

Family Succession and Governance in Agriculture

How families can seek alignment and focus on the same goals to overcome challenges and develop the business.

A report to



Ollavo Queiroz Tinôco

2019 Nuffield Scholar

January 2023

Nuffield International Project No.1903

Supported by:



© 2023 Nuffield International. All rights reserved.

This publication has been prepared in good faith on the basis of information available at the time of publication, without any independent verification. Nuffield Brasil does not guarantee the accuracy, reliability, integrity of information contained in the publication, nor its usefulness to achieve any purpose.

Readers are responsible for evaluating the relevance and accuracy of the content of this publication. Nuffield Brasil will not be liable for any loss, damage, cost or expense incurred by or arising from any person using or relying on the information in this publication.

Products may be identified by proprietary or trade names to help readers identify specific types of products, but this is not, and is not intended to be, an endorsement or recommendation of any referenced product or manufacturer. Other products may perform as well or better than those specifically mentioned.

This publication is protected by copyright. However, Nuffield Brasil encourages the wide dissemination of its research, as long as the organization is clearly recognized. For any queries regarding reproduction or acknowledgment, please contact the Publications Manager at: +55 61 99640-8888

Executive Summary

Family succession is an increasingly important issue in agribusiness, mainly because most rural producers have a family production profile and the importance of the sector for the country.

The present work aims to be a guide with ideas, experiences and tools that can help in the succession process, which goes far beyond just finding a replacement for the current leader of the business.

The first part focuses on showing the succession process in greater detail, which are the main mistakes made and some comparative numbers of companies.

The second stage develops definitions of governance, risk management and how they can be applied in agriculture.

The final part is made up of real cases collected on trips to Europe, Australia and the United States. It contains different solutions for the succession in different sizes of agricultural operations.

The recommendations can be summarized in the following points:

- 1 – Perform initial diagnosis;
- 2 – Understand the ambitions of each family member;
- 3 – Alignment of the main objectives;
- 4 – Gradual process of governance implementation;
- 5 – Always cultivate an integrative family environment.

Table of Contents

Executive Summary	2
Preface	4
Acknowledgments	6
Purposes	6
1. What is Family Succession.....	7
1.1 Definition and Motivation	7
1.2 Challenges of Family Succession	9
1.4 Main Reflections.....	12
2. Global Overview	13
2.1 Surveys	13
2.2 Types of Family Properties in the World.....	15
3. Governance and Risk Management	16
3.1 Characterization	16
3.2 Partners Agreement	18
3.2.1 Four-Room Model	19
3.3 Risk Management.....	21
4. Family Cases	24
4.1 Michael Dover – Argentina.....	24
Conclusion:	26
4.2 Pedro Nielchesen – Chile.....	26
4.3 Vernon Peterson – United States.....	27
Conclusion:	28
4.4 David Verney – England	28
Conclusion:	29
4.5 John Alvis – England	29
4.6 Mirella Galloni – Italy	31
Conclusion:	32
4.7 Peter Draper – Australia.....	32
Conclusion:	33
Conclusion.....	34
Final Considerations.....	36
Plain English Summary	37
References	38

Preface

My family has been involved in agriculture for three generations on our farm. Olavo do Prado Queiroz, my grandfather, coming from a large family of seventeen brothers and sisters, had to go his own way, as there was no space for so many to work together.

After a period in the then capital of Brazil, Rio de Janeiro, at the invitation of an older brother, he settled in Guarantã - SP and started a small pharmacy. The "legend" says that one day, a merchant entered his pharmacy looking for medicine for headache. The same traveler was selling day-old chicks, my grandfather bought 500 and put them in a bathroom in his house. With a dose of folklore and veracity, we have been involved in laying poultry for over 75 years.

This curious story shaped much of my family and who I am today. Our farm and our entire business was built from these first chickens.

During my Nuffield travels, many experts on the subject have commented that "the dead talk too." This is really true for me and my family, as unfortunately, my grandfather passed away before I was born, so I only knew stories about him, which everyone who knew him told me. The premature death of my two grandparents created a fear in my parents that it was necessary to pass on all the knowledge they had to their children, because if something similar happened, at least my sister and I would know.

All this context aroused my interest in better understanding how family dynamics work during the succession process, especially in families linked to agriculture, where factors such as tradition, location of the property and large fixed assets are almost always involved.

At the beginning of my project, my idea was to research how each country's taxes and laws influence succession; in other words, whether a country with simpler laws and fewer taxes has fewer problems than a country with more complex laws. After my first part of the travel, in the *GFP Chile (Global Focus Program)*, I was able to understand, with the help of my mentors, that the main factor is not the external ones, but the family alignment to overcome any challenges and unforeseen events that may arise in the succession process.

For the second part of my travels, I focused on finding the commonalities of different family groups that were successful in maintaining the business for several generations, keeping the business together and gaining scale.

At the end of my travels and research, I found myself in a rather unusual situation; in a way, we started the succession process in our property.

It took me a while to digest and write, as the whole experience of being a member of the Nuffield program helped me a lot, but at least I felt that the difficulties shouldn't be occurring once I had "studied" on the subject, which often generated a strong feeling of frustration in me. Here the saying "***the shoemaker's son always goes barefoot***" came into its own.

The whole process also helped me understand a little better that there is no right answer and that it takes time. I write today a little more aware of the difficulties and limitations of all of us, because in addition to studying and meeting people I discussed a lot about the subject, I was able to fully experience many of the great dilemmas.

The objective of this report is not to create "do's and don'ts", only to add experiences and try to show the greatest commonalities, I guarantee that every agribusiness family is unique and different from all others. Some of the main guidelines, and the reports of those who have passed, can help us create a little more clarity.

