 FEBRUARY 2022



‘People-pleasers’ and ‘injustice collectors’ tend to suffer from the same basic problem: a lack of self-esteem. These different personality types and how they fit into the larger family business.

You cannot overcome the effect of a family rift, or begin to heal from any hurt, if you don't acquire a good sense of the underlying reasons it occurred in the first place. Most people have only a dim idea of their family dynamics, and few think to question what gave rise to their family's unique way of interacting.

One way to make this discovery is to look at your family as if it were a play to understand the larger meaning of the story, and how the characters behave in relation to each other. You'll need to pay attention to your own role, of course.

Here's something you can count on: every family plays out its own particular drama. And when that drama involves a rift, every player tends to enact (to a greater or lesser extent) one of two roles: injustice collector or people-pleaser. If you don't become aware of your own role, you could play it for years.

THE INJUSTICE COLLECTOR

'Injustice collectors' are people who tend to see injustices in many, if not most, things that happen to them in life. By emulating the traits of successful families, you may be able to improve your own family relationships significantly, even if individuals differ widely in personality and temperament, or have perhaps become estranged. They misperceive small slights and turn them into major events and may accumulate these injustices for years. Their response to these injustices, whether real or perceived, can be highly disproportionate to the original grievance.

Here are some characteristics of injustice collectors:

1. They are never wrong. How is this possible? Simple! They're always right.
2. They seldom, if ever, apologise.
3. They believe they are morally and ethically superior to others and that others seem incapable of holding themselves to the same high standards.
4. They make the rules, break the rules, and enforce the rules of the family. They are a combination of legislator, police, judge and jury to those they consider their subjects. They banish from their kingdom any subject they deem disloyal, and grant clemency only when there is sufficient contrition.

5. They focus on the failings of others, while remaining largely oblivious of their own.
6. They are untroubled by the disparity between their rules for others and their own expectations of themselves.
7. They rationalise their own behaviour with ease and comfort.
8. They have an external orientation: the problem always exists in the world, outside of themselves. In their view, the world would be an acceptable place if their rules and standards were followed at all times.
9. They seldom feel remorse or guilt.
10. They scoff at the idea of therapy, therapists, self-help books, and other tools used by people who struggle to live with them.
11. The phrase 'walking on eggshells' describes life with an injustice collector.

THE PEOPLE-PLEASER

People-pleasers try hard to make others happy. They often go out of their way to please someone, even if it's time-consuming and uses up their resources. People-pleasers often act out of insecurity and a lack of self-esteem.

Here are the main attributes of people-pleasers:

1. They are reactive to events, situations, and interactions, rarely taking initiative to assert their own needs and wants in a situation.
2. They take any criticism as fact, and immediately suffer a deflation of their own self-esteem.
3. They feel an extraordinary fear of abandonment.
4. They blame themselves for everything that goes wrong.
5. They become more concerned with others' feelings than their own.
6. They have an over-developed sense of responsibility, expecting of themselves that they should magically fix the problems of others.
7. They learnt early on in their lives to bury their own feelings, needs and wants, and keep them buried until they get help for their problems.
8. They regularly confuse pity with love and self-sacrifice with caring for others.

The injustice collector and the people-pleaser suffer the same deficits of self-esteem. Basically, injustice collectors believe that they can never get enough, yet deserve to get, unending attention and admiration, as well as blind obedience to their dictates. Without this, their self-esteem plummets.

People-pleasers, paradoxically, have the same problem in regulating self-esteem, but deal with it differently. While injustice collectors are overprotective of their damaged selves, people-pleasers are under-protective, and disregard their own needs to preserve their integrity.

REUNITING AFTER A RIFT

Sadly, not all family rifts can be mended. But when there is hope of reunion, each member should feel sufficient autonomy, and have enough self-esteem, to make a go of it. Self-esteem can be bolstered when people realise, they don't have to play the same fight-or-flight role they have always played; they can learn to find new ways of meeting their needs.

If you're in this situation, characterising family roles in your own language can help to clarify things, giving you clues about your own modes of acting out as well as your family members' roles. Again, this stage involves observation more than interpretation.

Note who your family members are in terms of the roles they play in your family. As you begin to see how they act out, and how you do, you'll eventually also see what all of you are afraid of being and doing. This will enable you to effect some helpful changes later on, if not in your family members' actions, then in your own.

SUCCESSFUL FAMILIES

Successful families tend to have common traits that help its members stay connected over time. Be alert to ways in which you can instil these traits in your family, whether it is your family of origin, or the family you have created.

Here are the key traits of a successful family:

- Autonomy is fostered. Family members are encouraged to develop their own codes of conduct and governance, while granting legitimacy to each other's thoughts and decisions.
- Independence of thought and action is permitted. Members feel free to make their own decisions without fear of love or regard being withdrawn.
- Individuation (having a clear sense of self) is encouraged; distinctiveness and uniqueness are valued rather than considered a difference or a betrayal.

Even when a family member's uniqueness is upsetting or troubling, there is a determination to accept his or her distinctiveness as a human right.

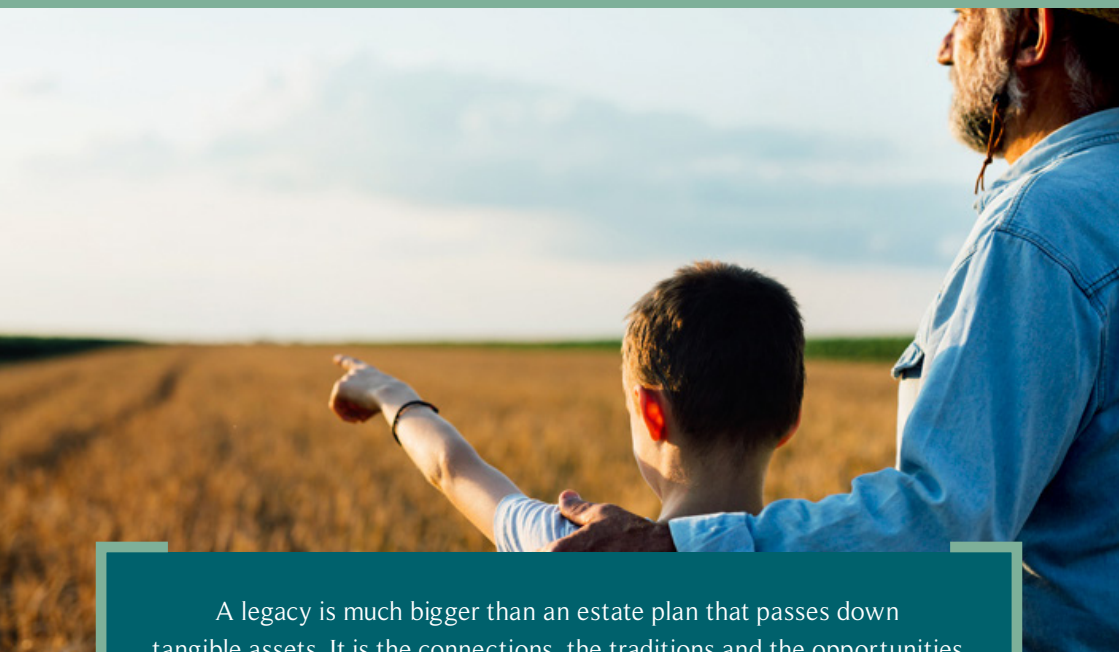
- Communication and discussion are valued. There are ongoing attempts to foster contact and dialogue and tolerate disagreement.
- Other people's feelings are regarded as important; they are heard and valued. Empathy for others is an imperative, even when this presents a challenge to family members.
- Family members attempt to talk to each other respectfully, and when this is breached, as at times it inevitably is, family members give and accept apologies.
- Birthdays, anniversaries, accomplishments, and other special occasions are acknowledged and celebrated, with joy and gratitude. Lapses of remembrance, while not sanctioned, are not treated as crimes.
- Family members attempt to freely and generously offer emotional support to each other, during times of struggle, as well as times of triumph.
- Family members value the empowerment of other members and attempt to aid and encourage rather than thwart or undermine other family members' power.
- Members strive to be non-judgmental and uncritical, as they would hope others would not judge or criticise them.
- Family members attempt to mutually support self-worth and self-love rather than undermine and undercut.
- An attitude of generosity, warmth, and affection is the norm, while coldness, iciness, and miserliness are frowned up. Feelings, even negative ones, are tolerated, and family members do what they can to understand and soothe each other's pain.
- There is a tolerance for growth and development and the inevitable mistakes that people make, and family members are not harshly criticised or humiliated for making those mistakes.
- Family unity and loyalty to members are key values and take precedence over an individual's narcissistic concerns.

