Some Comparisons from Succession Case Studies – Pt 1

Some farming families manage to keep a viable farm in the family for generations and keep the non-farmers in the family happy. Other families don't. The differences are contrasted in the Farm Success Enabling Case Studies. Some of these case studies illustrate a business that continues successfully over multiple generations, some don't continue on in the same way, and some don't continue at all.

The case studies are based on intensive studies of sixteen, family owned, Australian farming businesses, selected from a list of fifty businesses. The studies consider the approaches to succession throughout successive generations. They contrast the attitudes, attributes and actions of people within each business. Eight will continue, while the other eight businesses have been sold, have remained in the family but are no longer viable, or have had significant changes in direction. To protect the privacy of the participants, a letter of the Greek alphabet has been used for the name of each family.

The business success is measured against the stated aims of each family. In most of the case studies the family aims are to; ensure sufficient funds to retire, to hand over a viable farm, and to ensure that all members of the family are happy. The aim has been to share the family wealth as near to equally as possible whilst achieving the three previously mentioned aims. In one case, the Rho family, the viability of the farm took precedence over the near equal distribution, and that has been accepted by the family concerned.

The Lambda study demonstrates a successful business growth strategy, with growth achieved while maintaining the enterprise mix. The business is now jointly owned and managed by two brothers, and most of their siblings are joint owners in a portion of the land. There are mechanisms in place to ensure that, if in future, any do want to sell, both a valuation and the timing can be agreed.

Other businesses have growth strategies which have included the development of a bull breeding business (the Iota family), significant off farm investment (the Mu family), brothers working together and building on their individual strengths (the Epsilon family). In the Sigma family brothers aggressively bought land and left it up to the next generation to pay for it. It nearly ended in failure when they borrowed heavily off shore.

Delta and Epsilon had similar histories. In the Delta family, which is continuing, the brothers agreed on the end game and the family split was easy, however in the Epsilon family it was hostile and led to business failure.

Table 1, below, contrasts a series of attributes which were common to businesses that were continuing, with those that are not or are no longer viable (not continuing).

Table 1: Contrasting Attributes of Continuing and Not Continuing Businesses.

Business continuing	Business not continuing
Intelligent leadership	Autocratic, patriarchal behaviour
A history of well thought out succession	Poor history of succession
Progressive farm management	Doing things the way we always did
A focus on the customer	What customer?
The intelligent use of capital	Using capital to support the lifestyle
Preparedness to go into debt and maintain low equity	Totally debt adverse and maintaining lazy capital in the business
Deliberate strategies to encourage stakeholders	A strategy of keeping stakeholders off farm and disengaged
Managing with humility and quietly going about your business	Maintaining your position in the family and society as somebody very important
A determination not to **live** like peasants	A determination not to **look** like peasants
A common end game goal	No agreement about the end game

More detail about the differences which enabled success and failure can be found in the next issue. Further information and a copy of the Summary Case Studies is available on the Meridian Agriculture website.

For a set of the full Case Studies (free of charge) please contact Meridian Agriculture on – 03 5341 6100.

The case studies, which form part of a larger study, have been funded by Meridian Agriculture and the MLA Donor Company.

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