Acknowledgments

I would first like to thank God, who has protected and guided me during my Nuffield experiences;

To my family who supported me and encouraged me to get out of my comfort zone so that I could evolve personally and thus contribute to building our business;

To my main mentors, Dr Alfredo Colucci and Professor Fábio Mizumoto;

To Professor Carlos Ortiz who opened the horizons of ideas and helped me unite all points of knowledge;

To the members of Nuffield International and Brazil, such as Jim Geltch and Sally Thomson, who showed me how to make the journey;

And especially to my investors TIAA, with specific mention of Henrique Americano de Freitas and Martin Davies, without whom nothing would be possible.

Purposes

The purpose of this report is:

- Gathering the important and effective tools of family governance that can positively contribute to succession in agriculture.
- Finding common points of families that were successful in the process of passing on the business from one generation to another.
- Understanding how you can develop a framework to create alignment in business and family strategy for long-term plans.
- Identifying ways to build a more professional culture within family farming to avoid risks, take advantage of good opportunities and protect equity.

1. What is Family Succession

1.1 Definition and Motivation

The discussion on how to carry out family succession is already troubled by itself. By focusing on the rural environment, other feelings are added that further inflame the theme. Attachment to land, pressure from historical legacy and the size of equity are some examples.

In this way, it is extremely important to establish metrics and define what will be considered as a successful succession process in this study, in order to standardize and understand the content.

It is worth remembering that there are infinite ways to carry out the process of integration between generations, there is no right or wrong, however for didactic purposes the definition used will be:

“Succession occurs when the assets and operations of a family business are kept together, without division into new companies, in the handing over of leadership to the next generation. The new ones will undertake the role of both heirs and successors.”¹

In other words, we can say that when the next generation takes over the management of the family farm, it will continue in the same way as when it was operated by the previous generation. There are no divisions into new smaller nuclei, with each of the heirs “owning their own business”.

It is well known that in some cases, keeping successors and heirs together is not the best solution. However, one of the main objectives of the study is to develop and find governance rules that help agribusiness companies, and focus will be on cases that carried out the succession model mentioned above. Equity sharing cases will not be seen.

The main advantages of family businesses come from the strength and agility that comes from the family. First of all, the family must always be preserved.

Often, the choice of successor or the “passing of the baton” is defined as family succession. This is one of several steps in the process, which also includes training of heirs, development of governance and corporate structuring.

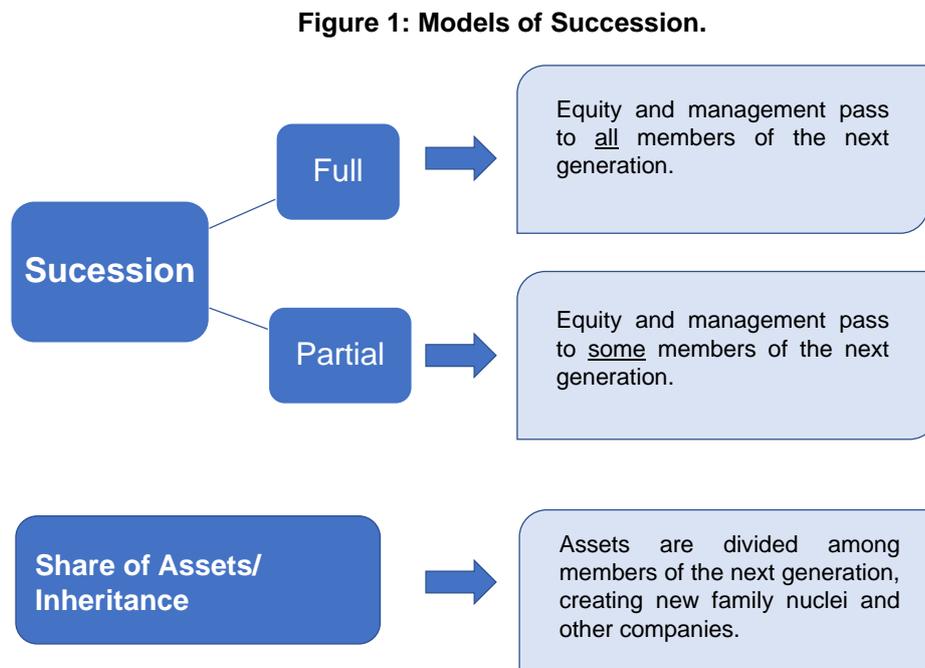
The cases studied will be of full or partial succession. In full succession, all heirs are involved in the management and operation of the family property, that is, all heirs become successors.

¹ Definition established by the author

In partial succession, the company still remains a single company, but only with part of the heirs involved in the management and operation.

Family members who are not involved may receive shares or have received assets outside the company, such as urban real estate.

The figure below exemplifies some of the main succession/division models:



Source: Author's adaptation

It is important to note that in some situations, we may characterize succession as “forced” succession or driven by external factors such as size of the property, unexpected death of the owner, divorce, legal and economic problems. All these factors can be foreseen and/or minimized with governance rules, risk management and family alignment.

According to a survey by the consultancy PwC, only 33% of Brazilian family businesses are preparing to hand over control, management and ownership to the next generation. About 40% intend to pass ownership, but not management, to the next generation². In this situation, it is necessary to hire external, capable and well-qualified managers, in addition to not being involved in any family disagreements.

Once this decision has been made, clear governance rules must be established, since in agribusiness it is even more difficult to accept external

² Malvestio (2020)

people in leadership. Phrases such as **“the eye of the master fattens the cattle”** are very present in the routine and culture of rural families.

A smaller share of family businesses considers the opportunity to transfer family ownership to third parties viable.

