

Succession Report for CTCNS Journal Summer 2021

Title: The Best Time to Plant a Tree and a Succession Plan was 20 Years Ago

As everyone in the industry knows, the title and the old Chinese proverb says it all. The best time to plant a tree was 20 years ago and the best time to start planning for your future, and the future of your business, was within the same time period. However and whenever you start your decision making and preparation, the best time to start anything for the future is now.

Succession Planning or Transition Planning is being prepared for expected or unexpected changes in your business, family, or employee's personal lives. This plan is for the owner of your business when they are preparing a contingency plan or retirement plan (predecessor) and the owner to-be (successor). The transfer of the knowledge and a transparent plan is crucial for your business to continue to operate smoothly and with no major struggle in operation after the transition.

Building a succession plan into your business can help prevent confusion, conflict, and possible long-term damage to your business. It takes the worry of incidents away from the future by including discussions of money, feelings, goals, and reality checks in family or business meetings. Business owners will be confident to know they have a living after retirement and minimal worries about the farm operations. Having an assigned successor, a person to take over the business or manage knowledge, can provide a business with stability, a continued goal-oriented path, provides confidence in their own income, and helps avoid competition for the leadership role.

Relatable challenges for transitions in the Christmas tree industry include the older generations passing on, children coming home to take over the family business or farm from aging parents or grandparents, children working with parents or grandparents, and farm-hands retiring when they have a great knowledge about the short- and long-term operations. As some of these topics are sensitive and challenging to discuss for folks who have worked together for many years, emotions are hard to ignore in this type of decision making. In accordance with the proverb, contingency plans are better made now to avoid harsh emotions, actions, and quickly made decisions in the future.

Knowledge transfer is largely one of the most important factors in succession planning. In agriculture, one person on your farm may have been assigned one task that they've done solely themselves for years with others having little knowledge about it. The knowledge that they could share could save time, money, and possibly an accident from occurring in the long run.

Succession plans are not easy and quick to write up. They take your time, discussions, writing it all down, and involving external parties. The rest of this article will be steps to help you, your colleagues, and your successors to better your future plans and wishes for the business.

According to Nova Scotia Farm Succession Planning, there are seven steps to developing a succession plan.

1. Planning the Future of Your Farm

The first ideas to think about are why you want to develop a succession plan, when you should start, how long it will take, the energy it will take out of your day, and the process beyond the first step.

- A succession plan should be started as soon as possible. Meaning, start now! Earlier planning leaves for more room to develop your business, prepares yourself for unexpected scenarios, and member's long-term decisions.
- The plan creation can be a short or long process and can vary from one family to the next. The ultimate factor is scheduling time to actually write it all down and plan discussion meetings which will take energy out of your day.
- Some thoughts for step one:
 - Transparency is a must throughout 100% of all discussion and decision making. The Successor needs to understand what goes into the decisions to best lead your business. When the Successor is able to take on these responsibilities, the Predecessor should limit themselves to give advice like a mentor. They need to let that leader thrive with some shearing.

2. Looking to the Future

Next is to look in the direction you'd like to see your farm go and where you are financially, your physical abilities, identify successors, introducing the topic to your spouse or farm managers/hands, and reaching out to external resources.

- Other thoughts for step two:
 - Open the conversation with your partner at home and in work
 - Work to find a common retirement lifestyle/lifestyle after transition,
 - Collect all personal and farm financial reports,
 - Identify money needed for your retirement/transition,
 - Assess current profitability,
 - Implement changes in your retirement savings and pension plans,
 - Identify any advising you may need.

3. Identify potential successors

Choosing one successor is hard enough when multiple children, farm managers, or others are looking at you to leave the leadership roles to them. In some circumstances, choosing a non-successor is just as valuable to the farm. This is a great area to identify internal talent and fill any skill gaps.

- Why are you in the Christmas tree industry? Why do you love what you do? Why do you like being the owner of a business? The answers to these questions should be known to the successors of your business. Same with: Why do you want to be in the business? What drives you to be a contributor to the family farm? These 'whys' do not have to match from predecessor to the successor but they should be shared with the expectation that the intentions of the transaction are genuine. It's a beneficial way to rule out any emotions from the beginning, sharing any concern or any strong love or hope for certain aspects of your business.

