Sub-theme: People of future agriculture

A COMPARISON OF SUCCESSION PLANNING CONSULTANCY PROCESSES

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Abstract

Farm succession planning is becoming increasingly complex requiring technical and process consultancy input from a range of rural professionals. However, despite the impact RPs have on succession planning, research on RPs' farm succession consultancy is scarce. A case study with six rural professionals experienced in succession planning consultancy was conducted to seek information on farm succession consultancy roles and processes. This paper reports on the processes of the four who facilitated the entire process. All four incorporated the aspects recognised as being important in succession consultancy. However, there was considerable variation between their processes in the manner in which they processed through the steps, how they addressed issues, and managed people dynamics, their time frames and their emphasis on certain aspects. Their professional roles, client relationships, client' expectations, their beliefs, skills and knowledge, confidence and background all contributed to these differences. This variability in their process suggests that defining a prescriptive process for effective succession planning consultancy beyond general guidelines is impractical. A range of approaches is likely to be effective, although some practices could be more effective than others and this may be worth further exploration.

Keywords: Succession planning, Consultancy processes, Farm consultants, Rural professionals, Family business, New Zealand

Introduction

Succession planning for family farming businesses has become increasingly challenging, (Blackman 2011, Dooley & Payne 2008, Dooley & Smeaton 2010). Family members' expectations have changed: equitable succession is important, the owning generation aspire to comfortable retirement and the succeeding generation want an enjoyable, farming lifestyle. Asset values and land prices are high. Hence, farm businesses need to perform well to be sufficiently viable to facilitate transfer, and complex business and management structures are often required. Furthermore, potential family dissention is a major concern often inhibiting family discussion on the topic. Succession planning is expensive and ongoing, and failure to get this right can be costly, and if poorly done can also negatively affect family relationships.

This complexity requires a range of knowledge and skills to aid the succession planning process, for which a team of rural professionals (RPs) is contracted, and can include accountants, lawyers, bankers, farm consultants, facilitators, financial planners and insurance brokers (Baker 2008). These RPs can be influential in the success or failure of their clients' succession planning (Reay et al 2013, Strike 2012). Furthermore, there is industry concern from farmers and other advisors regarding the lack of RPs' succession planning capability which has contributed to succession failures and a lack of confidence in RPs' ability to assist with this (Dooley & McLeod 2012, Dooley & Payne 2008).

However, despite the impact RPs can have on succession planning, research on *RPs' farm succession consultancy* such as their roles in the process, and effective processes and practices is scarce. Gray et al (2000) suggests a better understanding of *RPs' farm consultancy processes* would contribute to more informed training programmes with better aligned theory and practice. Yet research on *RPs' consultancy in general* remains limited, and what has been done is not strategically focussed (e.g. Gray et al 2000, 2014, Kemp 2015). Furthermore, effective processes for advising on succession planning will differ from those such as feed planning. Literature on *advising family firms in general* is predominantly written by consultancy firms from a prescriptive perspective, rather than being the result of "rigorous academic study", with theoretical concepts "virtually ignored" (Strike 2012). Ip and Jacobs (2006) reviewed *business succession planning (not specifically advising)* across all business types, including family businesses, SMEs and organisations, and concluded that very little literature was available on business succession, findings were inconsistent, and papers often focussed on aspects rather than the process. More specifically, literature on *succession planning consultancy in family businesses and organisations* focusses on successor identification and training for senior management and governance (Cesaroni & Sentuti 2016, Michel & Kammerlander 2014, Salvato & Corbetta 2013). Yet this aspect of succession planning receives limited attention in farm business succession planning in NZ.

The type of consultancy, and the nature of the business, influence effective processes for consultancy. Succession consultancy requires both technical and process skills and knowledge (Grubman & Jaffe 2010, Hilburt-Davis & Senturia 1995, Kaye & Hamilton 2004, Schein 1999). Family farming business succession situations are unique to a business and family (Baker 2008). Family, ownership and management roles are interconnected (Tagiuri & Davis 1996); NZ farming businesses usually employ fewer people than the larger, often multi-generational family businesses studied; and most family farming businesses only have one or two generations involved in the farm business. Succession planning processes address non-repetitive, strategic, family and business issues requiring advisors to work closely with family members in an extended process to identify and possibly implement a succession plan.