It takes time and effort to make these traits an everyday reality for a family. It also requires a willingness by as many family members as possible to participate, and perhaps embrace significant change in the process. It goes without saying, however, that the end result is worth the effort.



LEAVING A FAMILY LEGACY

FARMER'S WEEKLY – 11 MARCH 2022



A legacy is much bigger than an estate plan that passes down tangible assets. It is the connections, the traditions and the opportunities transmitted to those who follow the current generation. It is what we have learnt from the past and what we hope for the future.

If you asked business owners to list the advantages of membership in a thriving family agribusiness, many would mention the opportunity to leave a legacy for future generations. These business owners might be thinking chiefly about the operating company and other tangible assets. But a legacy encompasses more than just material wealth; it also includes the family's emotional, relational, educational and spiritual inheritance.

Legacy is a daunting concept. After all, if your business is to be perpetuated for another hundred years or more, it follows that your decisions today will have ramifications not only for your children and grandchildren, but for those born after you are gone.

To ensure a smooth succession, you have to take steps now to instill the values of stewardship, family loyalty and sharing. These values become the foundation that keeps families strong over time. Education, communication and strong values set the family on the right path to creating a long-lasting legacy.

Leaving a legacy is like passing a baton in a relay race, except that the transfer takes place in slow motion. We leave a legacy in the values and priorities we pass on to our children. We leave one when we teach co-workers how to perform a task or approach a challenge differently. We leave a legacy simply when we set an example for others. Family agribusiness owners must consider the impact of their legacy on all stakeholders: owners, family and employees.

A DISCIPLINED APPROACH

Planning for the continuation of the business is the ultimate management challenge. It requires vision, commitment, and the ability to balance short- and long-term issues and goals. As a business owner, you'll know all too well that there are plenty of urgent short-term challenges that pull time and attention away from long-term planning. Most business leaders wait too long to consider the legacy they want to leave their families.

Building a legacy that will thrive for generations, like building your family agribusiness, requires a focused effort. This complex undertaking is best addressed like any other large project; it should be broken down into manageable parts. Deadlines should be set for each task. As each task is completed, new tasks will be defined.

Involving the family with the business is the first project to be addressed. The owners must motivate the next generation for family members to truly engage in the business. Family communication and involvement are therefore crucial to the process.

Tasks that are necessary to motivate the family may include, but are not limited to:

- Developing the children's values and capabilities.
- Talking about the business at the family dinner table.
- Providing appropriate educational opportunities for the next generation.
- Creating a family employment policy that spells out requirements for joining the family agribusiness.

As next-generation members get older, involve them in creating a family mission statement. Help them understand the many rewards and opportunities of family agribusiness ownership.

A plan should also be developed to ensure financial security for the current family agribusiness leaders. To make this effective, take the following steps:

- Ask each family member who is active in the business to develop a personal financial plan allowing for comfortable retirement.
- Develop tax-efficient retirement plans for the spouses of family agribusiness leaders.
- Define post-retirement endeavours that will provide current leaders with new challenges and opportunities (such as teaching, consulting or charitable work). Pursuing these interests will provide a meaningful next chapter in their lives.

MANAGING THE OPERATION

Another objective is building a management team, which may include key non-family employees as well as family members. Career development should be focused and individuals encouraged to learn and grow.

Here are the main tasks to meet this objective:

- Identify those with the potential to be the successor. Given the unpredictability of the future, it's best to develop several individuals who could potentially fill the role.
- Create a development plan for potential successors, including career path options.
- Ensure that sufficient incentives are in place to retain key non-family managers.
- Assess the cost of the succession plan. This includes building the management team and supporting their development, as well as funding the senior leaders' retirement.

Independent directors or an advisory board can provide support and guidance during the management development process. A board may also be helpful in recruiting talented managers from outside the company.

In addition, the family should consider establishing a family council to address the concerns of members who don't work in the business. Resentment can grow if passive shareholders' liquidity needs are not met. A well-designed buy-sell agreement will enable these shareholders to exit. You will therefore need to calculate the cash required to buy out family shareholders or make distributions to the entire shareholder group.

If the next generation doesn't have an interest in working in the business, the family needs to consider two options: developing an exit strategy or appointing non-family professionals to run the business. Family members might be actively involved in business investment decisions, while non-family leadership manages day-to-day activities.

Families who decide to sell their company can continue working together on other business endeavours, for example by forming a family office or family investment partnership. This is a way to perpetuate the family's entrepreneurial legacy even after the business is sold.

The legacy plan should be fluid so that it can be adjusted to reflect changes in the family, the business environment and the family's financial needs. Over time, the roots of many trees in a forest connect with one another; creating an independent underground foundation. Similarly, a family legacy connects past generations to those who will come after us, providing strength and support.

LEGACY: THE IMPORTANCE OF FAMILY UNITY

FARMER'S WEEKLY – 8 APRIL 2022



Leading any business is tough. Leading a family business can be considerably more difficult. Family business leaders have to deal with relationships and emotions that simply are not present in an ordinary business set-up. And this is in addition to the normal stresses of running a company. Under these circumstances, establishing or continuing a legacy for generations to come can seem like an impossible dream.

While previous articles in this column have focused on succession planning, the reality is that a family business is always in transition. As the business faces its natural growing pains, family members are being born, going to university, entering and leaving the business, and inevitably wrestling with two questions:

- What do we need to hold onto and nurture about our family agribusiness that makes us special and gives us a strategic advantage?
- What do we need to change in order to adapt to the challenges we currently face and those on the horizon in an ever-evolving family and business?

Many seek to find a rule that can be applied in all circumstances. This is most clearly seen when people speak about a “business-first family” vs a “family-first family”. This approach implies to many that you either have to prioritise the business ahead of the family, or put the family ahead of the business. While having a black-and-white rule might provide you with a sense of certainty, the reality of a family agribusiness is far more complex than that.

How do you build family unity and cohesion when both the family and the business wrestle with a fast-paced and changing environment? Financial success alone is not sufficient for a family agribusiness to transition from one generation to the next.

A SENSE OF CONNECTION

In addition to financial success, for family members to successfully navigate the ongoing transitions of both family and business, they must have cohesion. Moreover, this should be built on an emotional sense of connection to each other as family members, as well as a sense of pride and identity that comes from how they deploy their financial, human and social capital in the world.

What does this sense of unity and cohesion look like? It doesn't mean that everyone agrees all the time. It doesn't mean unity built through financial, emotional or other types of cohesion. It doesn't mean there is a total absence of conflict.

What it does mean is that you care enough about each other as family members to listen to one other, compromise, and think about the good of the whole family, not simply your own self-interest. It means that you care about what you're doing together through your business, and that you recognise there are times when the needs of the business come first.

In essence, when there is a sense of unity and cohesion that's strong enough, the family knows when and how it must attend to the needs of the family, and when and how it must attend to the needs of the business. The family works to stay connected to each other and communicate with each other when they are in conflict. Research from the field of marital and family therapy shows that couples and families who turn toward each other, rather than away from each other, when they encounter conflict have greater longevity and happiness in their relationships.

While many can relate to this ideal of family unity, the growth and evolution of the family unit make achieving this goal increasingly difficult. As a family business moves from the founder to the second generation and then to the third, the number of family members obviously grows. New family members are joining through marriage, and others are leaving through divorce or death.

STAYING TOGETHER

Family agribusiness owners need to navigate the fast pace of change in today's business environment. The company must keep its products and services relevant, and ensure that operations function so well that the leadership can focus on beating the competition and maintaining strategic advantages.

Building family unity in the face of all these pressures is a major challenge that affects the ability to maintain the family agribusiness across generations.

Here are some suggestions for building family unity:

- Define success. There is an old saying that if you don't know where you're going, any road will get you there. If you don't have ways of talking about what success looks like to both the family and the business, it's much more likely that these pressures will pull you apart and you'll be working towards your individual definitions of success rather than a common definition.

Through strategic planning, there are several models to help you arrive at a definition of success for the business. One way is to look 10 years into the future and ask yourself: what will our family look like if we're successful as a family? What will our relationships look like? What will the working life of family members look like? What will our relationship to the business look like? How will we resolve our difference and stay aligned?

