
Farm Succession Planning —

*Conversations to Strengthen
Farm & Family*

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SECTION I

Communication Issues

Farm Succession Planning — Conversations to Strengthen Farm & Family is an educational program that brings family members of different generations together to enhance communication about farm succession planning issues. The simple goal is to make family communication about the future of the farm easier, more satisfying, and more effective for family members of all ages. A greater understanding of the role of communication in farm succession planning can help farm families develop workable succession plans that result in productive family businesses while maintaining harmonious family relationships.

The activities described in this publication are designed for families with members of at least two generations present, including children as young as ten years of age.

The program can be conducted by a family on its own, or, if a program facilitator is available, a group of farm families. Furthermore, it can be used as a distinct, stand-alone program, or it can be integrated into a larger program on farm succession planning.

A. Barriers to Effective Family Communication about Succession Issues:

Aim

To recognize potential obstacles to open and effective communication among family members.

List of barriers

- Avoidance of raising issues which are uncomfortable to discuss
- Assumption that everyone has the same expectations/understanding about the future
- Resistance to change
- Fear of an unknown future
- Desire to avoid conflict among family members

- Uncertainty about individual family members' plans for the future
- Established family decision-making patterns
- Difficulty in facing realities about growing old/giving up control
- Avoidance of having to make difficult decisions about the distribution of assets

CASE STUDY

Consider the following scenario:

Noah is the youngest child and only son in a farm family. He has always wanted to be a doctor, but he knows his mother expects him to be a farmer. Noah has not shared his dreams with anyone because he knows what his mother will say and he does not want to anger his father.

Noah secretly hopes one of his sisters will decide to stay on the farm so his parents will be satisfied. Meanwhile, his two sisters are pursuing careers in other fields; one is a salesperson of farm equipment and the other is attending a local technical college and plans to become a bookkeeper. Considering the family farm's 6-generation history of being passed from father to son, neither sister has ever seriously considered the possibility of taking a direct role in the ownership and management of the family farm.

Questions for discussion

- What communication barriers do this family face?
- How do these communication barriers hinder the process of creating a succession plan for this family farm?
- What should this family do to begin discussing farm succession planning issues?

Prioritizing the barriers

As a family, review the list of the nine barriers to effective communication (see above) and prioritize (i.e., greatest to least barriers) those issues that are relevant to your family situation. This exercise could serve as a good jumping off point for follow-up discussions aimed at addressing specific barriers to communication that might be occurring in your family.

NOTES TO FACILITATOR

- Make it clear to participants that it is hard to have effective communication when family members are unaware or intolerant of each other's positions. At a basic level, the relevant parties need to have an interest in learning more about each other's situations and viewpoints.
- For succession planning to succeed, there has to be mutual understanding between family members. Explicit communication is a key vehicle for achieving such understanding. The next section focuses on some of the compo-

nents of an effective family communication process.

- Suggest that participants discuss their conclusions with all involved family members (at home/in private). Family members who haven't attended the session could be given the above list of barriers along with the scenario and asked to write down and prioritize their perception of the barriers.

B. Important Concepts for Effective Family Communication:

Aim

To emphasize the importance of communication and introduce some basic principles for effective communication within the family.

List of key concepts

Communication among all relevant family members must be:

- **Frequent** — Set aside a specific day/time on a regular basis to discuss issues related to passing on the farm. Document decisions and unresolved issues.
- **Ongoing** — Start as early as possible and keep talking/planning until all issues have been resolved and a written plan has been completed. It may take several meetings to accomplish this. The point is to stay with it until you have a plan.
- **Participatory** — Allow all family members (even as young as 10 years of age) to express their wishes, expectations and opinions. Listen carefully to what others are saying.
- **Explicit** — Don't assume others know what you mean or want. Everyone needs to state their feelings, expectations and opinions clearly and make sure everyone else understands them.
- **Concrete** — Decisions should be put down on paper so everyone can read them and decide whether or not they agree. Wills, estate plans, financial documents, organizational charts, and job descriptions are all good tools for

making decisions/arrangements concrete and should be made available to everyone involved.

The Components of Effective Communication

Review each of the above concepts, one at a time — Discuss and give examples (actual or made up) of each concept.

CASE STUDY

Effective family communication in practice:

Nicholas and Alexandria are married for more than 40 years and operate their farm as a family partnership. Each week the family meets on Monday morning to plan the week's activities. At each meeting, every member of the family attends, and offers his or her comments about important things to be done in the coming week. Everyone's views are respected and welcomed. When decisions need to be made, options are discussed and all members are given the chance to share their views. Family members understand that there will be times of conflicting opinions on a topic and that they will not always get their way. Nevertheless, efforts are made to compromise so that decisions are more acceptable to all. They feel the goal of their family conversations is not to start with agreement but to end with it. After decisions are made anyone can ask to discuss the basis for making the decision.