- It's common for visions and goals to differ with new technologies, techniques, innovations, operations pathways, financial means, abilities, resource interests, etc. Realism is key for operations to run smoothly.
- Some thoughts for step three:
 - What do the predecessors want? To see the farm thrive or to see the value of operations be transferred to their children/successors?
 - Who has the majority of knowledge in your short- and long-term operations?
 - Do you have farm children and non-farm children? Which are more viable to succeed? How do the non-farm children feel and will their feelings be affected by your decisions? Do they understand your decisions?
 - A family meeting should be held by now to introduce the topics of creating a succession plan.
 - What happens when there is no successor?
 - Have a one-on-one conversation with your successor.

4. The Next Generation of Owners

After identifying and talking with your successor, working together to set continuous goals and objectives for the future of your farm will be the next step.

- Some thoughts for step 4:
 - A meeting needs to be held to discuss goals, objectives, and short- and long-term plans,
 - Comparing values helps make optimal decisions,
 - Share your thoughts on risk and return,
 - Objectives should be S.M.A.R.T.; Strategic, Measurable, Attainable, Relevant, and Time-specific.
 - When in times of disagreement, bring in a third party such as an advisor.
 - Introduce the successor to your family, colleagues, and all external advisors.
 - Help the successor with a development plan.

5. Generating Options

Diving into the details of the transfer is the meat and potatoes of succession planning. This is beginning the process of the actual transfer and options of materials, such as living arrangements, business structure, legal features such as wills and estates, finances, investments, and insurance. Looking to your advisors will be a large aid in this step. Ownership transfer will affect you, your family, and business in multiple areas. Discussing this process with your successor is just as important as discussing day-to-day operations because of the effects that they may feel when they reach the same point in life. Leave room in your succession plan to write your reasoning for making these specific decisions. This gives advisors and your successor a way to resolve conflict between decisions or future aspects in the business. Again, these decisions should be made with expertise on your side, such as you financial, succession, business, property, legal, and many other advisors.

6. Transition

Building up to this point has been a lot of discussion and preparation. The transition step is the plan of what happens between the time you've had consultations and made solid decisions to the actual time and date of the transfer of business. This is mostly mapping out roles and responsibilities that transfer from the predecessor to the successor. This should be a strategically, S.M.A.R.T., detail job description. Templates are available.

- Some thoughts for step 6:
 - Task lists can be developed for seasonal activities or different aspects of the business,
 - It never hurts to have your employees write a description of their jobs and duties,
 - Share your ownership tasks with your advisors and family,
 - Check in with successor for any conflicts and resolve,
 - Remind yourself to keep up the great work! You deserve a pat on the back at this point!

7. Implement and Monitor

The final step, and a long one, is to monitor and aid your successor where they need it. The most important part of implementing the succession plan is to create a communications plan between the predecessor and the successor to ensure a passage of knowledge that is continuously transparent and timely. The chances are the predecessor is not moving far mentally and physically from the farm operations, yet they still want to have a space to go where they can escape from where they retired or transitioned from.

- Some thoughts for step 7:
 - You have help, use it! As a farmer, you are always busy, so when you need help ask you partners, advisors, family members. You will benefit from other perspectives along the way.
 - Share your official plan across the business,
 - Be committed to your communications plan and decide your methods of communication,
 - Hold regular updates to monitor progress and discuss.
 - Continue until both parties feel like they're comfortable to operate without monitoring and mentoring.

After these seven detailed steps, you're probably wondering if it's worth it. Yes! It is completely worth it to make a plan, not just for a retirement plan but in case you want to alter your career, your business partner has personal lifestyle adjustment, an accident occurs that negatively alters the leadership or major knowledge bank, or a possible death in ownership. No matter what the case, it's always better to have a plan now. Just like planting the tree now, it'll leave you with a profit in the future.

For more information on succession planning in agriculture, visit nsfarmsuccession.ca. Feel free to contact Gillian, the Resource Assistant, to help you find more information, templates, and professional advisors to help you along the way.