- Build a governance system that works for your family. The term “succession planning” implies that it is an event, that you have to answer a finite number of questions when creating a plan, and once you've answered them, you're set for successful transition.

But succession is an ongoing progression of big and small transitions, and the family must grow and adapt to meet these challenges. In fact, you may not be able to anticipate all the questions you'll have to answer in order to navigate these transitions, but if you have good governance processes in place, you're on the right track.

A GOVERNANCE SYSTEM

The management structure of the family agribusiness is crucial to success. Here are the key elements:

- A board that holds the management team accountable for drafting and sticking to an effective strategic plan.
- A family governance mechanism, such as family meetings or a family council, that manages communication and decision-making as a family.
- A process whereby the family and business governance systems work together with management to ensure they are aligned in their values and vision.
- Articulating clear expectations for family members. Many conflicts that arise in family agribusinesses come from differing expectations. To build unity, you need to anticipate the areas where there may be differing expectations and seek to develop policies so that everyone supports them. These include rules for employment, dividend policies, successor selection, and much more.

A family constitution should set forth all these policies and the context in which they were developed. A constitution should create clarity in three realms:

- Mission, vision and values. When these are articulated and supported by the family, the sense of pride in the business increases measurably.
- Policies and procedures. What are the rules of the game for the various issues that the family faces? (For example, when someone wants to work for the business, what qualifications must he or she have?)
- Legal agreements. The family should have legal agreements that guide the governance of the company and outline methods of dispute resolution.

The steps outlined above can seem daunting, so a common strategy for dealing with the complexity of a growing family is to “prune the family shareholder tree”. But what is often overlooked in this case is managing the impact of such a decision on family relationships. If you choose this strategy, communicate the process clearly, so that changes in the shareholders don’t result in the loss of branches from the family tree. The cost of buying out family branches, for example, can divert capital that is needed to grow the business.

A family business can prove highly satisfying (vocationally, emotionally and financially) to its members. But to meet the challenges of the business and build family unity, it’s unrealistic to expect unanimity at all times. Rather seek to establish common values, goals and objectives, and turn toward each other when conflicts arise. In this way, you’ll create a family unit that knows how to balance the needs of the family and its members with the needs of the business and its stakeholders.



EDUCATION IS THE KEY TO SUCCESSION PREPAREDNESS

FARMER'S WEEKLY – 20 MAY 2022



For too many families, succession planning seems too treacherous a journey to undertake, so they simply opt not to set off on it.

As a result, they forgo a critical opportunity to shape their future for the better.

Imagine that you have to go on a five-year trip with your family to an unknown destination where very little of your previous knowledge and experience will be of any use. Imagine, furthermore, that your family's material wealth, its emotional well-being and its stature in the community will all depend on successful completion of this trip.

Wouldn't you go out of your way to prepare your family for such a journey? Wouldn't you, at a minimum, want to give them the basic survival skills necessary to complete the passage successfully?

Of course, you would. And yet there are many agribusiness families that are alarmingly ill-prepared for succession and continuity planning. Needless to say, the consequences are often unfortunate. For many families, the journey appears so daunting and so full of potential problems that they won't even consider taking it. And in so doing, they lose a vital chance to structure the company and its finances to their advantage.

In reality, of course, you don't have much choice about whether or not to embark on the journey. The process of generational change in a family business is driven by the biological clock and can't be stopped. Your only choice is whether you prepare for the journey and manage it accordingly, or let the outcome be determined by luck and happenstance.

CONSIDER THE INTANGIBLES

Some families rush into succession planning before they fully understand what is involved or have psychologically prepared themselves for it. They also sometimes get nudged into it by advisers, who may have the best intentions. Advisers are often eager to show their clients that they charge them only for concrete, tangible work, such as the planning process itself. Preparing for dramatic change, however, involves many intangibles.

Readiness is imperative, and the key to readiness is education. This may mean going beyond attending seminars and reading books and articles on succession.

Some successful multi-generational family businesses make a concerted effort to learn about generational change in other family companies. When travelling, for example, they take the trouble to visit other families that have been in business successfully over generations, and question them on how they do it.

In fact, there is no better predictor of how well families will fare during the stress of succession planning than the time, energy and resources they invest in educating themselves about issues they are likely to encounter along the way.

US-based family business consultant and author Dr John L Ward puts it this way: “Families that are committed to the continuity of their businesses into future generations are among the most likely to respect the need to educate themselves about what it takes to meet their goal.”

Education is important because it adds perspective. The more informed you are about the generic issues associated with what you are experiencing, the better you’ll be able to understand their manifestation in your particular case.

Moreover, perspective can help you develop the traits encapsulated in Reinhold Niebuhr’s “serenity prayer”: “God grant me the serenity to accept the things I cannot change, courage to change the things I can, and the wisdom to know the difference”.

YOU’RE NOT ALONE

Education also provides validation. By knowing that other family businesses are dealing with many of the same issues as yours, you realise that what you are experiencing is not extraordinary. In fact, it may even be normal. One of the most frequent comments I hear from family-owned business clients is: “Thank you. Now I know that at least I’m not crazy!”

Such a sense of normality can be comforting when you’re trying to sort out difficult and often emotionally loaded dilemmas. More important, the validation that comes from hearing the experiences of others can help your family anticipate what lies just over the hill ahead.

EMOTIONAL RESISTANCE

The phases of a generational transition are predictable, and being able to anticipate them greatly enhances our sense of mastery and control over the process of change. Knowing, for instance, that every transition evokes emotional resistance can help validate the fact that people throughout the system may be ambivalent about embarking on the journey. Education helps by legitimising this resistance as a topic of discussion. And of course, the only way that family members can constructively work through and overcome their hesitancy to change is to discuss their feelings about it.

Education also gives families a language with which to solve problems. One of the biggest impediments to management of generational transitions is that families simply don't know how to talk about the issues. They don't have concepts and labels with which to frame the issues they face and discuss them constructively. For example, the simple notion that different perspectives in a family business can be represented as three interlocking circles, depicting family, business and ownership, can help stakeholders discuss and make sense of their experience.

More importantly, through acquiring a common language, agribusiness families can learn to communicate and, ultimately act upon their circumstances. Finally, education nurtures hope. When families realise that others like them have taken the journey and come out stronger, they are better able to embrace the process of change and plan for it. This is one reason it's so important to disseminate information about families that are models for managing generational transitions.



THE FINANCIAL IMPLICATIONS OF A FAMILY AGRIBUSINESS TRANSITION

FARMER'S WEEKLY – 10 JUNE 2022



Handing a family agribusiness over to the next generation involves financial as well as personal decisions. And personal decisions with financial implications are the most difficult of all!

In working with family agribusinesses that are in the process of transitioning from one generation to the next, I'm always pleased to come across current owners who have established financial security for themselves outside the business. Letting go is a difficult task at the best of times; the process is made far more stressful if the retiring leader is financially dependent on the business. Unfortunately, when planning ownership transition and succession, many family businesses focus only on minimising transfer duties. What is frequently forgotten or poorly planned is the financial security of the senior generation after the transition.

The transition process should begin with the owner establishing a clear vision of his or her future after the business is transitioned and discussing this with the next generation. Everyone should then decide whether the next generation is willing to take on the responsibility of ownership and/or management of the company, and if he or she is capable of doing so. The transition process frequently involves programmes to educate and prepare the next generation for his or her future responsibilities; this will also have to be factored in. If the next generation is not willing or able to assume future ownership of the business, the senior owner must decide whether to sell to a third party or remain active in the company.

PLANNING

Transition planning involves both the business and the family, and financial and personal decisions therefore have to be made. Personal decisions, including establishing financial security for the senior generation, are often the most difficult to make. Once financial objectives are identified, tax and legal counsel can be consulted to establish the most effective strategies and action plans to accomplish these objectives. The financial implications of a transition affects both the older and younger generations. All too often, the generation at the receiving end of wealth transfer fail to protect their wealth through appropriate financial and estate planning. All owners should be involved in the planning process.