Questions for discussion

- This family is obviously working hard at communication. Is the effort worth it?
- Why or why not?
- What do you see as some of the major “roadblocks” to successful family meetings?
- How has the family in our example addressed the roadblocks you identified?

NOTES TO FACILITATOR

- To encourage participants to plan family meetings, ask them to draw up a schedule of meetings, list who will be included in meet-

ings, what specific role each person will play and create an agenda for at least the first meeting.

- As the group discusses what it takes to have a successful family meeting, here are some “roadblocks” to note and encourage participants to avoid:
 - Skipping or canceling a meeting
 - Turning the meeting into a gripe session
 - Making another person feel put down (laughed at, ridiculed)
 - Allowing one member, child or parent, to dominate
 - Failing to follow through on plans or decisions
 - Preaching, scolding, or lecturing
- Regularly scheduled family meetings might have too full an agenda to be expanded to include succession planning issues. However, it can be a good time to discuss the need for a second series of meetings at which succession planning would be the only topic. At these additional meetings, family members can share their respective intentions, expectations, and perceptions (e.g., about what is “fair”) regarding the future of the family farm. It is an opportunity to provide the entire family with relevant information (e.g., tax-related consequences of various farm transfer strategies) and to help frame the succession planning process as something that is done *with* rather than *to* family members.
- Succession planning should be viewed as a *lifelong, continuous process*: Family members' situations change over time, as do family communication dynamics and issues which affect the financial viability of family owned and operated farms. In other words, family business succession planning is not a one-time event; hence discussions about succession planning should take place on an ongoing basis. This is particularly relevant in families that hope to sustain their family farms for future generations.

SECTION II

Fairness Issues

A. What Is Meant by Fairness?

Aim

To introduce significant issues and potential conflicts which may arise in succession planning, and to help them develop a collaborative framework for family members to discuss those conflicting interests.

Perhaps the toughest part about succession planning is figuring out a strategy that all parties consider to be “fair.”

It is often easier to identify decisions whose fairness can be questioned than it is to describe what everyone would consider to be a fair outcome or result. Fairness is a very personal feeling that makes it difficult to apply a single solution to all cases and situations. There is no single answer to the question of what is a fair result. Being fair may mean that some people receive more than others receive. Being fair can mean that some people will be treated differently than others.

Fairness can be considered a goal to strive for while being realistic enough to know that many things can affect whether it will be achieved. In family succession planning, fairness enters into decisions about the business, the process of selecting a successor, rewarding contributions to the business made by some people and in providing support to people who need it. The most important decisions the family will make have a fairness consideration in them.

Here are some questions of fairness that come up when considering succession planning issues:

- Who gets what? In what time frame?
- How are those in the next generation who

don't want to farm compensated?

- How many family members can the farm sustain? Who has the talent, interest and experience to succeed in farming?
- What kind of changes, if any, need to be made in the way the business, the land and the equipment/other assets are structured to support everyone who wants to play a role? [Will future farmers need additional training/education to succeed?]
- What will be the role/job description/responsibilities of each person who wants to remain involved in farming? Will that change over time? In what ways?

CASE STUDY

A Closer Look at Fairness Issues:

Chuck has been working in his mother's family business for most of his adult life. He passed up chances to do other things so he can focus his efforts on making the family business a success. Chuck's three other siblings looked outside the family business for their futures. Each has been successful in their ventures. Chuck's mother wants to develop a succession plan that will see the business continue for the foreseeable future and she wants to avoid arguments with and among her children and grandchildren. Avoiding conflict and disagreement is her number one priority.

Question for discussion

What are some of the challenges that Chuck's mother faces in terms of trying to figure out what is fair for Chuck and his siblings?

NOTES TO FACILITATOR

Certainly, it is appropriate to consider what is “fair” from the perspective of individual family

members. However, there are also questions about what is fair from the perspective of efforts to strengthen relations within the family and in the context of the family farm. Things get even more complicated when considering what is “fair” for future generations of family members. In the least, the discourse must go beyond considering how individual family members can act to maximize their personal benefit. There is a shared value to keeping family values and business interests intact.

B. Addressing Fairness Issues:

Helping family members see how they are interdependent

Many people view family farm succession planning as a “zero sum game” which means it is a situation in which a benefit to one party comes at the expense of another party. However, there is another way to frame the situation. It begins with viewing all family members as “interdependent,” and paying attention to how every decision/action on the part of one family member affects all others. For example, if an older adult family member has their financial and health care needs met in retirement, this places them in a better position to contribute to the social and emotional development of their grandchildren. Similarly, although sending a young family member to college may add to the family’s debt, this individual will be in a better position to contribute to the operations and business decisions of the family farm.

In developing a plan for the future, no one will likely get everything they want but everyone should feel that their wishes have been considered and that they have gotten a fair deal relative to what they put into the family business enterprise, and relative to the efforts and rewards afforded everyone else in the family.