It is becoming increasingly common, in Brazilian agribusiness, for multinationals and investment funds to acquire shareholdings in family businesses³.

According to IBGE (Brazilian Institute of Geography and Statistics), 90% of Brazilian companies have family characteristics, represent 65% of GDP and employ 75% of workers⁴. Despite all this relevance, unfortunately, only 30% of family businesses reach the second generation, and only 5% manage to survive until the third generation⁵. One of the points that can influence these low numbers in the perpetuity of companies, despite the various external risks, is the lack of preparation and training of heirs and/or successors.

Considering that Brazilian agribusiness is responsible for around 25% of GDP in recent years⁶, the importance of working on the issue of family succession in the agricultural sector is notorious.

In the family business, control is usually centralized in the hands of a single family, being passed on hereditarily. It means that when they are absent, the parents give the baton to their children. These must undertake the responsibilities of shareholders and often managers.

1.2 Challenges of Family Succession

The Jacto group, who are widely recognised in Brazilian agri-sector as a successful intergenerational family business, raised some key challenges that make family succession difficult in the agricultural sector⁷:

- 1. Lack of interest:** Many young people raised in the rural environment, growing up in families working in the countryside, are discouraged from continuing with agricultural activities and end up migrating to large cities in search of alternatives. This is very common when there is no quality communication between parents and children and divergences in business objectives between the current administrator and the heir.
- 2. Lack of preparation of heirs:** Often the heirs of rural business are not prepared to manage the operation and, when the founder is absent, wrong decisions are made, which can culminate in the bankruptcy of the business.

³ Ibid.

⁴ Sampaio (2018)

⁵ Petroni (2018)

⁶ IBCG (2020)

⁷ JACTO (2020)

Lack of preparation can come either from lack of interest or from a profile that does not fit in. In either case, with good family planning, the challenge of passing the baton can be simplified. There are situations in which the heir will not have vocation or interest in taking over, which usually occurs when parents move away from the countryside and settle in other areas.

Even so, it is important that the heir is aware that part or all of the rural property will be his/her in the future. For this to happen, he/she must have a minimum of preparation and knowledge of the business, which takes time and effort, to be a good shareholder.

- 3. Rivalries and conflicts of interest:** Conflicts of interest over the equity to be inherited can result in stresses on family relationships, which are often irreparable. Being able to balance personal and business interests is a difficult skill to develop, usually the help of a specialized mediator is essential.

It's a problem that doesn't bring benefits to the company at all. Disagreements within the family are intensified in business, hindering the making of important decisions. Coincidence or not, agribusiness family values are one of its main competitive advantages. Once differences are overcome, the potential for growth is very big, and such rivalries can only be resolved with good communication and time.

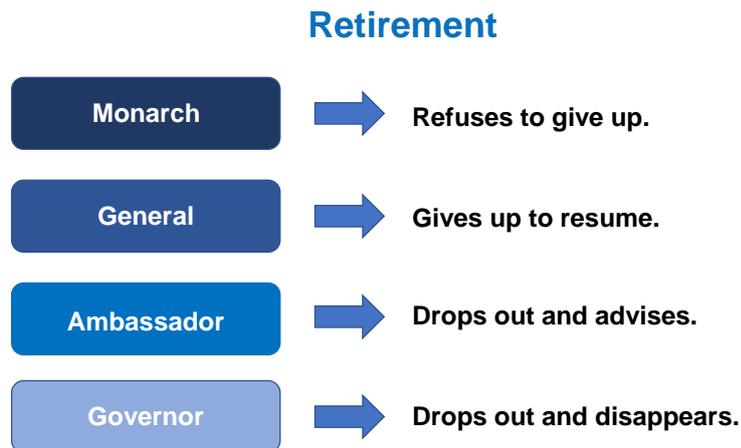
The quality of family relationships must always be prioritized over the company and assets. Without a united family and a healthy relationship, there will hardly be prosperity in the professional field.

- 4. Resistance of the Patriarch:** It is not uncommon for the current leader does not want to waive command of the property and make it difficult to pass the leadership on to the new generations.

It occurs because the patriarch/matriarch fears losing power and his/her identity as a leader, especially when he/she is a founder or has managed to rebuild the business after a serious crisis. A problem that poses a major obstacle to growth.

Depending on the situation, we can classify the retirement of the patriarch or matriarch according to profiles, as the figure below exemplifies:

Figure 2: Leaving/retirement styles of the leader.



Source: Adapted from HSM Special Management Program

Monarch seems to be the most rigid, but he/she is clear in his/her goals of not abandoning his/her post, unlike the General, who still remains in the main position, even though he/she has signaled that he/she has left. The attitude of not being definitive can generate a lot of stress.

The ideal profile is the Ambassador, who is willing to advise and train the next generation, ensuring the family perpetuity in the business. Governor, if he/she has secured a good successor, will hardly have problems.

5. Another important point to highlight is the **increase in life expectancy**. The longevity of leaders makes the succession process difficult, as many believe they are able to continue in command at increasingly advanced ages, leaving no room for the next generation to develop.

Managers at advanced ages must look for “other sources of power” to continue exercising their purpose and enable the development of successors. Planning for retirement on the financial side is also crucial, that is, from where the patriarch/matriarch will draw the resources to support himself/herself.

If an unforeseen event occurs with the leader, and he/she is unable to take charge of the business, the company will waste a lot of time looking for ways to continue its activities. Situation that usually entails high costs and losses.

6. **Cultural differences:** When comparing the different generations that make up family farming, it is possible to see that the influence of cultural issues between the new generations and their parents has much more weight than between parents and grandparents. This fact justifies that, currently, the transition is more worrying, which did not occur in past decades.

