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Communication Barriers to Family Farm Succession Planning

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Abstract: Many farm families fail to take succession planning actions even when information is available on the tax, business organization, and investment aspects of this process. In semi-structured interviews conducted with multi-generational members of nine small farm families in Pennsylvania, most respondents attributed a high level of importance to succession planning, but conceded that they had not done enough

planning. Passive communication styles, unresolved issues, and uncertainty in their lives were inhibiting factors. Rather than rely on a "wait and see" approach, it helps to be inclusive of younger generations in key discussions and decisions about the future of the farm.

Introduction

According to the 2002 Census, the average age of all U.S. principal farm operators was 55.3 years. The percentage of principal farm operators 65 years or older, which was about 1 in 6 in 1978, rose to more than 1 in 4 in 2002. Also in 2002, the number of farm operators above age 65 was more than four times greater than the number under age 35 (Allen & Harris, 2005). As a consequence of the aging of the farm population, transfer of ownership and control of large amounts of farmland can be expected in the near term.

In addition to growing concerns about how to meet the retirement needs of older farmers, it is disconcerting that few senior operators have decided how managerial control of the farm will be passed to a successor prior to their death. For example, of 106 farm operators studied in California, only half had identified a successor (Girard & Baker, 2005). A similar study of 400 Iowa farmers found less than a third had selected a transferee (Duffy, Baker, & Lamberti, 2000).

The consequences of a failure to plan can be severe—if the farm is inherited by multiple heirs, inheritance taxes and other fees may cripple the farm and its new owners. Inadequate farm succession planning may result in heirs becoming owners who are incapable of running the farm business; family conflict among heirs; and partition of family-owned and operated farm business assets to satisfy heirs who simply want to "cash in" their share of the business.

Much is known about farm succession planning, i.e., the transfer of managerial control to the succeeding generation during the life of the owner of the business (Zimmerman & Fetsch, 1994; Kimhi & Lopez, 1999). Yet relatively little is known about why families wait to make farm transfer arrangements. Delayed planning is a complex, and challenging problem. This article focuses on issues related to familial communication and decision making that have been noted by small Pennsylvania farmers as factors that have in some way hindered or delayed their succession planning efforts.

Research Objectives

The objective of the study reported here was to identify difficulties that families who own and operate small farms have regarding communication and decision making about farm succession planning. In particular, the study sought to identify barriers to productive conversations and obstacles to making decisions regarding the future of their family farm. Results are intended to alert estate planning professionals and family business advisors to the importance of family communication, which will help them provide effective assistance in succession planning efforts.

Research Methods

In 2003-2004, farm families in Pennsylvania were recruited by field staff of Penn State Cooperative Extension and Pennsylvania Farmlink to participate in the study. Small farms that are more likely to be family owned and operated were targeted (Offutt, 2000). The following criteria were used to select families: 1) family farms with annual sales between \$100,000 and \$249,000, whose operators report farming as their major occupation; 2) families from across the state; 3) families engaged in more than one type of farming (dairy and vegetable); and 4) families with two and three generational configurations.

Forty families meeting these criteria were contacted and provided more detailed information. Ultimately, nine families agreed to be interviewed. Where possible, interviews were arranged so that more than one adult family member, ideally from two or more generations, could be interviewed either simultaneously or separately by a different interviewer. This strategy was used to ensure that the data collected represented several generational perspectives about farm transfer issues. In total, 20 semi-structured interviews were conducted with adult members of these nine families; respondents ranged in age from 22 to 80.

As indicated in Table 1, the families that participated represent a heterogeneous sample in terms of family configuration, which family members were interviewed, type of farming, geographic location, and level of experience working on farm transfer issues. The range of family experience in terms of discussing and acting on farm succession planning issues fits into three categories, as described below.

1. *Extensive experience* considering/discussing farm succession issues that leads to action and a developed plan: These families developed their farm transfer plans and took actions to enact them. The families shared the following characteristics. Respective roles were worked out in these relationships. There was clarity in identifying who was considered the most likely successor(s), and how assets would be divided up amongst children. There was also clarity in the underlying rationale for taking action. Family members were aware of the financial implications of holding off transfer decisions. A sense of urgency was conveyed by the older generation by phrases such as "must be done while we're alive" and "we need to do what we can to keep the farm in the family." The specific strategies and techniques used by these families varied substantially.

2. *Moderate amount of experience* considering/discussing farm succession issues that leads to action and the start of planning: These families began to develop succession plans and ways to implement them. The families ascribed a high level of importance to developing succession plans, although, for various reasons noted in the Findings section, they did not finalize or enact their plans. Young adult members were clear on their parents' commitment to keeping the farm within the family. However, the specifics of the succession plans were not clear. Questions, such as how assets will be divided up amongst siblings and specific roles and responsibilities for each family member were still undecided. In two of these families, there was a lead candidate for successor, but the identified successor had not indicated whether the successor would take over the farm.