When drawing up a succession plan, ask the following key questions:

- What is the senior generation's personal vision for their lifetime?
- What income will the senior generation need to sustain a comfortable lifestyle?
- What level of investment will it take to provide the necessary income (after tax) to accommodate that lifestyle?
- To what extent does the senior generation have such assets currently invested outside the business?
- If sufficient assets are not available outside the business, to what extent must the senior generation rely on future income from the business?
- To what extent can the senior generation access ongoing retirement income from the company?
- Will such income provisions limit future financial opportunities for the company?
- Is the next generation willing and able to assume ownership and/or management of the business?
- If not capable now, what resources and timing will be required for the next generation to become capable?
- If the next generation is not willing, will the proceeds from a sale to a third-party purchaser be adequate to fund the lifetime needs of the family?
- If the company is being transferred to the next generation, are appropriate policies and agreements in place to support the transition?
- Is an appropriate capital structure in place to accommodate an efficient transfer?
- If voting (preference) and nonvoting shares are in place, what are the transitioning objectives for each class of shares?
- What should the distribution of ownership among siblings be for voting (preference) and non-voting shares?
- How will ownership and management be held accountable to shareholders in the future?
- Will independent directors or advisors be engaged in the governance process?

SELLING TO THE NEXT GENERATION

If the senior generation doesn't have sufficient financial assets to meet their retirement needs, a sale or partial sale to the next generation may be in order. In many cases, however, there is insufficient liquidity for the next generation to purchase shares.

The company then becomes the ultimate source of funds to complete a successful transition. When relying on the business to fund a transition strategy, owners should take care to ensure the continuing financial health of the company. The company could provide income to the senior generation via a retirement or deferred compensation plan established prior to retirement. It might also be able to provide ongoing medical benefits. Many strategies are available to accommodate transition needs and objectives. Financial independence for the senior generation, the capabilities of the succeeding generation, and the financial strength of the business should all be considered in identifying appropriate strategies. Prior to transferring shares, it is important to establish governance policies and execute shareholder agreements governing future ownership.

Any restrictions on ownership as well as a workable buy-sell agreement among shareholders should be agreed upon as a prerequisite to transitioning ownership. The majorities required for important decisions, such as the decision to sell or liquidate the business, should also be determined.

FUNDING RETIREMENT

Regardless of what is decided in terms of the business, assumptions have to be made about the senior generation's financial needs for the remainder of their lives. This is not an easy task; their future lifestyle has to be projected and financial requirements established accordingly. The task is complicated by the fact that few older people keep accurate records on the costs of their current lifestyle. As a result, living expenses are often underestimated.

The objective is to determine the financial assets that will be required to accommodate a conservative estimate of the older generation's ongoing financial needs. Conservative assumptions should be made both in the area of expenses and in estimating earnings from invested assets. In any transition planning process, your chances of having a successful multi-generational family business will be greater if you proactively plan both the family and the business sides of the equation.



BREAK DOWN THE SILENCE

PROAGRI - MAY 2022



Communication is the key to success in maintaining a successful family agribusiness. Yet many families never get to first base in addressing in communication issues, even those who realise how important it is to the outcome of ensuring the sustainability of their businesses.

WHY FAMILIES DON'T COMMUNICATE

Hidden agendas are a major obstacle to communication in families. In some cases, the father's hidden agenda may be that he has no intention of ever letting go. But the son's failure to confront his father on the succession issue may result from a hidden agenda, too. It may be that he really doesn't care for the responsibilities of leadership, but he doesn't have the courage to say so.

A second block to communication results from waiting too long to address the issues. With the passage of time, small silences can grow into a mountain of guilt and rationalisation. On the one hand, the father may be thinking, "I should have dealt with this years ago, and I have let it go too long. Now I am too embarrassed to deal with it." On the other hand, the son may be thinking, due to no word to the contrary from Dad, his entitlement to the top job grows with every passing day.

During my recent visit to AgriTech Expo in Chisamba, Zambia, I met a son, already in his 30s, who had invested many years of his life in the hope of eventually running the family agribusiness. However, his father, already well into his seventies, had no intention of letting go. It would be advisable for the son to communicate his desires to follow in his father's footsteps to take over the management of the business.

Breaking down the wall of silence – a few rules to help improve communication:

1. The sun should never set on an emotionally significant issue within the family that remains unre-solved. Avoid letting issues fester until they get too hot to handle.
2. Find the right time and place to talk seriously. Avoid the interruptions at work.
3. Before opening your mouth, clarify in your mind what you want and what is fair to other family members. Be sure about the principles you want to adhere to.
4. Seek objective advice on your own possible hidden agendas and on the best way to frame the issues. Once the issues are on the table, look for alternative win-win solutions that address both business and family needs and promise a way out of the dilemma.

5. Family members should agree on what will be expected of successors-to-be and on measures to determine whether those expectations are being met. Potential successors should be given frequent feedback.
6. Before assigning blame for something, ask yourself what you may have contributed to the problem. Remember that only you have the power to change yourself.
7. Keep the discussions moving forward. Be willing to negotiate. Remember that other family members may not be ready to hear you. It may take years for them to unfreeze. Stick with it. Build goodwill through the process.

A third and critical block is the feeling that the issues are so highly emotional that they seem to preclude any rational discussion. When a son has invested 18 years of his life in the hope of eventually running a business, any talk of succession with his father is bound to be powerfully charged for both.

Real communication has an element of vulnerability to it. So, if the son goes to his dad and tells him about his concerns for the future, he may hear something he doesn't want to hear. Yet it is far riskier to the relationship and to the son's future to let issues fester.

Questions about the competence of children pose some of the greatest challenges to family communication. For a while, parents can rationalise away doubts about competence as "a maturity problem," "an attitude problem" or "the influence of friends." By the time children reach 30, however, parents should know whether their offspring have what it takes or not. If the parents don't know, the children must be tested; they should be given more responsibility and the chance to fail. Parents must stop rescuing children. The children must be subject to serious evaluation by others – managers and personnel experts who can give them objective feedback. The next ten years are critical in a young adult's life. Without good communication in the family, members of the next generation may hang on to illusions about their future in the business.

WHEN CRISIS IS IMMINENT

The father and son in my example have a lot of work to do. Ten years ago, Dad probably could have eased his son out of the business without causing an uproar in the family. That would have made it possible to prepare a professional manager to run the company when the father was ready to retire. Now it is too late. The son has few career alternatives. Because Dad has not dealt with the issue for so long, he has lost a lot of his moral authority. He knows it and feels powerless.

The father must separate issues of authority on the business from the son's need to save face. He must find a way of giving authority to those who are most able to provide competent leadership, while leaving his son with an adequate measure of self-esteem. Perhaps the son could be put in charge of a smaller entity, such as one of the farming operations. Or he could have a seat on the board, while professional non-family managers run the family agribusiness.

Both father and son must look for win-win alternatives that can extricate them from the dilemma that has led to mutual avoidance of the issues. The situation demands an enormous amount of communication, patient problem solving and compassion. Sadly, such qualities are frequently beyond the emotional resources of some families. The leader then faces the awful choice of saving the business or the relationship.



DIVERSIFY YOUR FAMILY BUSINESS TO INSULATE IT FROM RISKS

PROAGRI – JUNE 2022



Your family business leadership must have a clear, compelling, and objective framework to ensure that good long-term decisions are made in the best interest of current and future shareholders.

Many well-established family agribusinesses find ways to generate new streams of income independent of the core business. Despite the longevity or success of the family business, the inherent risk is typically tied to the legacy business — which also happens to be where most of the family's wealth resides.

What if there is a catastrophic business interruption? What if the supply shuts down? What if new technology or global competitors upend a once-defensible position? Your family may very well run a tight ship, but there are many real-world possibilities for disruption that are simply beyond anyone's control.

This is a common conversation among successful business families, especially from those who are thinking several generations ahead. There are many benefits to diversify a legacy business and providing alternative streams of cash flow. Risk management is typically the driving force, but there are other reasons too: preservation of long-term wealth, offsetting a cyclical industry, extending the enterprising legacy of the family, capitalizing on the family's unique ability to innovate.

Privately held firms actually have an advantage in innovation because of their long-term perspective on capital efficiency, which allows for the “patient capital” attitude of owners to tolerate longer return cycles. Public companies, on the other hand, are pressured by short-term investors to focus on projects that maximise quick returns while demanding high hurdle rates.

If family businesses have such an advantage in long-term investing, why do we not see more active diversification playing out? What is holding back families from capitalising on their own success? For many, it is simply a lack of expertise and direction in getting started. Looming questions arise: How do we evaluate industries or businesses we have no experience of? What kind of return expectations should we have? How much capital should we allocate?