The speed of information generated today makes it difficult for the elderly to adapt and keep up with the world of new technologies. Even when young people come with news in the field to improve operations, there may be some resistance on the part of the patriarch to make new investments. Family succession demands that everyone speaks the same language.

1.4 Main Reflections

Solid planning and good communication are the key to overcoming the challenges, reducing the number of problems and for the family to have the capacity to manage the company when uncontrollable events, for example the premature death of a member, occur.

These attitudes must be constant and permanent, so that they can guarantee the heirs and successors the necessary time to prepare to undertake their responsibilities and continue the family business.

The phrase of mediator Clare O'Keefe⁸, who specializes in succession in agriculture, summarizes the importance of planning: ***"If you want your farm to continue with your family name, it's never too early to start talking about family succession."***

⁸ Participated in the program *Nuffield Scholarship* (Ireland) in 2006 – Theme: A global view of family succession on farms.

2. Global Overview

2.1 Surveys

One of the most famous sayings for family succession is that in three generations the family leaves and returns to poverty, and in Brazil it is known as “*Pai rico, filho nobre, neto pobre*”. It is very interesting that we can find this saying in several languages.

Figure 3: Sayings around the world



Source: Adapted from HSM Special Management Program

The main message that is transmitted is that if a person has not experienced difficulties, nor has made an effort to reach a social level, he/she ends up not understanding his/her position of responsibility and privilege, not having respect for what has been conquered by past generations. Thus, he/she ends up deteriorating all his/her inherited patrimony. Unfortunately, it is a sad reality in Brazil and in the world.

According to Hoft Consultoria⁹, 70% of Latin American families deteriorate their wealth in the transition from the first to the second generation.

A study by the auditing company Deloitte¹⁰ points out that 68% of global family businesses expect the company to be transferred within the family, but only 30% have a formalized plan for transferring it to the next generation.

⁹ Bernhoeft (2019)

¹⁰ DELOITTE (2019)

PwC¹¹, a company that operates in the same field, points out that only 19% of national companies and 15% worldwide have a succession plan.

The numbers show how the lack of attention to the succession process may cause serious financial losses. The sayings convey to us the popular wisdom, stating that we must prepare for what is the most common to occur. Preparation and self-knowledge, both of the individual and the family group, are fundamental for the perpetuity of the business.

It is common for the issue of succession to be addressed by the heirs after the death of the patriarch or matriarch; talking about the topic, in many families, is a real taboo. In agribusiness, family history is often mixed with the history of the farm, the love for the land and the business.

The approach in a moment of tension is complex and more traumatic than if it was done in advance and if there was a succession plan. Outside Brazil, mainly in Europe, it is not rare for families to cultivate the same area for more than 6 generations, a history of 150 years weighs heavily at these times.

Another important point is that in other countries, succession happens as an event in which the patriarch leaves the family operation completely and the successor takes over. In Brazil, it is much more common for two generations of the same family to work together, succession occurs with a slower and more fluid transition, without much planning.

The succession of rural properties also has the ability to change the profile of agricultural production areas. Researcher Anna Sophie Claus¹² studied the structure of Germanic properties.

In Germany, the north of the country is historically predominantly Protestant, which the default is to pass all land to the eldest son. In the South, of Catholic origin, the division was made among all the children, equally. The West, which went through a period with a socialist government, has the largest properties, followed by the North and lastly the South. Farmer and teacher Andreas Liebl¹³ is an example in Bavaria. Together with his father-in-law they produce on 350 hectares. Their largest field has 15 hectares, in an extremely divided region and with one hectare costing 200 thousand euros.

In recent years, land appreciation, reduced margins, new consumption trends and advances in production technologies have forced producers to professionalize and adapt to adversities.

Family succession is one of the main pillars for the good development and continuity of family businesses related to agribusiness.

¹¹ Malvestio (2020)

¹² Researcher of *Thünen Institute – Braunschweig*, Germany.

¹³ More information: <https://twitter.com/lieblandi>

2.2 Types of Family Properties in the World

There are basically two types of family properties in the world that we can classify in the study, based on visits:

1) Family Operation: The day-to-day operation, management and manual work are carried out mostly or entirely by direct family members, such as milking, planting and harvesting. This is due to the fact that in some regions the areas are smaller and labor is very expensive, making it impossible to hire many employees. This type of operation is very characteristic in Europe and some regions of the USA and Oceania.

In this type of operation, the physical factor greatly influences the succession issue, as it ends up being an impediment to work, which ends up facilitating and encouraging the process, since the older generation is encouraged to cede control to the younger ones.

British poultry farmer James Smaldon¹⁴ comments that when the patriarch is tired and decides to retire, he leaves the operation altogether. He even leaves the farmhouse to his successor child. The focus of the older generation after leaving the main house is to rest and “enjoy life”.

2) Business Operation: In this model, family members are usually more focused on the administration and management of the business, when the manual part is performed by employees and third parties. At the point of succession, it can be positive because it facilitates professionalization, but it makes it difficult to divide command and delegate functions, as there is no physical impediment, and many patriarchs and matriarchs are very reluctant to start the succession process, which can often be harmful and, in the most serious cases, make the transition unfeasible, leading to division and property losses.

This type of operation is more common in South America, where labor is cheaper and the extension of the areas is greater, it is also added to the fact that investment in land is common not only to people in the agricultural sector, but especially to liberal professionals, from the 1950's onwards in regions of agricultural expansion. Some larger companies in the US and Oceania can fit this type of model.