3. *Limited experience* considering/discussing farm succession issues and no action toward development of a succession plan: These families had not developed farm transfer plans. In these families, there were more unknowns, particularly in terms of the question about successors, and less of a sense of urgency to figure things out. Various reasons for this were noted by these families.

Table 1.
Information about Families Participating in the Study

Family #	Family Configuration	Which Family Members Were Interviewed? <i>n = 20</i>	Type of Farming (dairy or vegetable)	Geographic Location (4 Quadrants of the State)	Family's Level of Experience Addressing Farm Transfer Issues*
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1	3 adult children 5 grandchildren	Father, son-in-law	Livestock	Central	Moderate amount
2	4 adult children 9 grandchildren	Father, mother	Livestock & dairy	South Central	Extensive
3	3 adult children	Father	Livestock & dairy	Southwest	Limited
4	2 adult children	Father, mother, & 2 sons	Livestock	Southwest	Moderate amount
5	8 adult children 20 grandchildren	Mother & father (together)	Vegetable	Central	Extensive
6	5 adult children 10 grandchildren	Son	Vegetable & dairy	Southeast	Moderate amount
7	4 adult children 10 grandchildren	Father & son (together), daughter	Vegetable & Livestock	Southeast	Limited
8	6 children 15 grandchildren	Father & mother (together), son	Dairy	South Central	Extensive
9	4 adult children 11 grandchildren	Mother & father (together)	Dairy	Central	Limited
* These categories are described in the above paragraph describing families' levels of experience addressing farm transfer issues.					

The interview tool included several question categories: 1) Background information; 2) Perspectives of farming; 3) Farm decision making; 4) Farm transfer discussions; 5) Farm transfer process; and 6) General communication dynamics within the family.

The interviews, lasting from 60-90 minutes, were tape recorded and transcribed. After completing the interviews, each family was awarded an honorarium (\$100) for participation.

The data analysis approach involved working inductively from specific points in the data (e.g., responses directly related to problematic issues of family communication) while simultaneously working deductively from the larger body of scholarship contextualizing the study. Using a content analysis procedure consistent with techniques described by Strauss and Corbin (1990), three members of the research team read each of the transcripts several times in order to gain an overview of the data, collaboratively noting patterns and points of interest in the data. Each transcript was examined and coded for themes that were either explicitly or implicitly disclosed by participants in regard to difficulties they encountered in the farm succession planning process as well as ways in which their family negotiated those difficulties.

The primary analyst used a constant comparison method of line-by-line coding. Each utterance that provided insight into how their farm succession plans unfolded or stagnated was tagged and labeled with a short code for easy retrieval. Once the initial analysis of transcripts was complete, all the codes were compared, categorized, refined, and collapsed into themes that reflected the communication difficulties present in the farm family transfer process. For each primary theme, data were excerpted to provide examples of the family communication dynamics related to farm succession planning issues.

Findings

The themes in this section were identified as key factors related to family dynamics and communication issues that had the effect of inhibiting progress in succession planning endeavors.

Passive Communication

Many respondents could be portrayed as passive communicators. When responding to questions about how families reached mutual understanding on issues related to family relations and plans for the family farm, respondents placed more emphasis on what was implicitly understood rather than explicitly communicated. The following comments, made by families with limited and moderate levels of experience addressing farm succession planning issues, express a reliance on an intrinsic understanding of respective roles and responsibilities.

I don't know if my grandfather ever expected it to be sold but it was kind of a nonverbal agreement between my dad and me (that we would get the farm out of debt and keep it in the family). (Father, family with a moderate amount of experience).

They know what they can do and what they can't do. (Father, family with limited experience).

I don't know if my grandfather ever expected it to be sold but it was kind of a nonverbal agreement between my dad and me [that we would get the farm out of debt and keep it in the family]. (Father, family with moderate amount of experience).

Delays in Planning Due to Unresolved Issues in the Lives of Adult Children

Parents of four of the families in the study (44%) made comments indicating significant delays in their families' succession plans due to unresolved issues or uncertainty tied to the lives of individual family members. The two most common types of personal issues that were seen as inhibiting or delaying efforts to establish/finalize farm succession plans were those related to children's career choices and their personal relationships.

Waiting for Children to Make Career Decisions

Fathers of several families were interested in working their children into their farm businesses, but felt they had to wait until their children made their decisions to stay on/return to the family farm. A father of a family with moderate experience stated, "I want to let it up to his decision. I don't want me forcing him to come back." Another father from a family with moderate experience said, "I would like for both boys to be able to take it [the farm] over, but right now, [name of son] seems to be the more interested one." Even in a family with an extensive amount of experience working on their succession plan, there was uncertainty tied to the

son's career decision. The father of this family stated,

Right now it's kind of like to see if [eldest son] wants to keep on farming down here... He's going to have to let us know... I guess that's what we were doing... sitting back waiting 'till this three year is done. ["Three year" refers to a 3-year plan the father worked out with his son: his son rents the farm and progressively buys equipment, cows, etc. and takes on increased ownership responsibilities.]

