Why Today Is a Good Day to Jumpstart Your Succession Plan

There's no time like the present to start creating a succession plan for your family business.

BY KALA JENKINS

Horticulture businesses have withstood their fair share of COVID disruption — from family life to the workplace. While this has forced financial strain, labor disruptions and tough decisions on producers, it has also ripened some opportunities where you might not expect them.

In times like these, most family businesses quickly adjust by juggling roles and shuffling duties. We have seen junior high and high school kids step up and help keep the business running. This "all hands on deck" attitude is unknowingly opening a window for successors to step up.

When it comes to succession, finding the "window" is one of the hardest parts, because unfortunately, most businesses often only find the window when there is sudden illness or death in the family. This forces the family to quickly have tough conversations under stressful circumstances, and often leaves them hanging without clear direction. As a result of the COVID-19 disruption, however, right now is the perfect opportunity to recognize those who have stepped up and think through the implications long term to address what adjustments could be made.

With a success rate of just 30% for transitions from the first to second generation of family agribusinesses, and even less chance for success (10% or less) as second and third generations attempt to transition, it's staggering to see how little businesses take it seriously, and take action before they're forced to. As succession planners, we can tell you, the true life stories are even more harrowing.

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CHOOSE FAMILY OVER FEAR

"Change is never easy. You fight to hold on. You fight to let go." — Daniel Stern, The Wonder Years

As I am not here to instill fear from the sad fact that a first-generation business has a 70% chance it will not survive a transition, let's discuss the reasons for this failure in an effort to facilitate your success. First and foremost, as the saying goes, "A failure to plan is a plan to fail."

It's important to acknowledge why 81% of family operations have no succession or transition plan. According to a study by Concordia University, 50% of family businesses feel it's too early to think about it. Let's face it, this is their baby and it's what they love doing.

Twenty-nine percent feel they cannot afford to take the time. We get it, you're busy pouring your blood, sweat and tears into keeping the business running. The other 21% state they don't have the proper advice or tools to get started. And for many, about 13% of respondents, the process is just too complex to tackle.

But today's disruption is forcing family businesses to make tough decisions now for the future of their business. Communication is critical, and openness to family to share in the decision process is necessary for success. It will be important to discern what items fall under a management decision, an ownership decision, and a family decision. Recognizing that different decisions will require different voices to weigh in is important to get through today, and plan for tomorrow.

IS IT TOO EARLY TO THINK ABOUT SUCCESSION?

"It's never too early," advises Lance Woodbury, partner and family business advisor at K·Coe Isom. "Your personal choices will always dictate what a healthy time frame is for you and what you foresee for the business on your terms."

While some owners want to stay involved forever, others look forward to transitioning the day-to-day management of the business while being available to pass on wisdom when needed. And there are even a few who look forward to wiping the dirt from their hands and riding off into the sunset to pursue other interests.

Woodbury adds that no matter when you intend to transition, remember that the business is more valuable — for your personal wealth and the longevity of the business for the family — if it's running smoothly and you have the right management and successors in place should anything unexpected happen.

Imagine these two scenarios. Scenario one: you're 80 years old, and your son has been involved in running the business for 20 years and making some management decisions for the last five years. Scenario two: you're 80 years old and you oversee all operations and make all the decisions without the input of your family. You have had no discussion with your son or daughter on whether they desire or intend to take over the business. Should something unexpected happen, which scenario gives your business the best chance for survival?

Most family business owners pride themselves in not just building a business, but rather, creating a family legacy to pass along. Even if you're younger and far from 80, it's important to put a plan on paper for the future of your business. While there's less certainty for what the future holds — as we know, like the weather, changing times can cause changes in business — it's easy to leave room for flexibility in your plan.

Don't let age deter you from taking advantage of the advanced planning techniques that can help build and transfer value to your business for its future and its stability to support your family. If situations change, you can easily adapt your plan.

IS THE SUCCESSION PROCESS TIME-CONSUMING?

While your age, the ages and involvement of your family in the business, and other financial and operational complexities will play a role in answering this question, the importance of having these hard but crucial conversations for the future of your business overshadows the value of time. Time will only aid your efforts.

The more consideration, communication and planning you do, the more prepared, stable and positioned your business will be for a successful transition when you're ready. The process forces you to get your ducks in a row and put a plan in place.

It forces real family conversations that could be uncomfortable or tense. It forces identification of back-up leaders and management to be prepared for when the time comes — not just who you think might want to, but actually identify those who have the heart, desire and talent to step up.

If there aren't enough hours in the day to fit it in, consider starting conversations with a professional facilitator. They can schedule a time to visit with you and your family, and help you to easily navigate the process.

IT SOUNDS TOO COMPLEX, MAYBE LATER?

Before you put a pin in this "to-do" and tack it up for another day, I want you to know that there are specially-trained family business advisors that can help you get started. A simple consultation to talk about your business and operations is all it takes. Yes, it can be complex at times because, let's face it, families can be complex. But it's never going to be easier to address than right now.

I recently worked with a six-generation agriculture business that had been passed down from parents to three sons. The three sons each had a wife and sons, and those sons had wives. We started the process by having conversations with each of them individually.

Through the course of starting and facilitating conversations, they were able to get to the bottom of what was causing tension in the family, who had true interest in the business, where the financial and stability of the business stood for the next generation, which kids and at what ages they wanted to enter into the business, and potential future technology considerations that could impact both efficiency and profitability for the business.

Had this family not started this process and had those conversations, the business and its legacy could be in jeopardy as tensions would continue to build around the uncertainty of the future. This healthy Ag business could have easily fallen victim to the 96% failure rate statistic that is the startling reality for a sixth-generation business transition today.

While we all wish we had a crystal ball to foresee life's major changes, unfortunately we don't, and the best advice is to plan for it now. ■

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