

Sub-theme: People of future agriculture

**IS THERE A PIVOTAL ROLE FOR FARM CONSULTANTS IN  
FARM BUSINESS SUCCESSION PLANNING?**

Iona Anne McCarthy<sup>1</sup> and Anne Elizabeth Dooley<sup>2</sup>

<sup>1</sup> College of Business, Massey University, Palmerston North, New Zealand

<sup>2</sup> Perrin Ag Consultants Ltd, Palmerston North, New Zealand

Corresponding Author:

Iona McCarthy

School of Economics and Finance, Massey University,  
Private Bag 11222, Palmerston North, New Zealand.

Email: I.A.McCarthy@massey.ac.nz,

Phone: +64 6 3569099 x84046

Acknowledgements:

This research was funded by New Zealand dairy farmers through DairyNZ and the Ministry for Primary Industries in the Transforming the Dairy Value Chain Primary Growth Partnership programme. We would like to thank the rural professionals who participated in this research.

Number of words: 3489

This paper is submitted as an academic paper.

This work is all original research carried out by the authors.

## IS THERE A PIVOTAL ROLE FOR FARM CONSULTANTS IN FARM BUSINESS SUCCESSION PLANNING?

### Abstract

*Research on how rural professionals work is limited, with even less on their succession planning roles and processes. In farm succession planning, rural professionals work together to provide knowledge and skills from their respective fields. While accountants, lawyers and bankers are routinely involved, farm consultants are often overlooked as a source of succession planning advice and support. Case studies were conducted with six experienced rural professionals, including three farm consultants, to better understand how they worked with farm succession clients. This paper discusses the farm consultants' succession planning roles through contrasting their views and processes. The farm consultants contributed to succession planning at all stages of the process. They often had stronger people and facilitation skills than other rural professionals for working with family and leading the process, know their clients and their businesses well, and already contributed to regular strategic planning. They provide objective advice and, have the expertise to identify and help implement business growth strategies over time to facilitate viable intergenerational transfer. Hence, it can be questioned whether greater awareness of consultants' potential contribution is required by rural professionals and their farmer clients, and whether industry organisations have a role in raising this awareness and possibly accreditation.*

**Keywords:** Rural professionals, farm consultants, succession planning, family business, New Zealand

## **Introduction**

About half New Zealand family farm businesses want to retain ownership within the family (Nuthall & Old 2014). However, managing succession planning for family farming businesses is becoming increasingly challenging (Blackman 2011, Dooley & Payne 2008, Dooley & Smeaton 2010). RPs play a crucial role in this, with reliable advice and a sound process positively influencing farm business and family succession planning (Reay et al 2013, Strike 2012).

Succession planning requires a range of knowledge and skills involving a team of rural professionals (RPs) including accountants, lawyers and bankers, and possibly farm consultants (FCs) and financial and insurance advisors (Baker 2008, Blackman 2011, Dooley & Smeaton 2010, Savage 2018). One RP often acts as facilitator and coordinator. There is industry concern about the availability of RPs with the skills required to effectively assist farming families with succession planning (Dooley & McLeod 2012). NZ has few recognised specialist or experienced succession consultants. These consultants need to understand farm business performance, have the soft skills to work with farming families on complex issues (ANZ no date, Falkiner et al 2017), and have technical, business and industry knowledge (Santhanam-Martin et al 2018).

Some RPs integrate succession planning with other client work. Others are experts who primarily provide specialised advice on more technical or hard issues such as business structures, legal or tax implications, finances and farm management. The relatively technical nature of many RP's roles means they can lack the soft skills, knowledge and theory, and confidence or inclination, to negotiate the complex family relationships and often non-explicit family expectations which occur when working with a family business on succession planning (Baker 2008).

Accountants, lawyers and bankers are the most recognised succession RPs. One RP acting as a facilitator is recommended. Accountants are acknowledged as the 'most trusted advisor' (Sawers & Whiting 2010, Strike 2012) and often perceived as the RP to approach for succession planning advice because of knowledge of business structures, particularly from a tax perspective and understanding of the farm business assets and financial position. However, many lack the soft skills for working with families in business (Sawers & Whiting 2010). Lawyers are required for legal advice, and bankers for finances. Financial and insurance advisors are also recognised as RPs who can contribute, and some have become succession planning consultants (Baker 2008, Blackman 2011, Falkiner et al 2017).

FCs' role in succession planning is less clear. Some prescriptive literature suggests FCs be involved with their strengths identified as their knowledge of the farming family and business, although their potential contribution to the process is rarely expanded on (e.g. Baker 2008, Blackman 2011, BNZ no date). Other sources make no mention of FCs or suggest they can contribute little e.g. Blackman (2011)<sup>1</sup>.

