

Summary - Case Study 16: Tau Family

Business not continuing

“We had succession sorted. Then the next gen farmer changed his mind”.

The Tau family thought they had succession sorted. The family member who wanted to farm was smart, industrious, worked hard, was suitably experienced and educated and hence he got the job and some of the land. Then he changed his mind.

As with many of the examples in this series, money wasn't the issue which impeded progress. The problem was that the family member, who took on the farm, came to believe that the debt was too great. He may have been scared off. He started to question his decisions.

Succession in this family had been handled well, there were no demands from the bank, the business was growing and profitable, but still it failed. It failed through a lack of confidence in the generation that needed to keep it going.

In reflection on the failure of the business, Tom, who was handing the business over to his son Mick was philosophical. He thought there was an element of *'we're getting out of our depth as far as debt was concerned.'* In Tom's view the debt was manageable, they weren't paying off land. But they wanted to purchase land and didn't have the collateral. Tom suspects that they were looking at others of their cohort who have an easier ride in other businesses. *'Perhaps it's a case of grass is greener over the fence. That may not be a fair comment. I just don't know.'*

The important lessons from this study are:

1. Building scale doesn't automatically mean increasing profitability.
2. There is always the possibility that the person who returns to manage and take ownership of the farm will change their mind. The implication of that possibility should be considered.
3. Gifting land without some guarantee, handcuff, undertaking from the person who receives the gift is a dangerous move.
4. Allowing a situation where a key parcel of land, including all the important infrastructure can be sold to an outside party is also dangerous.
5. Relying on goodwill could have created a dangerous situation.
6. That in a business which was expanded in cooperation with family members and neighbours that it was the decisions of the family members, not the neighbours, which caused the venture to fail.