Schein's (1999) well-recognised consultation typology has three consultant-client interactions: the 'expertise model' (p. 7) where the consultant provides information or a service to resolve a specific problem; the 'doctor-patient model' (p. 11) where consultants evaluate and come up with ideas to improve the business; and the 'process consultation model' (p. 17) where the consultant assists and supports the client(s) to find and take ownership of their own solution (Schein 1987). Succession consultancy falls into this latter model, enabling double loop learning (Argyris & Schon 1996) i.e. the client(s) learn how to learn Some RPs in a succession planning team also provide technical information (expertise model) and/or evaluate succession plans (doctor-patient model). The client, and client-consultant relationship also influence the consulting process and how consultants and clients relate and interact (Alvesson et al 2009). Yet client diversity and dynamics have often been neglected in the consultancy literature. Alvesson et al (2009) point out that the client is often assumed to be a static, singular organisational entity or person, observing that 'the myth of the monolithic client remains, and the implications of the potential diversity within client organisations for understanding consultancy practices, processes and outcomes are poorly understood' (2009, p. 254). However, he acknowledges that Schein's (1997, 1999) typology of client roles in part addresses this client diversity.

These types are as follows: contact clients initiate the consultation; primary clients own the problem and pay the bill; intermediate clients are involved in meetings and activities; unwitting clients associated with the primary client who are unaware that they will be affected; indirect clients are aware that they will be affected by an intervention but are unknown to the consultant; and ultimate clients who are wider groups whose welfare the consultant believes should be considered in any changes. Schein (1999) added 'involved non-clients' who know what is happening and may want to subvert matters. Client networks, influence, power and social system dynamics can add to the complexity of the consultancy situation (Schein 1997). Schein (1997, 1999) suggests the consultant work with the primary client(s) to identify who the clients are and what the problem is to effectively help manage the business and family dynamics. His view is that the consultant should ensure the primary client is aware of implications for all client types affected.

The case study research reported here contrasts and discusses the succession planning processes and practices of six experienced RPs for working with farm business clients on succession planning to better understand the process, interactions and factors that influence the process. Results focus on the four RPs who work with clients throughout the process.

Method

This exploratory case study research (Dey 1993) used semi-structured interviews with six rural professionals to investigate succession planning processes and practices. RPs were asked about their: background, experience and training; clients; practice and processes; and industry training needs. Interviews were recorded and transcribed. A thematic approach (Dey 1993) was used in the data analysis with themes on consultancy processes, clients and rural professionals' background. of with different roles in succession planning. See McCarthy and Dooley (this conference proceedings) for more information.

Description of the RPs

Table 1 provides a description of the six RPs as at 2016. Within professions, RPs can choose to develop expertise, or specialise, in succession planning. RPs interviewed were all experienced succession planning consultants. Some had completed an Agri One post-graduate certificate on farm succession or governance (incorporating succession), with an emphasis on the 'soft' consulting aspects and introducing a 'process consulting' approach.

Table 1. Description of the RP's roles, business, clients and Agri One course attendance

	Role in the business	Business	Clients	Succession work	AgriOne Course
RP1	Accountant, 1 of 6 Directors in the Firm, Succession specialist	Accounting and Advisory Firm.	Mostly SMEs. 25% to 30% of clients are farmers. Mainly Sheep & Beef.	35% work succession and increasing.	Yes
RP2	Accountant and Business / Farm Adviser, 1 of 5 Partners	Accountancy Firm with 30 staff	Mostly S&B (80%) and dairy farmers (15%). North & South Island clients.	15% to 20% succession work.	No
RP3	Farm Consultant, Partner in the Company	Farm Advisory Firm with 8 independent consultants	Predominantly dairy farm businesses.	30% strategy & governance including succession	Yes
RP4	Dairy Farm Consultant, 1 of 5 Directors in Firm	Rural Consultancy Firm. Offices in 2 regions.	Works with own clients. Specialises in dairying.	20% work is succession & governance. Plans specialise in succession.	Yes
RP5	Rural Banker, Succession Specialist	Bank	Large farming clientele. 60% dairy farmers.	100% of RP5's work.	No
RP6	Lawyer, Snr Associate, in Rural Team (5 lawyers). lawyers)	Regional Law Firm with 6 offices.	Rural clients from across all agriculture sectors.	10% to 15% of rural team's work.	Yes

Results and Discussion

RPs were similar in the generic process. However, there were differences between them in: the order and way they worked through the steps and addressed issues; their emphasis on various aspects of the process; how they managed the people dynamics; and their time frames. In doing so, they all recognised that farming businesses and families differ (Baker 2008) and adapted their succession planning processes accordingly. Differences were influenced by situational factors (roles, client relationships, client expectations) and personal factors (beliefs, their client perspective, skills and knowledge, confidence and background). Table 2 highlights some differences.

Table 2. RPs' attributes and succession planning approaches that can affect processes.