The answers require some level of investment strategy, process, and accountability, which most family businesses simply haven't developed because, well, they're far too busy running their existing business. While the core business may be firing on all

cylinders, the risk of venturing into new territory can appear greater than the risk of sticking to what they know, which has plenty of its own challenges to deal with.

The fact is, diversifying into new business ventures is fraught with peril. Therefore, family leadership must have a clear, compelling, and objective framework to ensure they are making good long-term decisions in the best interests of their current and future shareholders. Some families bypass this complication by parking their non-core investments in a third-party family office or private equity fund, leaving it to experts to manage their choices. Many families, however, are uncomfortable with the passive nature of this option, preferring hands-on control, security, and sense of ownership over their new endeavours. All the more reason to take a systematic approach to ensure you get it right.

Diversifying your family business is certainly not any easy task, but it can be successfully accomplished if the following steps are applied:

1. ESTABLISH A CLEAR AND COMPELLING VISION FOR DIVERSIFYING THE BUSINESS

Does your family vision statement tie the business to a single industry, or leave it open to grow from various sources? Despite your emotional attachment to the family business, it is nothing more than an asset representing a source of income and value creation. When families treat their business this way, they are more likely to acknowledge there may come a day when competitive pressures or capital requirements dictate the asset could create more value if it were liquidated and redeployed into higher-return opportunities. This may sound blasphemous to certain family members, but when you stop and think about it, your family business legacy is likely to be more about growing wealth than clinging to a specific company or industry, especially if it is struggling to maintain relevance, or is losing value.

Articulating a clear statement of long-term intent cements your family's commitment to enterprising beyond your core business, even if you are not sure what it might look like one or two generations from now. By raising the concepts of “diversified enterprises” as a purposeful direction for the family business, you also gain enthusiasm and buy-in from shareholders who will now publicly stand behind it, even expect it. Something powerful happens by agreeing on a future aspiration, writing it down and then providing frequent exposure to that message. You will eventually make it happen.

2. SET THE STRATEGIC FRAMEWORK AND CRITERIA

Once a vision is established, the next step is to fill in details around strategy, which informs the type of industries and approaches you will take toward diversification. Start by casting a wide net around your playing field. What are you good at? What assets are currently underleveraged? What core competencies might be transferable to other markets or customers? This process taps into your unique capabilities to generate new, profitable sources of growth.

Next, layer in a filter of risk correlation. For example, would you prefer to focus on synergistic businesses, or countercyclical ones? Will you consider businesses related to your core enterprise, or do you want completely independent industries? An agricultural business historically depends on one product driven by commodity markets decided to venture into alternative commodities that were historically uncorrelated to its core product. You could also go horizontally forward or backward in your supply chain, but generally that only ties the risk further into your existing industry. Obviously, the less correlated an industry is with your core business, the more you are truly diversifying risk. Additional criteria to consider should include expected returns, industry growth rate, build versus buy, geographic limitations, and capital constraints.

3. APPOINT A DEDICATED LEADER REPORTING DIRECTLY TO THE CEO

Many diversifications attempts either sputter out or produce spotty results because they lack dedicated, focused, accountable leadership to see the mission through. A diversification initiative cannot be approached as a part-time effort with a “let’s see how it goes” attitude.

The pitfalls of approaching diversification as a side project of current management are two-fold: Either the core business sucks management back in, leaving insufficient energy for the diversification initiatives; or the shiny new diversification projects become a distraction, drawing management’s attention away from the core enterprise. Putting an objective leader in place can allow the business to cut through emotionally driven decision making — a weakness that family businesses are prone to that often leads to a hodge-podge of starts and stops that may or may not be consistent with the strategy.

Once your investment criteria have been agreed upon, a designated leader operating separately from the core business can provide objective analysis of new opportunities and ensure that the family is accountable for achieving outcomes rather than dabbling. If you are serious about it, put a competent individual in charge, and then structure the new initiatives to operate separate and apart from the core business.

4. APPLY A PROCESS TO NARROW DOWN THE BEST CHOICES

Now that a strategy and criteria have been set, a process is needed to evaluate new opportunities. All ideas should be considered from a variety of sources, as if they are being thrown into a large funnel, except now there is a screening methodology for evaluating the strength of each proposition. The more aligned with strategic criteria, the further down the funnel the business idea will go. There should be just a few ideas coming out of the other side.

Despite the straightforward nature of this process, it is also where the family dynamics can get in the way, requiring management to remain disciplined. During this phase, one should expend enough attention to validate a fit with criteria, but no more than a first-pass level. An internal review board is helpful to vet ideas that make it through to more advanced stages, forcing justification and validation of the most promising proposals.

5. DEVELOP THE BEST IDEAS INTO A FULL-SCALE BUSINESS PLAN

Here is where the viability of the business investment can be fully validated in great detail. This is no time for shortcuts or reliance on anecdotal information. Spend the time and energy necessary to develop a robust, data-heavy business plan with compelling market and financial justification, as if it were being pitched to an outside investment group. The business plan should cover typical components such as marketplace feedback. Industry growth rates, prospective customers, competitive landscape and a financial pro forma.

Ultimately, the business plan should clearly depict its unique strategic differentiator — Why will you win? What makes it a compelling investment?

Finally, get outside feedback from a third-party expert in the industry who can provide an unbiased perspective on your plan's integrity and a critical view on its probability of success. A designated devil's advocate can provide a reality check on your assumptions around operations, market, customer, pricing, and competitors. Even the most promising ventures will present challenges, so make sure you understand the minefields that will be faced.

6. PROVIDE VISIBILITY AND ACCOUNTABILITY

Once the new business plan has been vetted, critiqued, and approved, now it is time to take the leap and launch. The business plan should provide a set of milestones for tracking progress, which also becomes an accountability mechanism to ensure appropriate oversight and course correction when necessary.

Be prepared to evolve and iterate. Admit what you don't know and bring in expertise to help operationalise when necessary. Diversification can be a risky proposition, but given the right commitment, process, and discipline, it can de-risk your business in the best interest of current and future shareholders.



FACING REALITY CAN PREVENT A NIGHTMARE SCENARIO

FARMER'S WEEKLY – 8 JULY 2022



Neglect succession planning for your family farm, and you could leave your loved ones with a financial and emotional disaster. Carry it out properly, and you'll earn their lasting love, respect and gratitude.

Unfortunately, when considering the future, many family business leaders refuse to think “When I die”, preferring instead “If I die.” Because of this denial, they never get around to planning what will actually happen when they do die, even though such plans could avoid or alleviate financial and emotional pain.

The two most predictable consequences of the failure to focus on long-range succession planning are the faltering of a business left without a leader and lasting bitterness amongst family members resulting from fights over control. But there are other effects, as well. A business may become crippled by the need to use limited working capital to pay taxes. Yet these can easily be avoided or reduced with the help of a lawyer, a tax adviser and basic estate planning techniques, provided this happens beforehand.

FAMILY STRIFE

Another result of a failure to plan for death is the increased possibility of a battle among the children (or between the children and the surviving parent) for control of the business. If a fight of this nature breaks out, hostility can increase to the extent that compromise becomes almost impossible and the matter can land up in court and involve huge legal fees. The result of no one having figured out how to share the goose that lays the golden eggs is that no one can see an alternative to killing the goose.

While the business owner is alive, the situation is rarely so serious that it cannot be improved upon. Yet far too often, the owner remains paralysed because each course of action throws up problems and challenges. But as difficult and risky as moving forward may seem, doing nothing carries a far greater possibility of danger.

When a family agribusiness lacks a succession plan, or when it has a plan that is unworkable, the result may be one or more of the following scenarios:

- The dictatorial successor

Here, the successor will try to mimic the iron will of the dynamic former leader. Unfortunately, this management style works for very few people, and a successor who behaves in this way will probably find that his or her siblings resent, or refuse to tolerate, such behaviour.

- Rival successors

In an effort to encourage all of their children, some family agribusiness owners lead each child to think that he or she will one day be the boss. But then, uncomfortable about nominating one over the others, they never actually appoint anyone! This inevitably leaves multiple heirs vying for the role. It is difficult to imagine a happy outcome in such cases.

- The powerless successor

When a child who is capable of running the business doesn't inherit control of the trust of his or her siblings, the predictable outcome is failure. A leader needs this power to carry out his or her vision.

- Siblings who cannot collaborate

In this case, lack of trust will ultimately inhibit the business's success.