“The best way to predict the future is to create it”

Peter Drucker¹⁵

¹⁴ Participated in the program *Nuffield Scholarship* (United Kingdom) in 2019

¹⁵ Peter Ferdinand Drucker (1909 – 2005) – Administration Professor and Writer

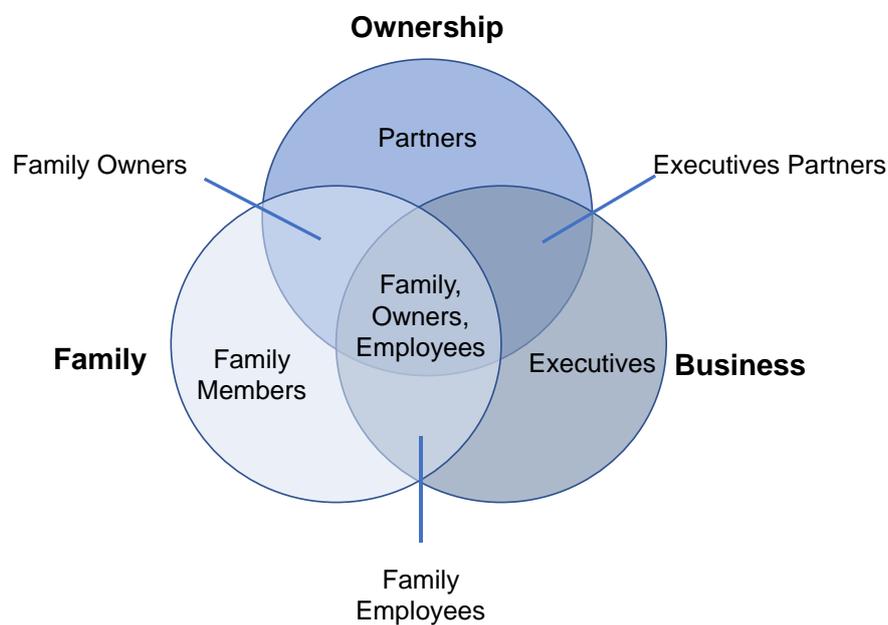
3. Governance and Risk Management

3.1 Characterization

Governance is the definition of how the company's management works, it is the “rules of the game”. The first official document dates from 1992, when the Cadbury Report, considered the first code of good corporate governance practices, was published in England. In the same year, General Motors (GM) released the first governance code prepared by a company in the United States¹⁶.

One of the pioneers in the subject is Professor John Davis, from the *Massachusetts Institute of Technology* (MIT), considered an authority on the subjects of Family Businesses, Governance, Leadership and Family Succession. He helped develop the “Three Circles Model”, which was developed at HBS (*Harvard Business School*) in 1978, together with Professor Renato Tagiuri¹⁷. The model helps several business families, including those in agribusiness, to better understand the interdependence relationship and possible conflicts involving Family, Business and Property.

Figure 4: The Three Circles Model



Source: Adapted from Cambridge Press

The model instructs family groups to prepare their legacy for the sustainable future and fundamental transition of leadership across generations.

¹⁶ IBGC (2022)

¹⁷ CAMBRIDGE (2018)

It is clear that other sectors, outside of agriculture, have been using the guidelines for much longer, given the relevance of the subject. It can be assumed that it is intended for medium and large companies, but this is a misguided idea, serving even the smallest company, with only one person.

The most widespread hypothesis is that the emergence of Corporate Governance came to overcome the classic "agency conflict"¹⁸. The conflict occurs when the agents involved in the management of the company, shareholders and administrators, differ in which decisions must be taken for the best performance of the company.

The entire governance structure is based on 4 principles¹⁹:

- 1. Transparency:** More than an obligation, it always involves the desire to make information available to stakeholders. Here the objective is to go beyond what the law or regulation of the sector dictates and provide information that helps reveal the value of the organization. Going well beyond the financial performance of the business.
- 2. Fairness:** It refers to the fair treatment (or accepted as fair) of all partners and stakeholders, always considering the rights, duties, needs, interests and expectations of each one. A phrase often commented during the visits was: ***Sometimes what is fair is not equal.***
- 3. Accountability:** Governance agents (partners, administrators, tax advisors and auditors) must be accountable. Above all, clarity, objectivity and the ability to fully assume the consequences of one's acts and omissions are important here.
- 4. Corporate Responsibility:** Governance participants must ensure the financial success of organizations, reduce the negative impacts of the business and increase positive impacts, considering the business model and looking at the short, medium and long term.

It is evident that Brazilian agribusiness has developed a lot in recent years, becoming even more important for sustainability of the Brazilian economy. On the other hand, with rare exceptions, families of farmers and ranchers still do not have a business organization as sophisticated as their businesses are becoming.

The members of the first generations built what they have today with a lot of effort and dedication, their children watched everything closely, but not all of them have the vocation to succeed.

It is natural that the founders did not know how to deal with matters of governance and succession, as they had never been through the situation.

¹⁸ OXFORD (2022)

¹⁹ IBCG (2022)

However, the time has come to reflect on how to create conditions for the business to remain profitable and to begin a gradual learning process that integrates all generations.

The construction of the future of Brazilian agribusiness family business needs to take into account the history and dynamics that allowed it to reach the current level. Without losing sight of the reality of the new technologies that are revolutionizing not only agricultural techniques, but also their management method. They say the best time to start preparing successors was 10 years ago, and the second-best time is now.

3.2 Partners Agreement

The agreement of partners, quota holders and heirs is fundamental for proper functioning of the company's work, as it is established in writing in documents, points that are often generators of conflict. Putting the rules in writing avoids dubious interpretations and deliberate “forgetting”.

Dutch dairy farmer Heleen Lansink ²⁰exemplifies the practice of agreements with one sentence: ***Arrange and record everything at the notary, not only with words.***

Discussions made in advance, in which all members can talk about their fears and expectations in a neutral environment, avoids stresses that can be detrimental to the business. At this point, often, the help of a moderator outside the family is essential to help the progress of works.