EXAMPLE

Consider this example: At the time that Jake died he owned a 300 acre farm. His wife died

before him and his four children survived. The land in the farm is very valuable and everyone knows it. Some of the children want the land to be sold to convert its value to cash. Some of the reasons given for wanting access to this money include covering expenses such as putting money away to cover college costs for children now in high school and saving toward their own retirement. Some of Jake’s children who worked the farm want to see the farm continue even if it means having less money available in the near future. What considerations should all of these children address as they discuss and then decide what happens to their father’s farm?

Questions for discussion

What prospects do you see for an “integrative” solution, that is a solution that meets the needs of the various parties? In other words, is it possible for the farm to continue to function as a farm, yet generate some sort of economic benefit for those family members who are looking for immediate financial gain?

NOTES TO FACILITATOR

- This is a challenging scenario, but one which poses a good opportunity to make key points regarding negotiation between family members. For example, those family members may be willing to modify their requests for “immediate” financial gain if they could understand how investing in the business now can increase its value in the future.
- Encourage participants to consider that there are many ways in which family members can contribute to, and benefit from, a viable family farm business.
- Whereas most questions about “fairness” tend to focus on things from the perspective of individual family members, asking about fairness to future generations of the family (e.g., is it fair to minimize their opportunities to have a family farm lifestyle?) is a way to encourage today’s family members to think beyond their own individual and often immediate circumstances.

SECTION III

Decision Points

Aim

To assist participants in talking and sharing their points of view about issues related to succession planning.

Key decisions that need to be made:

- Sell or maintain all or part of the farm/farm business?
- Can the business income realistically support everyone who wants to work on the farm?
- Will the farm/business need to be restructured or amended in some way to be viable and able to support everyone who wants to farm?
- “Could/should farmland conservation/preservation easement payments play a role in succession planning?”
- What will everyone’s role/job description be? [Develop an organizational chart.]

Family Conversations activity

- Choose 2–3 of these issues to discuss as a family.
- Each family member should note their own perspective about the topic, and how they see their role in contributing to the financial viability of the family farm.

Role reversal

One technique for sensitizing family members to each other’s concerns is to have them participate in a “role reversal” role play exercise. Often people do not realize that their behavior affects the behavior of others. Role reversal exercises have been used effectively by human service professionals to help people empathize and better understand the views of other members in their families. The following role reversal activity involves taking turns with other

family members to describe what you perceive to be each other’s visions and perspectives about farm and family.

Instructions for the exercise

- Create multi-generational pairs of family members.
- In the role of the other family member in the pair, each participant takes turns describing the following to each other:
 - What is your vision for the future of the family farm?
 - What is your vision for the future of the family?
- Share 3 things you feel you need for your own personal well-being from the family farm.
- Share 3 ways in which you feel you can make a unique contribution to the future success of the family farm.

Discuss the content that came out of the role plays. Try to correct, clarify, refine, and otherwise communicate your true points of view related to farm and family. Here are some prompting questions to facilitate discussion:

- What do you think your child/parent/grandparent was feeling when you role played and took their position?
- If your family member said things that weren’t accurate reflections of your point of view, what was it that wasn’t accurate? [Clarify your point of view.]
- What could be done differently to improve understanding between members in your family?

NOTES TO FACILITATOR

- Another option for framing the role reversal activity is for participants to come up with their own farm succession planning discussion scenario. It could be a discussion that has taken place or one which family members would like to have.
- Allowing parents to view themselves from a child's perspective can be difficult. Keep in mind that children often have a difficult time respectfully telling their parents what they like or don't like.
- Remind participants that although this can be a fun activity and an educational activity (e.g., in gaining a greater understanding about why family members act the way they do), they should be careful to avoid overly exaggerating the behavior or words of their partner (parent or child). Some exaggeration is fun but too much can be hurtful and does not solve anything.

SECTION IV

Things To Keep in Mind When Taking the Next Steps

A. Developing — and Getting Clearer on — Your Goals:

- *Tentative Goal #1:* To keep the farm intact at least through the next (1/2/3?) generation(s).
[List ways to work toward this goal.]
- *Tentative Goal #2:* To maintain good family relationships throughout the development and implementation of the succession plan.
[List ways to work toward this goal.]
- *Tentative Goal #3:* To develop a written succession plan which is agreeable to all members of the family, consistent with family values and interests and financially viable into the foreseeable future.
[List ways to work toward this goal.]

B. Overview of Key Steps in Implementing a Written Succession Plan:

- Take a Hard Look at Your Current Business Situation
- Engage People to Help with Analysis of Options
- Evaluate Choices Available to You and Your Business
- Identify Potential Successors or How to Find One
- Explore the Paths to Succession
- Make Decisions and Write the Succession Plan
- Implement the Succession Plan
- Be Flexible if the Need Arises!

Discuss each of the steps noted above.

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