

HELPING OHIO FARMS TO TRANSFER THEIR FAMILY BUSINESS TO THE NEXT GENERATION

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Abstract

In 2007, OSU Extension professionals developed and conducted a farm succession program for farm business in Ohio, USA. The team's first objective was to develop Extension resources to help farm families as they discuss how to transfer the family businesses. The team's second objective was to develop and teach farm succession workshops. These workshops provided 105 participants with the skills needed to develop a farm transfer plan and to increase family communication. This paper summarizes the Extension resources developed, the post program evaluation of the workshops as well as the six month follow-up survey to determine the succession planning progress and future needs of the clientele. Seventy-eight families responded to the post-program survey and 53 responded (50.5%) to the six month survey. The results of the post program survey and the six month follow-up survey showed the workshops were successful as many positive comments were written by the participants and good mean gains in knowledge gain were achieved. The six month survey indicated the participants made great strides in putting into action the tools they learned during the workshops. Eighty-five percent (85.1%) have had discussions with their family about business transition, 84.8% have improved their communication, and 76.6% have started an estate plan. In addition, 54.2% of the participants held an intergenerational family meeting, 35.4% reported meeting with their attorney, and 33.3% met with their accountant to develop a succession plan. OSU Extension has continued to offer workshops across Ohio as a result of the surveys. Additional Extension factsheets and curriculum have been authored by the teaching team. Additional strategies for following up with the program participants are also being explored by the team.

Keywords: farm succession, estate planning, transition planning

Subtheme: Education and training

Introduction

Across the United States and Ohio there is a growing concern about our aging farm population. One of the major concerns cited is that many farm operators are close to retirement. Who will run these family businesses in the future? This concern has been recognized by the United States Department of Agriculture (USDA) as it is a point of emphasis for many risk management grants.

In 2007, OSU Extension professionals developed and conducted a comprehensive farm succession program for Ohio farms and agribusinesses. The team developed teaching curriculum with power point presentations and a participant notebook. The team also developed 12 new OSU Extension Transition Planning Fact Sheets (located at: <http://ohioline.osu.edu/bst-fact/index.html>) and revised

the Transferring Your Farm Business to the Next Generation bulletin (located at: <http://ohioline.osu.edu/pdf/b862.pdf>)

A two-day workshop retreat was developed by the team to help farm families discuss and plan for the future. The workshop challenged participants to critically assess the future of their farm business giving special attention to management transfer, business structure, and estate planning alternatives. It also provided participants with the skills needed to develop a farm transfer plan and to increase family communication.

The main session topics for the first day of the workshop included: succession planning, goal setting, mission statement, SWOT (strengths, weaknesses, opportunities and threats) analysis, and family communication. The second day of the workshop focused on tax management, business structure, and estate planning. Each topic was taught using case studies of both successful and unsuccessful succession planning ventures of Ohio farm families. The workshops were held in four regional locations with 105 individuals participating. Twenty-two Extension Educators also attended as train-the-trainers. This paper shares a portion of the team's post program evaluation of the workshops as well as the six month follow-up survey to determine succession planning progress and future needs of the clientele.

Procedures

Two surveys were developed by the research team to gauge the effectiveness of the farm succession educational program and curriculum. These evaluation surveys were pilot tested utilizing input from the Extension Educators involved in farm management education. This project was reviewed by the Institutional Review Board at The Ohio State University. Survey data were tabulated, statistically reviewed, and summarized by Ohio State University Extension faculty.

In the post-program survey, attendees were asked to rate their knowledge gain in a variety of succession planning topics, to report their intentions in completing a variety of succession planning activities, and to report what information they would like to learn more about concerning farm transfer. Seventy-eight families responded to the post-program survey at the conclusion of the two day workshops.

A six month follow up survey was conducted to determine the progress of respondents in their succession planning activities. The survey was mailed to the 105 participants with 53 usable surveys returned for a response rate of 50.5%. Data were analyzed using the statistical program Statistical Package for the Social Sciences (SPSS). The Extension Educators who participated in the regional sessions and in a state train-the trainer workshop were not included in the survey group. It should be noted that no significant differences were found between the attendees based on the workshop location.