Agreement and alignment may come through some document templates, which may vary with the subject at hand. The change and the ease of doing so also depend on the level of what is being treated. They must be revised according to the need or planned time.

Below are some examples and document levels used²¹:

Bylaws: The family business's bylaws must generally be revised every 5 to 10 years; it contains the legal part and interest of partners. It deals with legal aspects, decision rights regarding the company's assets, such as the sale and purchase of properties.

Partners Agreement: The shareholders' agreement must be reviewed in approximately 3 to 5 years and includes the corporate and family governance body.

It included points such as: Formation of the board of directors and its members, entry and exit of family members and households as employees of the

²⁰ Participated in the program *Nuffield Scholarship* (Holand) in 2019 – <https://demelktapperij.nl/>

²¹ Adapted: Professor Aline Porto, coordinator of Insper family business nucleus and partner of *Banyan Global Advisors* and *Tratto Consultoria*.

company and main strategic guidelines. It should be the reference for the family's behavior and actions towards the business.

Charter: The charter is composed of the various company policies and can be reviewed annually or biannually. The main policies to be established are risks, dividends (withdrawals), investments, employability and use of shared structures (farm house, etc.).

The key to agreements is to facilitate family alignment, which is key to continuing the family legacy. During the process, the reality of the situation should never be covered up, the more real knowledge all the members involved have, the better the result.

Through these documents, written and general agreement, the security of the equity increases and can ensure its perpetuity and protection in times of stress.

It is of fundamental importance that, in the preparation of legal documents, there is guidance from trained and specialized professionals in the subject (facilitators, lawyers, accountants), to avoid creating legal traps generating unexpected and extremely harmful costs.

3.2.1 Four-Room Model

The four-room model²² can be used to facilitate information and clarify family alignment. It proposes that each subject should be discussed in a certain room. Each room has its function, specific issues to be addressed. In addition to a certain frequency, which may be adapted according to the needs of the family.

They are known as: Family Room, Partners Room, Company Room and Operational Room. The main objective of each room is:

Family Room: The first, and probably the basis of business, is where family matters related to the company will be dealt with. The participation of all family members is important. Focus should be on how to define the relationship and behavior of family members with the business, preserving the union and family legacy. Matters such as entry of heirs, rights and duties of members, and the use of the property structure. Frequency recommended: semiannual.

Partners Room: Here, focus is on owners. Some places may have people who are not family members, but they are owners or have some participation in the operation, so it is important to have specific meetings with this group, which will define the corporate vision and values of the company, the policies that affect the partners and representatives of the other rooms. Profit

²² Adapted: HBS (2021) and Professor Aline Porto

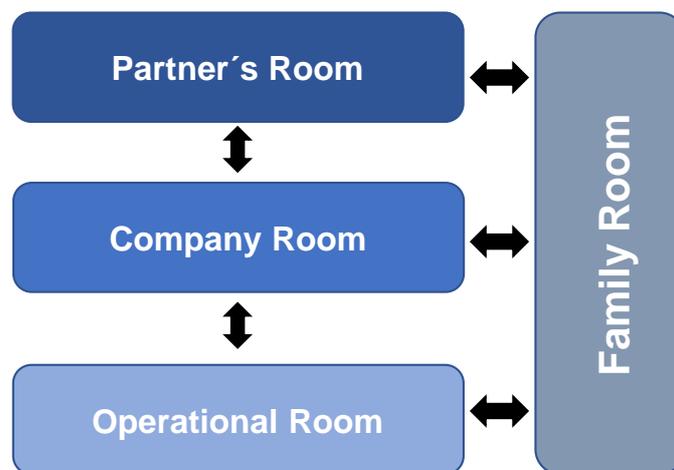
sharing, entry and exit of partners are some examples of subjects. Frequency recommended: quarterly/semiannual.

Company Room: Here, the company's short, medium and long-term objectives and strategies are treated, where members of this room defend the interests of the partners. This room is often known as the Advisory Board, where market executives are hired to share their experience and bring new visions to the business, in addition to training and monitoring key executives, who may or may not be relatives. Board members are generally divided into owners, company directors and outside members. The main topics to be discussed are current direction, upcoming investments, market and growth strategies, as well as major restructurings. Frequency recommended: quarterly.

Operating Room: Its main objective is to assist in solving routine difficulties and surprises, clarifying communication among those responsible for each business department, such as managers and supervisors, who bring technical and functional solutions to the business.

It deals with management issues and daily operation, with the challenges inherent to the sector. Frequency recommended: daily/weekly.

Figure 5: Model Dynamics



Source: Family Business Center - INSPER (2022)

It is important to emphasize that the model is just a guide, subject to particular adjustments for each situation. If there are no external partners or few people as owners, the family room can be used for property discussions, as long as the agenda is established before the meeting, for example.

3.3 Risk Management

Professor Frank Knight²³ defines how the amount of uncertainty can be measured. Another version defines risk as a measurable probability of occurrence of an event.

The integrated risk management for agribusiness companies and operations would provide a complete report, here focus is to point out the main aspects seen during the program, the types of risk and the most frequent actions to mitigate them.

Managing risks, in addition to preserving the health of the family business, is probably one of the main guarantors of its perpetuity over time. It facilitates the professionalization of management and better understands the view of banks and companies towards their own company and prepares for new opportunities.

Economic models classify risk into two major sectors that must be accounted for: specific risks and systematic risks²⁴. Specific risks are related to the business itself, while systematic risks refer to risks that the entire economy is subject to.

