

# "A Blue Sky Day"

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Life in general moves so fast nowadays and often we don't put time aside for things that matter, as we navigate the hustle and bustle of everyday life. Sometimes these things include time to pursue a hobby, our health and well-being, and sometimes it is the big questions like – what happens when I'm not here anymore?

As professionals, unfortunately it is a common reality for us to witness the fallout of under preparedness in terms of business and succession planning.

- Small businesses in New Zealand make up approximately 97% of all New Zealand businesses. [1]
- Just 30% of family businesses succeed into a 2nd generation. [2]
- 75% of private family businesses are still owned by the business founder [3] and only approximately 15% of baby boomer business owners have completed a succession plan – despite the fact they are now aged between 58-76 years old. [4]

The result of a failure to plan for succession can have adverse effects on business owners and their families, inevitably risking the opportunity to reap the rewards of years of hard work. [5]

There is a great risk to New Zealand's business success and structure as we know it, including land holdings, generational continuance, supply chains and employment, if this important matter isn't considered by business owners sooner rather than later. When considering this process you should realise its dual purpose; firstly for the business to successfully carry on once you essentially 'pass the baton', but secondly for the circumstance where you are no longer around or able to work as you currently do in the business.

There are two key aspects, which we believe are crucial in achieving a solid foundation in planning for the future – establishing and maintaining an adaptable succession plan and implementing an effective business plan, often going hand in hand. We encourage everyone in business to put their mind to these concepts, earlier rather than later – on a blue sky day.

All businesses should have a succession plan in place, or at least be taking steps to think about this concept, and we encourage you to involve your professional advisors. Depending on your business and your age and stage of life will determine what is more imminently necessary – a business plan or the succession plan, often being intertwined in their establishment. Your lawyer, accountant and any other key advisors to your business, i.e. investment advisor/farm advisor. It is important to have the support and guidance of a team who understand your business, your values and goals.

The aim is to clarify what you want for the future and define the steps required to turn that vision into a reality. All while taking into consideration business, personal and family expectations. Managing family expectations is not always a straightforward process and navigating this can be eased with the help of your advisors.

We encourage as a first step - an initial planning session, to determine your goals, objectives and what you want to achieve from the process. A succession planning professional will guide your planning process and act as a sounding board while giving appropriate direction. Establishing a realistic timeline for each step of the process is also an important part of initial discussions and the overall success of achieving a final plan.

Organisational structure of the business is crucial. Clearly defining roles and responsibilities will not only assist with planning for the future but also in ensuring efficiencies in day-to-day operations. Considering a number of 'what if' scenarios is important and 'real' conversations should be had to identify and raise any potential issues, which may arise now, or in future, and threaten the success of a plan. A hard conversation now could avoid many conversations in future.

Defining your goals, both personal and in business, is crucial in determining the most appropriate succession options. Time should be given to evaluating your team and highlighting potential successors within the business.

The outcome of this process is not just about you – it impacts your employees, your customers and often your industry and community. How can you minimise possible impacts and ensure that what you are planning now will allow your business to succeed in the future?

It is important to think about your own position and what life will look like for you in future. Consider how you will live, e.g. your capital requirements to maintain your lifestyle once you exit or become less involved in the day-to-day business.

No one size fits all. The considerations and questions to be answered during this journey are very personal to you. Your personal and business goals may change over time and it's important to remember succession planning is a journey. Outside influences or significant events can impact and change your plans so adaptability and depth within a plan is important.

Achieving a plan, documenting it and implementing it is the end goal. Moving forward it is important to be mindful of appropriate timeframes to review your plan and update it as necessary. It appears a 'big task', this often being the reason it is left too late, or not considered at all, but with the right guidance and tools achieving successful succession is possible.

CooperAitken pride ourselves in offering our clients a progressive approach in all aspects of their business and in life. Talk to us about helping you plan for the future.

[1] "Small and Medium Businesses in New Zealand: Report of the Small Business Development Group" 2016 – Ministry of Business, Innovation & Employment

[1] Harvard Business Review, April 2015

[1] PWC, Next Generation Survey of Family Business Leaders, April 2016

[1] Succession Reset, Pitcher Partners, 2014

[1] "Government Response to SBDG Report" - Ministry of Business, Innovation & Employment