	Role	**Succession client**	**Process type and time**	**Initiating generation**
RP1	Accountant / Succession specialist	Not usually own tax clients. Some partners' clients	Defined process	Owning
RP2	Accountant / Business / farm consultant	Not usually own current clients	Holistic process over longer time	Younger (usually)
RP3	Farm consultant Succession expert in his firm	Usually own clients	Relatively defined process	Owning
RP4	Farm consultant Intent to be expert in his firm	Usually own clients	Currently a holistic process over longer time	Owning
RP5	Banker (Succession specialist)	Not own clients	Relatively defined process	Owning (usually)
RP6	Rural Practice Lawyer	Own, often new clients Partners' clients	Defined process	Usually younger Owning

The high level, generic steps listed below have been derived from the RP's process descriptions. Farm consultants and accountants included all steps. The banker and lawyer were active in those appropriate to their role. Most steps in the process are also included in industry recommendations (e.g. ANZ no date, BNZ no date, beef+lamb New Zealand 2014, DairyNZ no date, mymilk 2015). Descriptors can vary between sources. Steps 1,3,4,6 and 7 almost always occur in the generic succession planning steps recommended.

1. Identify what owners / parents want from succession for themselves, family and business. Some used questionnaires in this process.
2. Identify successor(s)' and non-farming siblings' views, needs and expectations. All RPs recommended that all family members are involved in the process, or at least kept informed of succession planning and the succession plan. However, they noted the level of family members' involvement (e.g. partners, siblings) in the process was the owners' / parents' choice: sometimes there are reasons for exclusions. Some used questionnaires in this process.
3. Analyse the business situation (farm business, other assets or enterprises) to identify viability and what might be possible. This included providing for owners' retirement needs and something for non-farming family members.
4. Identify potential succession plans and discuss these with family members (decision makers) to identify a preferred option. This is an iterative process with RPs from various professions contributing their expertise. RPs did this differently.
5. Facilitate succession management. Some RPs evaluated capability and put structures in place to assist with transition. Some became involved in management succession advisory or governance roles. This step was often integrated with other steps in the succession planning process.
6. Implement the succession plan. This involved a team of RPs working with family. This step can take years to complete.
7. The RP managing the process: implemented a process, facilitated meetings with family and other RPs, and managed communication with and between family members and the RPs involved e.g. plans, meeting notes, work allocation, collating information, organising meetings, follow up.

Table 3 shows RPs involvement in some key succession planning activities relative to other RPs involvement. Values were subjectively assessed by both researchers based on interview results and RPs' emphasis on these aspects.

Table 3. RPs' relative involvement in succession planning process activities.

Succession Activity	**RP1**	**RP2**	**RP3**	**RP4**	**RP5**	**RP6**
Initiate succession planning with owners	√	√	√	√	√√	
Identify family members' needs and expectations	√√	√	√	√	√√	
Evaluate business performance, viability, and capability	√	√√	√	√	√	√
Identify options that may suit family and business	√√	√√	√√	√		√
Work with family to identify their preferred option	√	√	√	√		√
Finalise business **ownership** / asset transfer structures	√√	√√	√√	√		√√
Finalise **management** succession plans and support structures	√	√√	√	√		
Manage succession planning process	√√	√√	√√	√	√	√
Communicate with family & other RPs	√	√	√√	√	√	√
Implement the succession plan	√√	√√	√√	√		√√

Blank – little or no involvement. √ - is involved in this step.
√√ - higher level of involvement relative to other RPs.

The process the RPs described was one they facilitated and had considerable control over. There are evident differences and similarities between the RPs in their succession planning processes. Differences between the processes of the four RPs involved throughout, and factors affecting these, are compared. Note that RP4 is still developing his succession process. We do not presume to judge the different approaches: these can be context dependent and could all be appropriate to their situation.

Client factors can influence the process. A previously established relationship with the client affected the process in terms of raising succession issues, time, and knowledge of business information and family. RP3 and RP4 usually work with clients they know, hence can raise succession planning and ideas pertaining to this with clients in strategic consultancy and influence clients' succession planning. This may lead to their being engaged to facilitate or advise on the succession process, although not necessarily so. Succession implementation can take years and RPs consulting regularly with family businesses can also continue to proactively follow-up with clients to ensure a plan is implemented: RP3 observed that he did this. These RPs may also become involved long term in advisory or governance roles for a business (RP3).

Both RP3 and RP4 considered their knowledge of the family and business to be important, or essential (RP3), in working with families on succession planning. This knowledge, and the business information available to them, meant they could undertake business assessment (financial and capability) without a structured process to collect information. In contrast, RP1 and RP2 used formal, structured processes for collecting information on the family and business early in the process. The initial meeting with owners was followed up with family member questionnaires for all adult members (goals, aspirations, expectations, views on succession) and a family meeting to discuss all parties' perspectives. These RPs also asked for a business questionnaire to be completed and financial information made available for analysis. RP2 extends the business analysis further, including benchmarking business performance (financial and production) and later having alternatives for business growth and improvement modelled.