Concern About the Stability of Successor's Family/Marriage

The following comments made by parents indicate a concern about personal relationship issues in the lives of their children.

I'd like to make sure that if he gets married the marriage is stable before we go ahead and start getting him involved in the business and then have a divorce or messy situation like that. (Father, family with moderate experience).

I was going to set up an agreement between him [oldest son] and me but I was kinda waiting. I didn't trust her [his wife] and here last month she picked up and moved out. So I'm glad in that respect [e.g. waiting]; otherwise she would have had half of this. (Father, family with limited experience).

I mean they're interested and [son's name] is certainly interested in what's going on around here but as far as [my son] ever getting a part of it, help manage it, or help own it or anything else I just don't see it. One reason is his wife wouldn't have too much to do with the farm. (Father, family with limited experience).

The father of a family with a moderate amount of experience summed up the challenge of dealing with such personal issues with the following comment: "It's easier to talk about farm issues than family issues."

Efforts to Incorporate Children's Perspectives into Conversations About the Farm

Although it was understood by almost all parents that farm succession planning cannot be driven unilaterally by the senior generation, there was variation in how they went about asking for or accommodating children's perspectives and concerns.

Some parents tried to be subtle in their efforts to exert influence with their children. For example, a father of a family with a moderate amount of experience said, "I whisper in their ears." A father with limited experience described how he and his college-aged son make decisions: "It's like the old Abbott and Costello routine—'Who's on first?' Who's in charge? I try and avoid telling 'em what to do."

The parents quoted below had clearer notions about how to involve and communicate with their children about succession planning.

I don't think I want to come to them with 'this is the will'. I want to come to them with a skeleton of what the will would look like to see if I (can better) appreciate their opinions..." (Father, family with a moderate amount of experience).

Sometimes I think still looking back it would have been better off sometimes sitting the whole family, everybody saying we're going to do it this way. I think that is the best way to go... I think as a rule [having frequent family conversations about farm succession issues] is important if you want your children to stay and take the farm on... Better to get them involved to get them to take an interest in it. I think that's important. (Father, family with extensive experience).

Discussion

A surprising finding was that in half of the families, respondents felt unable to make immediate progress with farm succession planning due to unresolved issues or uncertainty tied to the lives of individual family members. Findings of personal disappointments and strained relationships are consistent with the literature, where many families experience high stress levels when considering and discussing farm planning issues (Fetsch & Zimmerman, 1999; Russell, Griffin, Flinchbaugh, Martin, & Atilano, 1985).

Intra-familial communication dynamics indicated heavy reliance on implicit understandings and expectations regarding other family members' intentions, roles, and responsibilities. This passive orientation toward communication, together with the sense that some families were in a "wait and see" pattern (regarding the career and relationship decisions of children), left key issues unresolved, e.g., who would be the successor and how would other family members be compensated.

Much of the discussion within the farm succession planning literature seems to be framed from within a power-holder centered perspective; much of the attention is on how current operators chose and groomed their successors and passed on management control (e.g., Gasson et al., 1988; Hastings, 1984). In contrast, our findings indicate that there are issues in the lives of the successor generation family members, beyond the "control" of older generation members, that can delay or derail the succession planning process.

Accordingly, we posit that intergenerational transfer of ownership and management can be helped by being inclusive of younger generations in key discussions and decisions about the future of the farm. Family members need opportunities to share individually held views, to explore common goals and values, and move forward, together, in establishing shared visions for farm and family. This is consistent with what Errington (1993/94) describes as a "partnership" framework for nurturing potential successors; they develop management skills through guided practice, planned experiences, and gradual increases in decision-making responsibility. It is also consistent with other research that highlights the importance of family relationships and communication in family business succession planning (Davis, 1999; Fetsch, 1998).

Research Limitations and Implications for Future Research

There are two limitations to the study reported here. First, due to the small, non-representative group of respondents, the findings cannot be generalized to a large population with the measurable confidence associated with a quantitative survey. However, the findings do provide insights into groups with similar characteristics to those of the sample population. Within this sample, there is diversity in terms of type of farming, geographic location (in Pennsylvania), and level of experience working on farm transfer issues. Further, the interview method used in the study provided only self-report data on respondents' communication styles, how family members share their opinions and perspectives, and how families express and resolve disagreement and conflict.

We recommend further study on the following topics that we feel have a bearing on families' farm succession plans and processes but which have not received sufficient attention in the literature:

- The contribution of women to farm succession planning efforts. Farm women contribute substantially to many farms, but one role that often goes unnoticed is their role in intergenerational transfer (Sachs, 1996).
- How family member visions for the future of the family farm vary along generational lines. Includes consideration of possible intergenerational differences in: management style, level of aversion to risk, and technology preferences.
- How intra-familial relationship and communication issues vary as a function of the family's progress toward development of a succession plan.

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