

Adding Value Through the AGM

Those who've followed my columns over recent years will know the value I place on an annual review of business performance. I always enjoy this opportunity to get my clients together with their key professionals so there can be a multi discipline evaluation of business progress, comparison with goals and restatement of vision.

Results for this year confirm strong capital growth. The key negative is that in some cases higher milk prices have masked production drops and cost overruns. Generally outcomes remain pleasing.

We have added a new agenda item for some businesses and I believe this is adding real value. This is to review **succession and ownership**. In some cases it has included inviting adult family to brief them on business prospects, the financial position and ownership structures. For some this has delivered a much needed reality check.

With extensive use of trusts to manage asset growth, provide protection and eventual handover to the next generation, there is a real risk of misunderstandings between the generations. Offspring are often on the fringes of the planning process and they can easily pick up the wrong signals about what is going on.

I recall one situation where a son planned his future around a misunderstood but well-meaning comment from a parent. The youngster was in his teenage years and had put in a hard day on the farm. When expressing gratitude a comment was made along the lines that "one day all this will be yours". While offered as a genuine expression of appreciation, this off the cuff comment was somewhat naively taken literally.

Experience has shown me there is real a risk that the succeeding generation doesn't understand their parent's true financial position. More commonly partners and spouses can come on the scene with wrong impressions of "wealthy farmers" and unrealistic expectations.

This brings me to the point of getting family involved in the annual review. As offspring enter their early adult years, I see merit in getting them around the table to hear an overview of the situation and outlook for the farm business. This is an opportunity to dispel myths, explain what would happen in the case of parental death and how succession will be managed. It's also a chance for trustees to hear first hand what is going on for beneficiaries and how their aspirations or circumstances may complement the business plan.

A key benefit is that this makes the succession plan a living process. It puts reality into Trust management and avoids the risk of it being interpreted as a façade behind which there is minimal real impact on ownership or decision-making. A formal approach to communication and consultation by Trustees is likely to better protect all involved.

Communicating about strategy and ownership promotes transparency. It does not imply loss of control – rather it promotes accountability and realism. It gets the family familiar with talking about what can be awkward topics which are often left unaddressed until it is too late!

Success will be heavily influenced by the quality of the professionals involved. I'm privileged to work alongside a number of accountants, bankers, agronomy and legal professionals in whom my clients and I share a real sense of confidence. These people keep their expertise at the cutting edge so they can offer the very best professional support.

Commitment to extending each other in our various professional disciplines delivers real value to our clients. I can only encourage business owners to carefully evaluate the quality of their professionals. I still see evidence of mediocrity in professional relationships that continue more because of the client's fear of changing than a drive for accountability, results and performance.

I know timely planning that harnesses ideas from all stakeholders and professionals gives farmers greater confidence, purpose and satisfaction. Without fail this flows through to their business performance, lifestyle and job satisfaction.

Kerry Ryan is a Tauranga based Agribusiness Consultant, Speaker and Publisher. You can contact him at www.kerryryan.co.nz