*The farm advisor is usually pretty close to the farmer and the family may seek guidance from him on difficult family issues as well as the usual farming issues. He may have a view and can help the family get together and discuss the issues. However, the farm advisor will rarely have a workable solution and will not be able to implement the plan. Farm advisors are interested in production, not succession, so they are understandably reluctant to get involved. For this reason, the farming family needs an experienced facilitator.* (Blackman 2011, p 114).

This statement can be challenged. This may be valid for FCs focussing on 'cows and grass'. However, some industry information on farm succession, particularly where FCs have contributed, suggests FCs are well-placed to facilitate and contribute to the process e.g. beef+lamb New Zealand (2014), DairyNZ (no date), mymilk (2015), Savage (2018). Empirical research by Santhanam-Martin et al (2018) found a skilled FC can help farming families progress farm succession, not just through knowledge transfer, but by "*creating an advisory relationship which enabled learning, conceptualised broadly as building capacity to think and act differently*" (p. 14).

Little attention has been given to RPs who contribute to succession planning despite their role in the process. Even generally, there is very little empirical literature on farm consultancy. This paper discusses the role of FCs in succession planning, with findings taken from wider case study research on how RPs work with family farming businesses on succession planning. Findings from the three FCs are discussed, with the other RP's views on FCs' roles commented on.

## **Method**

Exploratory case study research (Dey 1993) conducted in 2016 investigated the practices and processes of RPs advising family farm business clients on succession planning. Six experienced RPs were interviewed. Interviews lasted approximately one-hour, questioning RPs on their background, roles, clients, perspectives, processes and practices

---

<sup>1</sup> The comment cited does not imply criticism of the book which is a useful farm succession reference.

in advising on succession planning, factors influential in achieving effective succession outcomes, how they developed their succession expertise, and views on training available and required. The semi-structured approach enabled flexibility to adapt questions to better explore topics during the interview which was useful because of variation in the RPs' roles and consultancy approaches. One researcher had half an hour during an industry workshop to question rural bankers on their views on farm succession planning.

The workshop and interviews were recorded, transcribed and written up. A thematic approach (Dey 1993) was used in the data analysis for the study, with themes describing the RPs' background and roles, clients, consultancy processes and practices, perspectives and skills and training.

### **Selection and description of the RPs**

Succession planning is an area where RPs within a discipline often specialise. The six RPs interviewed had experience and interest in farm succession advising and facilitating and / or had attended a university-level course pertinent to succession consultancy. This provided a non-representative sample of RPs, but is representative of those offering farm succession expertise. All had considered succession planning processes and had established processes and practices to report.

This paper focuses on the three RPs with a farm consultancy background. All three work with clients and other RPs to facilitate, plan and implement succession planning. RP2 is a business consultant with a farm consultancy and accountancy background, experienced in succession planning. His clients vary, with initial contact often with the successor generation. Clients are not necessarily known to him. RP3 was the only RP in his FC firm advertising succession planning expertise. He provides succession planning and facilitation primarily to existing clients. RP4 takes a strategic approach to his farm consultancy practice, incorporating succession planning. He intended to offer specialised succession planning consultancy as the expert in his firm. Both RP3 and RP4 have attended succession planning courses.

Other RPs interviewed were: an accountant (RP1) now specialising in small business succession planning including rural businesses; a senior rural banker (RP5) specialising in succession planning, working with bank clients in the early stages of the process; and a lawyer (RP6) in rural practice including succession planning and associated legal work. His clients are primarily the successor generation although he also assists senior partners with their clients.

## Results and Discussion

### FC Roles in Succession Planning

Results suggest FCs are not necessarily perceived to be key RPs engaged for succession planning even by farmer clients. RP3 provided some telling examples.

*“The parents engaged specialists, didn't realise I had the skills, I've worked with the family for 20 years.”*

*“Sometimes I throw some ideas out ...one family I spent six hours with them and I never heard back ...after about four or five months I gave them a ring. ... He [farmer] goes, ‘That was brilliant, we've done everything you said’. .... I've had certainly two that I'm aware of that have done that in terms of I made some suggestions ... and they've just gone on and done it, and that's fine too”.*

*“Usually I'll bring it up. Not all of them are aware I have the skills, so sometimes I just need to introduce the fact that I've got a few skills around this and I've got a few successes around this. It's a funny one – we presented to a business group from that farm, and one of them was a client of mine and I'm presenting it and he completely missed the fact that it was my plan...He [client] raised an eyebrow and he said, ‘You did what?’ He hasn't employed me for those skills, he employs me as a farm consultant”*

