

Strategy, change and succession

The only thing that seems to be constant these days is change. Rumbling economies and shaky financial markets combined with the challenges of climate, political uncertainty and the pressures of a busy time on farm means it takes real effort to keep in touch.

In this environment however, it's more important than ever to have an accurate read on business performance and clarity regarding direction.

I'm pleased to say we are well through the winter round of annual reviews with clients. For these businesses accounts and tax are finalised and budgets up to date so the trends for coming years are clearer.

It's a credit to these operations that they have made the time for this despite the hectic demands of spring. They have proven their commitment to getting their decisions and timing right. This contrasts with others who miss opportunity because they are too focused on operational roles.

So what are some key issues?

The first is the outlook for the Primary Sector – especially dairy profitability. I have been concerned for some time at premature rejoicing as milk prices have risen and anticipated profits capitalised into asset values and investment decisions.

While there is no doubt we are enjoying positive times, accounts analysis for last year and budgets for next season demonstrate the stark reality of cost increases magnified by the impact of drought and a significant squeeze on profit margins. Without planned cost control strategies many farmers will find they are spending what they used to receive as their total milk price just to run the farm.

Compounding this are signals of more conservative product prices. One could hardly expect market conditions to be unaffected by turbulent times in many of the economies we rely on to sell our products.

This highlights the importance constant analysis and evaluation. Nothing should be allowed to continue just because it happened last year. More cost-effective ways of operating should especially include reviews of fertiliser, feed strategies and energy costs.

Another area of challenge is succession – especially for those approaching retirement years. There are a number of important issues around timing, asset values and understanding the expectations of the next generation.

I have seen a number of situations recently where the anticipated handover is presenting philosophical and strategic challenges. These commonly reflect a lack of shared expectations through insufficient communication and clarity around each generation's personal, career and business direction.

It's frustrating to see those who have put a lifetime into growing their business now struggling to get confirmation that their offspring will want to take over as retirement approaches.

However, it is not necessarily surprising. Many have grown up in an environment where their parent's dedication to the business compounded by climatic and financial struggle has negatively impacted on lifestyle to reduce the appeal of a farming future.

These perspectives will only be balanced if there is a more complete story told about the rewards of farm ownership –especially the capital growth and lifestyle benefits.

This must link to the modern world so each generation can set its own vision. A repetition of the strategies of the previous generation will not necessarily be enough to 'light the fires' of the next.

Blending family relationships, business investment decisions and career choices into a sustainable package is more of an art than a science. It requires quality relationships and often more formality than would be required to join forces with "arms length" business partners. Priority must be a "step by step" approach that proves business relationships can function without threatening personal relationships.

Consultation, communication and a progressive approach to proving commitment from both generations are vital steps. I've seen too many pay the price for a very amateur approach to this.

Strategic planning and succession planning go hand in hand. Success is all about enhancing natural consequences -- rather than driving unrealistic expectations. It involves making the time for planning, knowing your strengths and weaknesses and being committed to communication at all levels. Such strategies are fundamental to finding a way forward that fits you, your future and your family.

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