There are 5 main risk groups that we can list for agribusiness families: Financial, Operational, Environmental, Social and Governance. Today it is very fashionable to call the last three risks by the acronym ESG (*Environmental, Social and Governance*)²⁵. Some examples of points of attention in each of the factors are:²⁶:

1. **Financial:** Bank debts, cash reserves, customer credit, business profitability and cost control;
2. **Operational:** Operational capacity, availability of inputs, logistical cost, operating authorization and technological level;
3. **Environmental:** Operating permits, climate change, resources used and capacity of contamination;
4. **Social:** Labor regulation, work accidents, insertion in the local community and customer involvement;
5. **Governance:** Shareholder and corporate rights, anti-fraud and corruption, information transparency, tax organization and risk management.

²³ Frank Hyneman Knight (1885-1972) – *Chicago School of Economics*

²⁴ Reis (2018)

²⁵ CFA (2022)

²⁶ Schouchana et al. (2015)

Once the main points of the risk factors are defined, they are used as indicators to measure the health of the operation, both financially and in terms of family alignment. Older generations tend to have a more averse profile, while younger generations generally have a greater risk tolerance, as they are more connected to new technologies and production models, in addition to desiring higher returns.

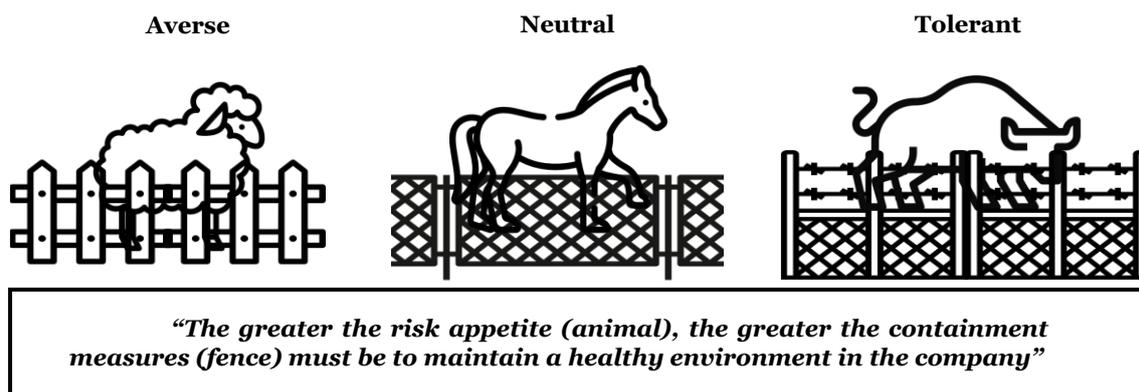
Situations in which there is a lack of sufficient information for decision making can also do just the opposite. In an attempt to avoid the risk, the family leader exposes the entire business to much greater risk. As an example, the following situations can be analyzed:

- A producer that does not carry out any price locks (hedge, forward, options)²⁷ of its production (grain or cattle), seeking the market price every time (spot price) when it decides to sell, is putting all its production at risk by speculating 100%, rather than avoiding market volatility.

- When, due to external reasons, the crop is planted with high-priced dollar as there is a very high exchange rate volatility (in Brazil, mainly the American Dollar), that is, inputs purchased are more expensive and the harvest is carried out with low-priced dollar (sells cheaper). Election years tend to be like that, an extremely dangerous situation that can throw years of work away.

To define the parameters, a simple and very well defined example was developed by Professor Carlos Ortiz²⁸, which is the model based on fences and animals. Allusion is due to the fact that the more “risky” the animal is, the stronger and more resistant the fence must be to keep it in a safe place.

Figure 6: Models of Fences and Animals



Source: Agribusiness Management and Governance - INSPER (2021)

²⁷ More information: <https://www.cnabrazil.org.br/artigos/produtor-rural-saiba-mais-sobre-como-se-protoger-contr-oscilacoes-de-precos>

²⁸ Agroschool Partner, Senior Consultant at Centrec and Associate Professor Insper - <https://agroschool.com.br/> and <https://www.centrec.com/>

The articulation to define risk appetite must be based mainly on alignment, business direction and family culture, which combines both of the previous items. The greater the risk tolerance that the family decides to follow, the greater the risk control and measurement parameters should be.

From the defined risk appetite, safety parameters must be established in case of occurrence of uncontrollable factors, such as fences to contain each type of animal.

This helps the chances that the equity and family operation do not end, in this way, we can conclude that the greater the risk tolerance, the greater the control of indicators and more rigidity is required to follow them. This usually occurs when the family probably already has maturity of governance and a more professional organization, as the adequacy of the risk must be aligned with the capacity of the structure of the family business set, so that proper support can be given.

You can see some examples in the table below. Mainly through economic indicators that maintain risk control within previously defined parameters. Each family must establish the points they consider most relevant to their business.

Risk Indicators	Averse	Neutral	Tolerant
Cash Flow Reserve - Invoicing Months	2 – 3	3 – 5	6 – 8
Financial Leverage - % Annual Revenue	0 – 10%	30 – 50%	60 – 80%
Credit - % Sales on Credit	60 – 80%	40 – 50%	30 – 40%
Sales - Maximum % per Customer	30 – 40%	20 – 30%	10 – 20%
Costs - % Priced/Hedged	20 – 30%	30 – 40%	40 – 50%

According to the evolution of the company, the indicators can also evolve, being more specific and covering more details.

It is recommended that when the risk appetite is greater, the organization and governance structure should also be compatible.

Larger objectives broken down into goals can help in monitoring risk indicators and whether they are still compatible with the format of operations.

“Goal is the discomfort that leads to learning and results.”

Vicente Falconi²⁹

²⁹ Professor Vicente Falconi – Founding partner of Falconi Consultores de Resultados

4. Family Cases

The stories and information of the families mentioned below were collected during the trips, through interviews with members, collaborators, friends and data from the internet. Some points of the story and information were changed upon request of the families, but the meaning and context remained the same.

