

Advisory Board facilitating succession transition



Succession is a key part of all businesses, it is required to ensure the business continues beyond the founding partner/s.

Agriculture traditionally views succession as the transfer of assets such as land to the next generation. Rural Directions Pty Ltd views succession as broader than this. Succession is the successful and viable transition of business management and operations to the next generation. This is called management succession.

Many farming businesses are perpetual business. That is, they exist beyond the first generation. This is a structure that requires management, planning and support to ensure it is successful. Establishing an advisory board can facilitate the successful transition for a perpetual business from one generation to another.

Below is an overview of actions required to execute management succession.

Action	Description	How an advisory board can assist
Define where are we heading <i>"I'd like to come back to the farm one day?"</i>	Develop a strategy and/or business plan with all key stakeholders. Understand where individuals see themselves in the future as well as where the business is heading (they might be same or different).	Process to capture contribution from all key stakeholders. Formalise the strategy/business plan and create an action plan.
Understand current performance of whole business <i>"How is this business performing?"</i>	Undertake annual review of business performance (benchmarking) to ensure all stakeholders understand the current and historical position. Determine underpinning viability to leverage into the future.	Support to improve financial knowledge of all stakeholders so all understand the reports. Benchmarking is included in the advisory board package.
Determine expected culture <i>"Is this a harmonious place to work?"</i>	Define the values of the stakeholders and review the culture of the business. Is the culture set for achieving the vision or do changes need to be made?	An independent Chair to oversee the stakeholders and their existing relationship. Provide mentoring to make required changes. Develop a culture statement.

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Operations planning <i>"We should be changing our rotation, and I have lots of ideas."</i>	<p>Develop an annual plan for each area of the business – grain, livestock, property. Gain input and approval from the most experienced generation but then allow the next generation to implement the plan.</p> <p>This gains buy-in from the older generation while allowing the next generation to make day to day decisions and take ownership.</p>	<p>An independent Chair to assist with development of the operations plan, gain agreement and then monitor the implementation at each meeting. Discuss what is on track, what is slipping and what actions are required. Help unblock barriers and ensure a business case is provided for implementation.</p>
Budgeting <i>"Is that achievable?"</i>	<p>Similar to the operations plan, develop the agreed budget with all stakeholders. Implement, manage and report against the budget as the year unfolds.</p>	
Remuneration <i>"What is the fair amount for me to be paid?"</i>	<p>Development of job descriptions for each role as well as commercial salary packages are an essential part of a management transition. Family labour needs to be remunerated fairly and via an arm's length relationship. Individuals are paid a salary in line with their role. This strategy reduces the level of frustration with family remuneration. It should also provide reward for effort.</p>	<p>An independent chair to develop the job descriptions for each role. The advisory board agrees on the salaries of owners, based on their role and experience. These are benchmarked outside of the business and reviewed annually.</p>
Machinery and infrastructure policies and plans <i>"I'd like to upgrade the shearing shed?"</i>	<p>Review the existing machinery and capital items with all stakeholders. Develop a replacement plan including specifications, timing and required budget. Incorporate this into medium to long term planning. Ensure all developments are fit for purpose and strategic.</p>	<p>Develop and agree on a replacement policy for machinery and infrastructure. Purchases are approved based on business cases which includes benefits, weaknesses, risks, detailed budget and breakeven periods</p>
Develop people <i>"What is the career path to have the Farm Managers job?"</i>	<p>This is achieved via investment (time and money) in development of talent and includes:</p> <ul style="list-style-type: none"> • Internal training and mentoring • External training – such as certificate, diploma, bachelor level or management courses • Delegated authority – agree on the plan, allow them to implement and learn from the process • Recruitment of the right people for the business 	<p>Mentoring support for both generations. Identify training opportunities for the next generation.</p> <p>Ensure the right culture within the business to recruit and retain the best staff. Mentoring all generations around handling change.</p>
Annual review <i>"How are we tracking?"</i>	<p>Review progress annually via benchmarking and other review processes including board effectiveness.</p>	<p>Process to review and ensure advisory board is effective. As well as reviewing business progress via benchmarking.</p>

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Business structures <i>"What structure do we need to ensure effective transfer?"</i>	Historical business structures have been established to meet requirements at that time. These objectives may have changed, so the business structure needs to be reviewed. This includes considering new business structures or even leasing versus share farming options.	Link with accountants and other professionals to ensure the business structures and retirement provisions are the best fit to achieve the future strategy for the whole family.
Transfer of assets <i>"What will our parents have to support their retirement?"</i>	Transferring assets to the next generation is part of the picture. The other part is provisioning for the retirement needs of the exiting generation. There needs to be a plan in place to ensure needs are met.	
Asset protection	Ensure appropriate insurances and wills are in place for all stakeholders.	Link with professional services as required.
Down time <i>"When can I go camping?"</i>	Time out of the business is essential for everyone. It provides the opportunity refresh, recover and rebuild to return as an effective team member.	Develop a plan for holidays for the whole team (family and non-family), including timing, approval process, and length.

You will often hear, "succession is a process, not an event". This is true and why it is linked to management succession as well as the transfer of assets. Advisory boards are an excellent tool to assist a business move through the management succession process to create a perpetual business.

For more information on advisory boards, contact us on 08 8841 4500 or visit www.ruraldirections.com