- Heirs who don't understand the business

Many children of dynamic family business owners grow up thinking that making money is easy. The parents always seemed positive and optimistic, and failed to educate the children about the risks and insecurities involved in running a successful business. Not knowing how to evaluate risk and do business properly can lead to ill-advised decisions.

Moreover, survivors who don't understand the factors that led to the company's success can fall prey to non-family employees (the ones who are actually running the company) or prospective purchasers who will readily take advantage of the survivors' naivety and lack of insight. These parties' agenda will be to buy the business at a handsome discount, and their leverage will be considerable.

HOW TO AVERT DISASTER

The steps that can be taken to avoid tragedy depends upon the people involved and their emotional resources, emotional intelligence, communication skills and ability to find and work with talented advisers. No one formula or plan will work for all businesses, but all successful plans have a couple of things in common.

WISE ESTATE PLANNING

All too often, lawyers, accountants and other estate planners are asked to devise a plan that focuses only on tax savings, without regard to whether the plan leaves the business in an unmanageable posture. No matter how much is saved in taxes, a business will not succeed if control is left to a surviving spouse who cannot run it and is concerned only with how much cash he or she needs to extract to cover personal expenses.

Wise estate planning takes into account not only tax savings, but also the critical need to create a structure that enables the business to prosper, even if it means paying more taxes. In the general scheme of things, taxes are a good investment if they increase the possibility that the business will continue to be successful.

ENGAGEMENT OF THE FAMILY

No one person can solve the problem; the entire family must be involved. Family members must discuss and understand each other's goals, fears, strengths and weaknesses before a dispute or crisis develops.

The goals of wise estate planning and family engagement cannot be achieved through wishful thinking. Steps must be taken toward these goals, either with or without the help of the family business owner who is in denial about the problems that would be caused by death.

Certainly, the involvement of the strong leader is helpful, but there are measures that can be implemented without the patriarch or matriarch's participation:

- Convene meetings (with or without the business leader);
- Create a plan for building trust among siblings and their surviving parent;
- Invest in leadership assessment and training;
- Devise a succession plan for the family business.

Ultimately, if successful, this should result in the family being able to agree on governance structures that will help the business and the family to succeed. For the business, this often involves defining the power of the leader and giving the other owners veto powers over major decisions.

Effective governance for the family often starts with convening family meetings and forming a family council to separate family matters from business and ownership concerns.

Sometimes, promises must be made regarding eventual financial rewards for the owners who are not actively engaged in the business. These promises can take the form of an exit strategy (being eventually bought out) or regular distributions of income. It is common for the person responsible for running the business to have serious doubts about such financial commitments. But the fact remains that unless inactive stakeholders believe that the business benefits them in some financial form, they will be dissatisfied, and this dissatisfaction can eventually cause serious problems.

The commitment to providing financial benefits to inactive stakeholders (just like the prospect of imminent disaster) will focus the mind of the leader. There is no magic bullet, no perfect plan and no guarantee for the future. The only guarantee is that if no one does anything, the possibility of a business failure is increased. Where benign neglect does solve a problem, it is usually by coincidence and blind luck, not by design. In general, ignoring a problem is a plan for failure.



HOW TO IMPROVE FATHER-SON RELATIONSHIPS

PROAGRI – JULY 2022



Conflict between fathers and sons relates to traditional male roles. Once men understand the underlying issues, they can work to transcend their competitive instincts.

“No matter what advice I give you, you reject it,” says a father to his son. “You think you’re so damn smart just because you have a BSc Agric. Well, you’re in the real world now.” “Why did you insist I spent half my life studying at university,” the son replies, “and then refuse to let me put in practice what I know will work?” “You’re 26 years old,” the father retorts. “I’ve worked in this business for more years than you’ve been alive. I know what works and what doesn’t. Don’t waste my time.”

It seems that these family members, for whatever reason, simply don’t know how to talk to each other. If they find the problem intolerable, they may visit a consultant, who may lay out a step-by-step plan for appropriate behaviour to ensure no such scenes will occur in the future. It’s a very male approach to life: Tell me the apparent problem and I’ll give you a solution. A harmonious relationship can be achieved by following a few easy steps.

The underpinnings of the problem are complex, but ultimately make sense. The father and son don’t want to disrespect each other, but something keeps preventing them from pulling together, and instead they pull apart.

Both father and son must understand the origins of their conflict in order to change their perspectives. If they can understand why they fight, the situation won’t seem so overwhelming, and resolution will be possible. Nothing is more destructive in a family agribusiness than the statement, “I don’t know why, but we’ll never get along.” Such a sense of hopelessness will ultimately cause the demise of the agribusiness.

“Family agribusiness” connotes an idealised image of kin happily working side by side in an atmosphere of mutual support, love, and common purpose. Classically, at the helm of this noble enterprise is the wise and generous father. His chief goal is to prepare and nurture his offspring so they may one day take over the family farm.

The children are empowered to mould the agribusiness to reflect their generation's passions and skills while maintaining its established legacy. At a mutually agreed-upon time, the father gladly relinquishes his control over the farm and moves into retirement, content that he has successfully completed his work. As the direct result of his expert mentoring, his children assume the task of lovingly passing on their father's vision, and their own, to future generations.

This scenario is a reality for a select and fortunate few. In most family agribusinesses, each day brings another noble struggle fuelled by family members' frequently opposing visions, developmental needs, abilities, expectations, and goals.

THE MALE PERSPECTIVE

Without question, the creation of a family business is an act of hope and love. To maintain the business, the family must ingeniously balance what's best for each family member and for the business. But men, who continue to head most family agribusinesses, typically lack the skills of balance and integration. Particularly when a male child is appointed to succeed his father, the outcome frequently is conflict.

In separate discussions with father and son, it is common to hear each one assert that their family agribusiness has achieved its success primarily as a result of his efforts. Each nod to the well-meaning of, somewhat competent, work of the other. But, with great sincerity, each pride himself of rescuing the business from the catastrophe that certainly would have occurred under the other's leadership. Interspersed in this description are genuine assurances of love. Yet there remains great concern that the son is simply not ready for immediate succession or that the father, however brilliant his original work, has now grown hopelessly out of touch.

They sound narcissistic and condescending. But each man is simply doing what he was raised to do — compete. Both fathers and sons are primed to be victorious. They're too often confused about how to win without destroying the one they love in the process. Notions of mediation are contrary to their assigned life purpose to win.

In a culture where the primary value of any man still rests in his ability to produce and conquer, how is cooperation anything but a loss of power? Conflict is simply seen as the price one pays in the pursuit of victory. Ask a man about his philosophy of conflict resolution — he is likely to respond that he is all for it, as long as it doesn't mean he loses.

However, when a father and son truly love each other and work together as a single unit, there is little to compare with the strength of their connection. The singularity of their focus, their shared intuition, their unwavering mutual trust, and their combined efforts can be overwhelming to their competition. But when they cannot come together as a unit, the battle can be fierce.

Yet, it is too simplistic to describe most relationships between fathers and sons as either loving or combative. Usually, both love and competition are present. To be a father or son is to unconditionally love the other. But to be a man means fighting for your position and power without concern for the enemy.

In addition, to be an entrepreneur means enveloping oneself in the role of the lone cowboy: fiercely independent, confident, without vulnerabilities or doubt. It is the role of the unflinching decision-maker who doesn't sweat. It is also the role of the leader who rules either benevolently or as a despot, but must rule alone. Where in this characterisation is there room for mentoring and sharing power with a beloved son? It is a dilemma most fathers face in family agribusinesses.

The business a father creates, or the multigenerational family farm he successfully stewards, becomes his identity. It is not only his identity within his family or community, but also his identity as a man. What more loving a gesture is there than to offer his farm to his son? But internal conflict ensues upon the realisation that a son who succeeds in the family farm will ultimately share, steal, or usurp the father's own identity. Paternal pride thus is mixed with grief and a fear of loss of power or self.

SUBTLE GESTURES

Certainly, there are fathers who "eat their young". But for most loving fathers in family businesses, the phenomena described here are almost undetectable. The conflict manifests itself in the form of small gestures, in a father's simultaneous promotion and subtle sabotage of the son's efforts. The project he hands his son and then critically micromanages is explained away as mentoring. The son resentfully describes the experience as diminishing. Yet, how can the father truly mentor? His own father was likely a poor role model.

How can the son accept appropriate mentoring if he has been raised to become a totally self-reliant male? He is expected to somehow spring forth with knowledge and expertise that only experience can bring.