Clients and client expectations influence RPs processes; similarly, client expectations' can influence their choice of RP. As mentioned, RP3 and RP4 worked primarily with their own clients. RP2's contact clients were often younger generation wanting business and succession advice, whereas RP1, as a succession specialist, will be engaged specifically to formulate and implement a succession plan in a limited timeframe. Accordingly, RP1's process was structured, completed in a relatively shorter timeframe, and focussed on ownership succession and exit with relatively less attention to management succession. A successor was often in place with owners often in their 50s or 60s, so time available for succession was limited and he persists with clients to try to ensure implementation occurs.

The RP's view on who the client is can affect the extent to which various family members' views may be considered and ideas the RPs may come up with. RP1 and RP4 identified the primary client as the owning generation. RP3 identified the client as the 'business' but was the RP who made it most clear to the younger generation that the owners' / parents' wishes were paramount since it was their asset. In discussing strategy, RP4 actively encouraged owners to consider the possibility of handing over management and moving off-farm while retaining some lifetime ownership and input. These RPs' processes focused more on owner wants, expectations and views. Owners determined who was involved. In contrast, RP2 identified the client as 'the family business', although he also acts with the owners' consent and within their brief. These businesses are often company structures, and contact clients are often the younger generation. He is more likely to encourage the implementation of structures and strategies for the primary benefit of the business and both generations. He was firm in his belief that all family members should be considered and encouraged reasonable settlement for non-farming siblings sooner rather than later. However, RPs all ensured everyone's needs, expectations and views were identified and tried to accommodate these in potential plans, recommended family involvement, and kept all parties informed, if not involved.

The RPs interacted differently with the younger generation (successors and siblings). RP3 identified their aspirations and perspectives early on, in face-to-face discussions where possible. RP4 does not always include younger family members in succession discussions and leaves their involvement until later in the process but was questioning his own practice in this regard. RP1 and RP2 used questionnaires to identify their views on succession. Later in the process RP1 meets with the younger generation separately to explain what is happening, RP2 prefers to have them involved in meeting throughout the process and RP3 involves them in meetings or at least keeps them informed if possible.

RP1 and RP3 had a more defined processes and tried to achieve succession outcomes in a shorter period (5 to 10 years). RP2 and RP4 used a more holistic process over a longer period, with a stronger focus on business performance and growth throughout the process. RP2 focussed on management aspects of succession more than the other RPs. He often works to a longer timeframe, and early in the process includes strong analysis and modelling to identify business growth opportunities to grow the business so it is sufficiently viable to support owners' retirement, transition and something early on for non-farming siblings. In association with this he helps put processes and structures in place for governance and management support, and performance recording and formal reporting. These can include: an advisory board to assist with management decisions for the business; formal performance reporting to the board; regularly reviewed job descriptions including for family involved stating roles and expectations; regularly revisited, formal management transition plans for devolving decisions and responsibilities; and mentoring for successors. These measures can help facilitate smooth ownership and management transition, and a structured process for business decisions that can result in better business growth to facilitate succession. RP3 also assists with structures and processes for governance and management if required.

In determining a succession plan for family, RP3 analysed the business and came up a pre-determined succession plan to put to family and other RPs, whereas other RPs presented a farm business analysis and some possible plans to owners, other RPs and possibly other family members for discussion. In formulating plans, RPs consulted with colleagues. Once a plan was decided (an iterative process) the RPs all drove the implementation process as well as providing expertise in their own professional area and involved other RPs to complement their expertise. RP3 emphasised the importance of using a collaborative approach with someone driving this, observing that plans implemented by only one person do not seem to get completed.

The RPs strong, strategic, business and people skills developed over time and in formal and informal learning resulted is some quite different but well-considered succession planning processes which were all likely to be effective. This variability delivers to diversity in client expectations and needs, and is influenced by consultants situational and personal factors, and process-oriented nature of succession consultancy.

Conclusion

The farm consultants and accountants were similar in that they all included the steps in their succession planning processes in accordance with industry guidelines. Given this, and their experience in strategic business and succession planning and working with clients at this level, it can be argued that they are all effective succession planning consultants. Nevertheless, there were marked differences between these RPs in: their process, the manner in which they processed through the steps, how they addressed issues, and managed people dynamics, their time frames and their emphasis on certain aspects. Their professional roles, whether they were generalists or specialists, client relationships, client' expectations, their beliefs, skills and knowledge, confidence and background all contributed to these differences. This variability suggests that defining a prescriptive process for effective succession planning consultancy beyond general guidelines is impractical. A range of approaches could be effective. This might be expected given the diversity in client expectations and needs, consultants situational and personal factors, and process-oriented nature of the consultancy. Clients wanting to engage a succession consultant should consider the process and timeframe with potential advisors to find an advisor to suit their situation. The effectiveness of some of the RPs' practices may be worth further investigation i.e. a better understanding of effective and useful practices that can be used in succession planning processes and adapted to suit client requirements could be worthwhile.

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