It was also apparent from other RPs' comments that FCs are not an obvious choice for inclusion in succession planning teams. In terms of starting the succession discussion, a rural banker observed that *“I wouldn't say farm consultant at all probably in my experience. I'd probably say the accountant or us and then I'd probably say 50/50 from my experience”* with the plan delivered by *“... an accountant and a solicitor that work pretty well together ... you're going to be part of that team”*. Similarly, the accountant (RP1) did not include FCs in succession planning, nor did FCs include him in succession planning. The banker (RP5) only mentioned engaging the lawyer and accountant in the process, however, later when discussing the strengths different RPs can bring to succession planning, he observed that *“the lawyers and the accountants who are coming into the space will have all the technical knowledge in the world and the resource in their accounting and legal firms to stay current on that. ...They might not have the soft skills around understanding people dynamics, family relationship dynamics, communication. We have consultants who come into it and they've probably got a lot more of the soft skill kind of stuff, depending a bit on their background. They've probably got the people relationship stuff, understanding needs, so they might need an understanding around*

*change management process which is effectively what we're doing with succession”.*

Similarly, the lawyer (RP6) recognised a role for FCs in helping his younger clients “...it mostly comes down to do they [successors] have the knowledge to run a business? Then it's just getting people beside them like a farm consultant, ... it's just challenges on that financing side of things ... and how they're going to be able to come in ...But that's generally the challenges as a viable point of view ...”.

#### FCs as Succession Planners and Facilitators

The steps derived from the FCs description of their succession planning process are shown below. These align with industry recommendations: steps 1,3,4,6 and 7 almost always occur, although descriptions vary between sources. The FCs contributed significantly throughout the process, demonstrating that experienced, strategic FCs do have the skills and knowledge to facilitate and assist with succession planning.

1. Identify owners / parents wants and needs.
2. Identify successor(s)' and non-farming siblings' views and expectations.
3. Analyse the business (farm business, other assets or enterprises) and family needs to determine viability, and possibly options for business growth.
4. Develop potential succession plans, including business structures. Identify the family's preferred option.
5. Succession management e.g. evaluate capability, structures to assist with management and ownership transition.
6. Implement the succession plan - this may take years.
7. Facilitate the process: communication, work allocation, write up plans and meeting notes.

While their processes included all steps, there were differences. RP3 and RP4 usually worked with their clients, knew the family and business prior to the succession consultation, and contributed to clients' strategic planning so were able to raise succession and succession ideas (RP3) in the process. RP2 and RP4 used a more holistic process over a longer period, with a strong focus on business performance and growth throughout the process. RP2 focussed on succession management more than the other RPs. All adapted their process to suit clients in accordance with the well-recognised tenet that every farming business and family differs, so succession planning needs to be tailored to suit the family

(Baker 2008).

Results were in accord with Savage (2018) who classified four roles in succession planning: facilitator, strategists, watchdogs (accountant, lawyer) and implementers, and suggested FCs can contribute as facilitators, strategists and implementers. Essential qualities identified were: a facilitator who can listen and manage difficult conversations; an open-minded, experienced strategist; and an implementer who understands and can help implement and monitor the succession plan. The FCs interviewed all had soft skills to communicate and manage the succession process and a strong strategic perspective when working with their clients and investigating options. FCs are perhaps more likely than other RPs to be strategic in their thinking: RP3 notes *“One of my strengths in terms of my personality trait is strategic thinker. I find that really useful in farm succession plans, I think that's probably where many accountants would fall down because they all focus on structures and trusts and things”*.

Family and business knowledge were also advantages for RP3 and RP4 who had often worked with their succession clients for years and had established a trusted client relationship with them, which as RP3 explained was useful in succession planning: *“I think you do need an element of real trust to get some things across the line. Sometimes it's about earning that respect and that trust in the relationship by working with them for a few years first.”* He believes *“it's a real privilege to do it [succession planning] but you really do need a good relationship I find with a client to do it properly, to do it well. ...it actually borders on the boundaries of my values in terms of charging a fee to go up and do something like that when you haven't established that relationship. To do this job properly you really do need to understand everyone involved.”* Views varied on whether it is important to know the client, but advantages identified included a good understanding of family members' capability, strengths and weaknesses through spending time with them on their farm, and understanding the business, farm assets and growth potential. Nevertheless, succession planners do not always know their clients in advance (e.g. RP2), and as RP4 and RP5 pointed out, an independent perspective can be useful and is preferred by some clients.