For the most part, he is play-acting at being his father. Daughters, by contrast, don't directly threaten their fathers the way sons do. Many can share their father's identity without stealing it. Often, they can challenge their fathers in ways inconceivable to their brothers. Of course, daughters in family agribusinesses have issues of their own. Many of them complain they continue to be viewed as "Daddy's little girl" and, despite their expertise, are often not taken seriously as businesswomen. Where sons often get dismissed because their power threatens that of their fathers, daughters often get dismissed because their power is not taken seriously in the first place.

Conflict between fathers and daughters exist, but it usually has a different flavour. Unlike the often-unending fight for control between fathers and sons, in many families conflict between fathers and daughters is more fleeting and cooperation comes more easily. Perhaps this is because women traditionally have gained power in cooperation and have learned to advance without threatening men. More and more fathers are leaving their businesses to daughters, who have managed to challenge them successfully, thus gaining respect and authority.

Both fathers and sons take their family company personally. The son's boss is not just a symbolic paternal authority figure – he is literally the father. He is not just the person who directs the son's professional life; he is the one person who holds the key to the son's sense of himself as a man. The son is not merely an employee whose job performance will enhance or hinder the performance of the company – he is literally the son. He is the natural extension of the father; someone who can partially guarantee his immortality or render his life's work and identity all but worthless. The power of this connection must be acknowledged.

The contradictory dynamic of unconditional love and competition must be addressed. How can father and son work together, love each other, state their needs, be heard, and actually learn to negotiate their differences? How can each retain a sense of his individuality and purpose while forging a working relationship?

RESOLUTION TAKES COURAGE

The path to resolution of these issues is clear-cut and simply understood: Talk to each other. The problem is that it takes an enormous amount of courage for men to actually talk about their feelings. Plus, men don't often exactly know what they are feeling or how to put words to it. Any negotiation demands knowing your position, stating it and then being willing to compromise.

Recognizing, much less proclaiming, one's vulnerability is often simply too overwhelming for men. The father and son for example could continue to debate about the value of an BSc Agric versus the "school of hard knocks", or they could bravely take a stab at revealing what each is really experiencing. The father could say: "Son, it is hard to hear what you have to tell me about the business because it seems as though you think all that I've done is worthless. It hurts me to think you no longer look up to me." The son could share: "I've worked hard for you to be proud of me, and the more I've accomplished the more defensive you've become. That hurts and confuses me." That is when they should start a long and heartfelt conversation that would inevitably result in resolution.

THREE THINGS ARE ESSENTIAL FOR THIS TYPE OF CONVERSATION TO OCCUR:

1. Trust that each won't be diminished in the other's eyes,
2. A belief that it is beneficial to risk showing one's emotional hand, and
3. The initiation of such a courageous interchange by the father.

The father must step up to the plate and begin mentoring his son; that is, he must act like a father. He must serve as a model of the wise and generous elder who believes a man must be able to reveal both his strengths and his struggles. He must want to not only impart knowledge, but also help develop essential qualities in his successor. He is there to help his son grow into his own person and not a clone of himself. He must believe that to prepare his son for succession will establish his legacy and not his demise.

The son must open himself to being mentored. He must value his father's courageous attempts to be honest with his feelings. He must meet the challenge of showing his own vulnerabilities. He must admit he can actually learn something and believe that it doesn't reduce him as a man. He must relinquish some control and challenge the myth that he should know things he cannot yet know. He must trust that his father sincerely can make room for him personally and professionally in the family business. He must honour his father while finding his own way.

Resolution can best be achieved when father and son understand the origins of the conflict. A change in their belief systems can lead to a change in behaviour. Fathers and sons working together can then begin to transcend their basic instincts to compete and conquer. They can begin a conversation and hopefully come to understand, as many women do, that true power is gained in cooperation.

THE 10 KEY ATTRIBUTES OF A SUCCESSFUL FAMILY AGRIBUSINESS

FARMER'S WEEKLY - 19 AUGUST 2022



Most companies face competition, unpredictable market changes, and the vulnerabilities of globalising industries. In addition to these challenges, family agribusinesses may have to address family rivalry, later generations' indifference, variable family member competence, and a possibly rocky succession. Older, successful business families have to deal with estate taxes, growing membership, and the need to teach younger generations about responsible wealth management.

There are three well-documented fundamentals of a profitable, long-lasting family business:

- An active, independent board of directors;
- Regular family meetings for engagement, education and bonding;
- A constitution articulating the family's purpose, values and policies. This must regulate family practices and expected roles and responsibilities.

In addition to this foundation, a successful family business has 10 key attributes:

1. SKILL AT RESOLVING PARADOXES

Negotiating complex family business issues presents many contradictions, such as balancing individual freedom with collective commitment, embracing both tradition and change, celebrating the past while focusing on the future, and respecting individual differences while forging shared values and vision. The overarching dilemma is how to balance the interests of the business with those of the family.

Negotiating complex family business issues presents many contradictions, such as balancing individual freedom with collective commitment, embracing both tradition and change, celebrating the past while focusing on the future, and respecting individual differences while forging shared values and vision. The overarching dilemma is how to balance the interests of the business with those of the family.

2. FOCUS ON PROCESS

A family constitution is fundamental to business success, as it can anticipate potential problems and promote family unity and commitment. But no matter how comprehensive a family's constitution, charter or code of conduct, new issues will inevitably highlight this document's gaps or inconsistencies.

A successful family constantly tries to improve these guidelines, and by doing so, focuses even more on communication, problem-solving and decision-making.

It puts challenging questions on the table to test and improve its capabilities. It assesses the success of past solutions to draw lessons for the future. It knows that skills and trust grow most through the resolution of new challenges.

3. HUMAN RESOURCES (HR) COMMITTEE

Developing and selecting the next generation of family leaders for the business is an obvious task. How to do so is much less clear, in part because family members rarely gain valid personal and professional feedback, even when the system is in place, and managing the succession-related expectations of members is an ongoing challenge. A related challenge involves career- path planning for the next generation. “Where do I stand?” and “where am I going?” are perhaps the most common questions among potential successors.

But relatives often feel uncomfortable answering these questions and tend to avoid them. As a solution, some families establish an HR committee, which may include an industrial psychologist, the HR head, and/or an independent director. The committee typically tests and counsels next-generation family members early in their careers to understand what their optimal paths may be, whether within or outside the family business. The family HR committee also usually offers performance feedback and personal development guidance, along with coaching to help family members deal with myriad issues, including jealousy or tensions within the organisation.

4. SUCCESSION TASK FORCE

This is an ad hoc group supporting the actual transition between generational leaders. Its make-up can parallel that of the family HR committee, or it may include a senior adviser to the family or a recently retired executive from the firm. The task force, which usually reports to the board, might start its work two or three years before the anticipated announcement of a new CEO or chairperson, and continue for up to 18 months afterwards. The task force sets and monitors succession timing and addresses all facets of the succession: compensation, titles, press releases, company communications, office changes, board relations, and impact on others’ career paths. It supports both generations involved in this often-challenging process.

5. OUTSIDE ADVICE

Successful family businesses try to avoid mistakes by seeking outside education and counsel. They develop a large appetite for family-business education. They also seek out other successful business families and meet with them to benchmark and identify best practices.

6. PRUNING THE FAMILY TREE

Successful families know that when someone wants out, it's best for that person to go. Otherwise, frustrations can turn to litigation, and everyone loses.

Careful pruning also helps the senior generation let go more easily, as their financial security is more established. A generational harvest is a fair way to provide the senior generation with funds to be generous to others while passing much of their ownership to their heirs. Many fear that such harvests will kill the goose that lays the golden egg. Yet, paradoxically, when all owners share the same vision and feel financially secure, the business makes bolder strategic moves, usually creating greater new wealth in the long run.

Pruning involves three actions:

- First, putting in place a buy-sell agreement for shares. The sooner that valuation formulae and terms are stipulated, the better the result for the business;
- Second, having a growing pool of capital for shareholder liquidity as needed;
- Third, approaching exits graciously. Individuals should be able to choose their own paths without judgement or inducement of guilt.

7. A NEUTRAL VIEW OF WEALTH

Successful families steward their wealth for future generations, maintain their drive for achievement, and live privileged lives without guilt.

Those who handle wealth adroitly often have a curious perspective: they don't see money as good or bad, nor do they let it define them. They are neither ashamed of, nor extravagant with, their wealth.