Post Program Survey Results

Attendees indicated they represented the first to the seventh generation with respect to the farm operation since its establishment with the mean being 2.77. Respondents were also asked to report

their perception of their level of knowledge of the subjects presented before and after the program on a 5 point Likert scale. A ranking of 1=poor, 3=average and 5=excellent was utilized.

The largest gains in reported knowledge from the transition workshop were: importance of family business meetings (1.47 gain), business transfer strategies (1.43 gain), tax issues in transferring farm (1.38), use of SWOT analysis (1.36 gain), financial issues in transferring the family business (1.27 gain), and buy-sell agreements (1.23 gain).

Ninety-six percent (n=73) indicated they planned to hold an intergenerational family meeting. Eighty-nine percent (n=66) indicated they planned to meet with an attorney. Seventy-six percent (n=55) indicated they planned to meet with an accountant to develop a succession plan. Respondents indicated the farm business transfer planning topics they would like to learn more about in future workshops. Responses included: business transfer strategies (38%), trusts (38%), financial issues in transferring a family business (37%), tax issues in transferring farms (32%), buy-sell agreements (29%), transition planning (22%), developing skills of the next generation (17%), family business meetings (15%), handling non-business family (fair or equal) members (15%), whole farm planning process (14%), financial analysis of operation (14%), retirement operations for older generations (14%), business organizational structures (12%), SWOT analysis (8%), internal organization of business (8%), mission statement (5%), developing goal for the business (4%) and functions of management (3%).

Six Month Survey Result

In the six month survey, participants were also asked a series of questions to determine their level of understanding of the different succession planning concepts taught in the workshops.

Respondents were asked a series of questions to determine their progress in adapting the succession planning tools discussed in the transition workshops. Eighty-five percent (85.1%) have had discussions with their family about business transfer, 84.8% have improved family communication, 80.9% have started retirement planning, 76.6% have begun estate planning, 75% have started business planning, 73.9% have started investment planning, 68.1% have sought to develop the skills of the next generation, 50% reported they have developed a mission statement, 45% have developed written goals for their farm business, and 36.2% have completed a SWOT analysis of their business.

Respondents were also asked to answer a variety of questions with regards to how they have proceeded with holding succession planning meetings during the six months following the transition workshops. Fifty-four percent (54.2%) indicated they had held an intergenerational family meeting compared to the 96% who indicated at the conclusion of the workshops that they planned to hold such a meeting. Thirty-five percent (35.4%) indicated they had met with their attorney to develop a succession plan compared to the 89.0% who indicated such intentions at the conclusion of the workshops.

Thirty-three percent (33.3%) indicated they had met with an accountant regarding succession planning down from the 76% who indicated such intentions at the conclusion of the workshops. Ninety-eight percent of the respondents indicated their communication with their family and

business has improved or stayed the same since their attendance at the transition workshops with 47% reporting improvement.

Conclusions & Implications

The results of the post program survey and the six month following survey indicate the OSU Extension transition planning workshops were successful as many positive comments were written by the participants and good mean gains in knowledge gain were achieved. The six month survey results showed the participants made strides in putting into action the tools they learned during the workshops. Eighty-five percent (85.1%) have had discussions with their family about business transition, 84.8% have improved their communication; 80.9% have started retirement planning and 76.6% have started estate planning. Attendees reported strong intentions to have succession planning meetings with their families (96%), attorney (89%), and accountant (76%).

Six months following the workshops, 54.2% had held an intergenerational family meeting, 35.4% had met with their attorney, and 33.3% had met with their accountant. This emphasizes the point that succession planning takes time for families to complete. One respondent remarked on the six month survey, "The plain truth is I have not made the progress I should have. Not because of the quality of the information I received. Physical labour seems to consume so much time after paying the monthly bills, there seems little time to plan."

OSU Extension has continued to offer transition planning workshops across Ohio as a result of the survey results. Since these initial workshops, an additional 1,104 persons have participated in succession planning sessions (one day, two day or mini-sessions). Additional Extension factsheets are being authored by the teaching team. Additional strategies for following up with the program participants are also being explored by the team. Some of the strategies which are being explored include: individual consultations by Educators for participating families and advanced workshops to address the highest need areas expressed by the participants.

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References

Building for the Successful Transition of Your Family Business (2008). The Ag Risk Education Library. Final report can be accessed at: <http://www.agrisk.umn.edu/Default.aspx>