Succession can take years to implement, and FCs who work on succession planning for their own clients, such as RP3 and RP4, are in a better position to work with clients over time to help facilitate implementation of the succession plan to completion (e.g. in strategic planning) than other RPs. RP3 follows up with clients where he identifies succession planning needs to progress. He emphasised the importance of a collaborative approach



with someone driving implementation, observing that plans implemented by only one person do not seem to get completed. This is more likely to occur where clients are not regular clients. Where the clients are new (RP2) and/or where FCs did not anticipate long term involvement, they had the knowledge and contacts to put structures in place to assist with implementation e.g. governance and advisory boards, monitoring processes.

Difficult conversations can occur in succession planning requiring good facilitation skills (Baker 2008). RP5 noted that the biggest fear families face in the succession process is 'positive tension' *"..why they will sit still is because they're concerned about conflict; they're concerned about the cost of it going wrong"*. RP5 observed *"..what we try and do with those is say righto well let's peel back to the root cause ... and saying well what do you want to do with this? Are you prepared to invest in this or not? If you're not prepared then here's what your options are to go forward..."*. RP2 finds *"Trying to take the emotion out of it and dealing with the facts helps enormously"*.

Experienced FCs are likely to have the soft skills required to do this, more so than than accountants or lawyers because of the nature of their work (RP5). RP5 observed that RPs working in succession should be older and experienced to have the *"resilience, but also just having a bit of presence to understand the diversity we face"*. The FCs interviewed had progressed over time to working more strategically for clients, and had also done courses relevant to succession, thus developing the experience and soft skills and processes needed for effective succession planning largely through informal learning, personal experience and working with others, both within the firm and with other RPs (Dooley and McCarthy 2017). As RP6 commented, *"you develop [communication skills] when you're dealing with the clients and that sort of thing, that's developed over time"*.

The FCs are well-placed to lead the farm succession planning team with their soft skills, industry contacts and reasonable understanding of business structures, legal and taxation requirements. As facilitators, the FCs interviewed all recognised the need to have a team of RPs including: accountants for expertise on business structures and taxation, lawyers on legal documents and business structures; and rural bankers on finance and insurance. They ensured documentation was circulated to family and other RPs. RP2 also employed other FCs to model options, evaluate performance and investigate opportunities to grow the business and ensure viability for business continuance.

FCs have strong industry knowledge which can positively influence succession planning outcomes. In action research with farmers, Santhanam-Martin et al (2018) identified it was important for succession consultants to have industry knowledge, and understanding of

technical and business performance and the particular challenges faced by the farming sector. This enables them to provide informed business advice and options, but also “*create a relational space where people felt understood*” (p. 12). RP4 also observed “*...you've got to have some knowledge, if that's a skill, knowledge of the industry, of the business, the industry that these particular people are in*”.

The FCs’ farm business skills and knowledge made them uniquely placed to explore options that could lead to future viability of the business and meet the financial needs of two generations, as well as advise on governance and management structures (e.g. advisory boards) to assist in transition. RP2 extended this to involving other FCs to identify “*...what are the opportunities behind the numbers? That’s where I think some succession experts don’t actually understand there’s actually a whole lot of opportunity quite often if you’re prepared to do the detailed analysis and find out what the gold nuggets in the business are*”. In contrast, it was observed that other RPs often consider business performance and viability at a point in time (e.g. annual accounts) and may not understand farming businesses well enough to identify growth opportunities for business continuance.

Impartiality was raised as a concern by the RPs and the literature. Baker (2008) points out that “*Good professionals advise rather than sell to you*” and cautioned people to be aware of mixed agendas. Some RPs such as financial and insurance advisors can sell ‘packages’. RP4 noted that some succession planning specialists from a financial planning background had an agenda in offering insurance products. Bankers are not always considered impartial either (Falkiner et al 2017). In contrast, FCs can be considered impartial.

## **Conclusion**

In this paper we ask whether ‘there is a pivotal role for FCs in farm business succession planning?’ Literature, and our research findings, suggest that FCs are not generally perceived by other RPs or even their own clients to be key RPs to engage to assist with succession planning advice and support.

Yet results from this empirical research suggest that FCs are in a unique position to be able to contribute to farm succession planning throughout the process. They often have longstanding relationships with farmer clients, know the family and business well, and raise succession issues as part of strategic planning. They are the RPs most likely to have the soft skills needed to facilitate succession planning, and as consultants, are likely to have some experience in having difficult conversations with clients. They are well placed

to facilitate the succession process, have the RP contacts to build succession teams and are cognisant of the need to work with a team. FCs understand farming and have the expertise to evaluate business performance, identify business growth opportunities and work over time with clients to implement these. Their advice is also impartial and directed to meeting the client's requirements.