8. CAREFUL DECISION-MAKING

Family decision-making is difficult. Every instinct is to make decisions by ‘unanimous consensus’. Achieving this is difficult in the face of divergent perspectives; it’s even more of a challenge in a family where individual recognition and past perceived injustices remain unspoken. Successful families nurture consensus by cultivating genuine respect for each member and limiting the influence of personal agendas, striving for a truly fair decision-making process.

9. GOING BEYOND BUSINESS

If the family farm is the family’s only interest, most members of the next generation will feel they have no option but to join it, whether or not they are passionate about it or capable of doing the job, in order to preserve their identity in the family. Those who choose not to join will feel like outsiders.

Long-lasting business families know that most family members must feel that the guiding principle is ‘family for family’. To gain wider participation among family members and greater commitment to the business, there must be other highly valued roles and activities for members. These include leadership of family philanthropy, the family council, or perhaps a family office or investment company. Members in these satisfying positions are more likely to appreciate and protect the business’s financial strength because this funds all other roles.

10. MANAGING FAMILY PHILANTHROPY

Many business owners say it is easier to make money than to give it away well. This is partly because entrepreneurs, immersed in growing their businesses, often put aside the notion of philanthropy. It’s always better to start the next generation thinking early about philanthropy and collaborating with them on it. Successor generations also face questions regarding philanthropy, including whether they can adapt their parents’ ‘donor’s intent’ to fit their own passions and, perhaps, changing circumstances. Here again, thinking strategically and for the long term is the key. Successful families plan philanthropy carefully and collaboratively with the next generation.

IN CONCLUSION

If you're part of a family business, you'll know all about the many market challenges stemming from rapidly changing technology and a competitive global economy, and that these are in addition to the obstacles inherent in your family and business dynamics. Adopting the key attributes presented here can help your business sustain its performance, as well as maintain harmonious family relationships.



OBSTACLES TO SUCCESSION PLANNING, AND HOW TO OVERCOME THEM

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To be profitable in the long term, family agribusinesses need to confront the obstacles inherent in succession planning. These obstacles often prevent family members from moving from their current state to navigating the succession planning process smoothly and successfully.

CHALLENGE 1: LACK OF APPRECIATION, RECOGNITION, AND LOVE

The problem: The senior generation desperately wants appreciation from their adult children, but they will deny this fact to their dying day! Younger-generation adult children have the same issue: they are still looking for recognition from their parents for their accomplishments and uniqueness. The lack of feeling recognised and appreciated underlies many of the problems in family-owned agribusinesses. There is an implicit assumption that people are loved, but the fact that it is rarely expressed often creates an obstacle.

The solution: Teaching family members how to talk about their expectations of each other in an emotional sense, and how to express appreciation, recognition and love. Many families have a hard time doing this, and just take it for granted. Most families need to learn that the emotional bottom line in a family-owned agribusiness is just as important, if not more so, than the financial bottom line. Appreciation, recognition and love need to be expressed regularly.

CHALLENGE 2: LACK OF FORGIVENESS

The problem: When there has been a breakdown in family relationships, lack of forgiveness gets in the way of success. It is almost impossible to go through life and be involved in a family business without inadvertently stepping on each other's toes from time to time. Those families that don't have the capacity to forgive each other for their transgressions will clearly have a hard time being in business together.

The solution: Drawing upon the family's religious background can help to bridge this gap successfully, since most religions have a philosophy of forgiveness. If the family is not religious, recognising the need to set aside grudges for the sake of the business is an important first step.

CHALLENGE 3: CONTROL

The problem: The issue of control, which is the very thing that makes owner-entrepreneurs successful, is also their Achilles heel. The reality is that it is not only the entrepreneurs, but the family as a whole, who have to deal with the control issue.

In short, it is about change, and change is difficult even when positive. It can be a major problem for an entrepreneur who has spent the majority of his or her life closely with the family business. The succession planning process can be seen as treacherous by the senior generation in that it can cause them to think people are trying to change them and take away their farm.

Change is one of the most difficult aspects of life for all of us. In the context of family-owned agribusinesses, it is not unusual for people to expect others to change so that something good can occur. This expectation is a formula for disaster.

The solution: Take responsibility for what you can successfully contribute to the family business and also take full responsibility for your contribution to the problem. If necessary, help other family members take full responsibility.

CHALLENGE 4: HISTORY

The problem: While family history generally includes difficulties, the older generation may go out of its way to talk only about the good things. But family-owned businesses that struggle to create their future are often those that have not faced past difficulties. In short, positive achievement should be celebrated and past problems acknowledged.

The solution: During the succession planning process, seek to understand the significant difficulties your predecessors may have experienced. By understanding your family history, you may be able to overcome the difficulties in succession planning.

CHALLENGE 5: EMOTIONAL SCARCITY

The problem: Emotional scarcity is one of the most difficult issues in the context of family agribusiness succession. What makes it so insidious is the fact that it is invisible because of the underlying assumption of the family that “there isn’t enough to go around”. This issue often manifests itself in the discussion of money, roles and power.

In a family-owned agribusiness, there are two bottom lines. The first is the standard financial one. The second is the invisible, emotional bottom line. It is the lack of expression of appreciation, recognition and love, and it is the underlying problem of emotional scarcity.

The solution: There are two strategies that help with the issue of scarcity. The first is to have family members talk directly about what they expect from each other. The second is to empower family members to achieve their fullest potential, whether inside or outside the family business. In doing so, families begin to understand the sense of abundance that exists in the world for all of us.

CHALLENGE 6: ENTITLEMENT

The problem: This is often seen as a younger-generation issue, and involves family members using their name as a way to achieve advantages over other people in the organisation. Senior family members may also feel entitled to continue to take primary responsibilities of leadership. This usually has a negative effect on morale.

The solution: Work together to talk about the best interests of the business and all stakeholders and how you can all continue to help the family and business be successful. Having a common family vision alleviates the issue of entitlement and makes it much easier to create win- win succession strategies and solutions.

CHALLENGE 7: INDIRECT COMMUNICATION

The problem: Family members involved in the business often talk indirectly with other family members about issues they may have with other members of the family, but don't speak to the people involved.

The solution: Understand the pitfalls of indirect communication and make a point of using direct communication.

CHALLENGE 8: DIFFERENCES ARE SEEN AS A LIABILITY RATHER THAN AN ASSET

The problem: Family members often think about small business differences as issues they don't want to bring up with other family members. As they want to maintain harmony, they often inadvertently create the very problem they're trying to avoid by not discussing their business differences.

The solution: Teach family members how to discover their differences and use the synergy created by these differences to do things in ways they otherwise might not have considered.

CHALLENGE 9: POOR EXPRESSION OF FEELINGS AND WANTS

The problem: In many family businesses, the members don't have the capacity, experience or confidence to express their feelings and wants, and while they may have expectations of each other about what they want in an emotional sense, they are reluctant to voice these expectations.

The solution: Family members can benefit if they engage in a communication training process that allows them to become more familiar with, and confident about, being able to express their feelings and wants. They can quickly learn the skills necessary to transcend this obstacle.



ABOUT



THE AUTHOR

Trevor Dickinson

Three decades of experience,
helping legacy leaders

As a neutral but empathetic advisor and consultant, my role is to work systematically in that challenging space between business, family, and ownership systems, identifying and resolving tensions as well as supporting and enabling the business and personal aspirations of the owners.

My advanced training as a family business advisor, executive coach, and certified civil and commercial mediator, as well as my personal experience, enables me to work collaboratively with business families and their trusted professional advisors, in response to either a crisis situation or as part of a planned transition programme.

With thirty years' experience, coupled with my roles as CEO & Founder of Family Legacies, Chairman of Dickinson Group of Companies, member of Institute of Directors, Family Firm Institute, Exit Planning Institute, Institute of Advisors, Family Business Australia, International Meditation Institute certified mediator, together with my postgraduate, executive and certificate programmes, I bring a combination of theory and practice, empathy and experience to your needs.

Through my first-hand experience - both as a member of a family business as well as consulting to family businesses - together with my advanced training and education as a family business advisor, I've gained significant insights in respect to the core qualities and lessons learned by long-lasting families in business.

If your family has had enough of strife, warring, and conflict, or your family business is preparing for significant events such as a merger, drafting a family charter, or ownership transition and you need the help of a seasoned advisor whose knowledge isn't just from books, but hands on:

[Do please contact me for an appointment.](#)

To your legacy!



Securing Your Legacy for Future Generations