How do FCs contribute to succession planning? Or how could they? FCs can be informed on succession issues and options through working with clients on strategic planning, influencing succession plans in the process. Experienced, strategic FCs have the people and business skills to develop expertise in succession planning to manage the process if they are interested, and could become succession specialists, as a few have done. Conversely, some may not even have considered this possibility.

So why are FCs not more involved in suggestion planning? What would be required to facilitate this? FCs may need to promote succession expertise to clients and potential clients since this is not widely perceived as a FC role. It could also be argued that there is a role for professional FC organisations to encourage experienced FCs to consider succession consultancy, promote FCs ability to do this both within and outside the profession, and perhaps offer training and accreditation.

## References

- ANZ, nodate, *Passing the baton: Strategies for building a sustained family business across the generations*, ANZ Bank.
- Baker, J 2008, *Your last fencepost: Succession and retirement planning for New Zealand farmers*. Longacre Press, Dunedin, New Zealand.
- beef+lamb New Zealand 2014, *Farm ownership and transition workshop and resource book*. beef+lamb New Zealand, September 2014.
- Blackman, IR 2011, *Keeping farming in the family: A guide to farm succession*, Finelinecreative, Rotorua, New Zealand.
- BNZ, no date, *Protection and succession planning: A guide to identifying and addressing the risks for you, your family and your farm*, Bank of New Zealand.
- DairyNZ, no date. *Succession planning*. Downloaded from: DairyNZ Ltd. Downloaded from: <https://www.dairynz.co.nz/business/planning/succession-planning/>
- Dey, I 1993, *Qualitative Data Analysis*, Routledge, London.
- Dooley, AE, & McLeod, M 2012, *Dairy farm succession: Information evaluation*, A client report for DairyNZ, Centre of Excellence in Farm Business Management, Palmerston North, New Zealand.

- Dooley, AE, & Payne, TA 2008, *Dairy farm succession: Interviews with rural professionals*, A client report for DairyNZ. AgResearch Ltd, Hamilton, New Zealand.
- Dooley, AE, & McCarthy IA 2017, Dairy farm succession: Rural professionals' skills requirements and training needs. *Proceedings of the 21<sup>st</sup> International Farm Management Congress*, Volume 1. Downloaded from: <http://ifmaonline.org/contents/pr-dairy-farm-succession-rural-professionals-skills-requirements-and-training-needs/>
- Dooley, AE, & Smeaton, D 2010, *Dairy farm succession: Farmer focus group*, A client report for DairyNZ. AgResearch Ltd, Hamilton, New Zealand.
- Falkiner, O, Steen, A, Hicks, J. & Keogh, D 2017, Current practices in Australian farm succession planning: Surveying the issues, *Financial Planning Research Journal* Vol. 3, no. 1, pp. 59-74. Downloaded from: <http://www.informedinvestor.com.au/PDFFiles/Current-practices-in-australian-farm-succession-planning.pdf>
- Mymilk 2015, *Farm succession guide*. Mymilk, August 2015. Downloaded from: <http://farmsuccession.co.nz/>
- Nuthall, PL, & Old, KM 2014, *Report on a succession and governance survey of a random stratified sample of NZ farmers*, Research Report No. 321, July 2014, AERU, Lincoln University, Lincoln, New Zealand.
- Reay, T, Pearson, AW, & Gibb Dyer, W 2013, Advising family enterprise: Examining the role of family firm consultants, *Family Business Review*, Vol. 26, no. 3, pp. 209-214.
- Santhanam-Martin, M, Bridge, P, & Stevens, L 2018, Working with stuckness: Lessons from an intervention to support intergenerational transitions on Australian dairy farms, *Canadian Journal of Development Studies / Revue Canadienne d'études du développement*, DOI: 10.1080/02255189.2018.1517302
- Savage, J 2018, A professional team approach to family business succession. *The Journal (The Official Publication of the New Zealand Institute of Primary Industry Management Incorporated)* Vol. 22, no. 3, pp. 30 – 33.
- Sawers, D, & Whiting RH 2010, Perceived usefulness of business succession planning and chartered accountants' involvement in the process. *Small Enterprise Research*, 17(1), 87-102. DOI: 10.5172/ser.17.1.87.
- Strike, VM 2012, Advising the family firm: Reviewing the past to build the future, *Family Business Review*, Vol. 25, no. 2, 156-177. DOI: 10.1177/0894486511431257.