The idea is to show different situations in various sizes of operations, where families kept the focus on the objective and solved problems. With one crucial point: Family relationships were not negatively affected.

4.1 Michael Dover – Argentina

A family of British origin arrived in the Buenos Aires region at the beginning of the 20th century. The maternal grandfather bought the first rural areas and started his production with beef cattle. Michael's father was born in the United States, he was a Ford executive for two decades and worked in several countries in South America. After leaving Ford, he started working with his father-in-law and together they started farming winter crops, mainly wheat and oats.

Michael says that the two of them had a lot of conflicts, because his father already wanted to start professionalization and his grandfather had a lot of difficulties in accepting it. After the death of his grandfather, his father began to diversify agriculture, with corn, soybeans, intensified livestock and to look for novelties and different production systems. It was when he began to participate in the meetings of CREA³⁰, an association of rural producers focused on meetings for monitoring and exchanging technologies.

Unfortunately, Michael's father died prematurely when he was still in college. The first reaction was to stop studying and help his mother in the operations of the farms; however, one of CREA consultants, in one of the meetings, proposed a different idea.

The plan was that with the help of the association and its member producers, his mother would continue his father's work, giving Michael the possibility to finish his studies and only then he would return to work with the family. This decision was fundamental and completely changed the course of Michael's life.

The plan worked out much better than expected. His mother, was able to manage the farm in an exemplary way, giving Michael the possibility to graduate in Agronomy in Buenos Aires and do a master's degree in the USA in business administration. After completing his studies, he worked for 16 years in a multinational in the retail sector in several countries.

³⁰ Regional Consortium for Agricultural Experimentation

With great background and technical knowledge, Michael returned in 2010 to the family business, taking over the direction. It began a process of professionalization, creating a council, diversifying planting cultures, purchasing new more distant areas focused on long-term appreciation, large investments in land use sustainability and partnerships for the development of new technologies with companies and universities.

The estate was divided between Michael, his sister and his mother, through donation of assets. Family members receive dividends and those who work in the business receive a salary consistent with their position.

Business Data: Altogether there are about 8500 hectares, divided into 3 properties, with agriculture and beef cattle:

Property	Location (Province)	Size (Hectare)	Purpose/Use
Property A	Buenos Aires	2000	Agriculture and Beef Cattle
Property B	Buenos Aires	1500	Partnership in Beef Cattle
Property C	Santa Fé	5000	Beef Cattle, Tourism and Real State

One of the most important points for Michael is the family's behavior towards the family business. It greatly favors members who wish to remain in the business, but also does not close off the possibility of exit. Some points worth noting are:

- Every year the family holds a lunch for the employees that the family members prepare and serve, with the aim of showing respect towards the team and developing humility;

- Michael has a company car, which he uses for work, when he needs to talk about professional matters with his mother and brothers. If by chance he is going to make a family visit, he goes with his private car, which demonstrates the great separation between family and business;

- The use of the main house and farm infrastructure for family members is extremely restricted and has well-defined rules. The request for the use of the house must be made to the manager of the farm and scheduled in advance, the manager himself is also responsible for giving the guidelines to the employees of the house, and family members must always talk to him. Young people may bring few friends and should not bring girlfriends, because according to Michael, the family must convey an image of stability and durability, since recent relationships may not last and do not provide security to employees.

Conclusion: Knowledge and long-term planning were key to the success of the Dover family, which was able to overcome the challenges and uncontrollable events caused by external factors.

4.2 Pedro Nielchesen – Chile

Located in southern Chile, Pedro's father and uncle focused on working with high value-added crops. The family started in the 1970's with winter crop production. They planted carrots, potatoes and garlic in irrigated areas, as well as pine trees for the timber industry. They started with an area of 1000 hectares and added neighboring properties over time.

In the 1990's, a project to diversify into fruit crops and nuts for export was initiated. They currently work with apples, pears, blueberries, cherries and hazelnuts. For the processing of nuts, they have recently built a processing plant for cleaning, drying and sorting.

Business Data: Altogether there are about 5500 hectares, divided into 2 properties, with agriculture and timber production:

Property	Location (Province)	Size (Hectare)	Purpose/Use
Property A	Pucon	3500	Irrigated agriculture, perennial crops and nut processing
Property B	Pucon	1500	Irrigated Agriculture and Timber

At the end of 2016, a neighboring property (current property B) was put up for sale by its former owner. The family had no interest in buying, as their focus at the time was on expanding the production of fruit for export, but one of those interested in the property was the Chilean government, which would acquire the property to carry out an agrarian reform and donate it to the Mapuche Indians.

The Mapuche tribe, which is native to Chile, has a very strong struggle over property rights and land distribution to its members; however, some segments of the tribe are more radical and often take more extreme attitudes. Having an area as a neighbor, which has undergone agrarian reform, can bring various instabilities in the local environment and sometimes depreciate the value of the surrounding areas.

This high-risk threat meant that the family had to make a very important decision and change the entire long-term strategic planning, thinking about the perpetuity of the business and the next generations. The decision was made to take on debt to buy the property, mitigate the risk and in the coming years focus on intensifying high-value crops that could improve income to pay for the

investment. After purchasing the property, focus was on intensifying the areas of the farm and for it to pay for the investment in the long term.

Conclusion: Family unity and good strategic alignment enabled them to quickly and effectively overcome a high-risk decision, which is one of the main qualities of family businesses.

4.3 Vernon Peterson – United States

Uncle Vernon, as he is known, is the fourth generation of family farmers in central California, his great-grandfather came from Sweden in 1893 and started the production of plums on 5 hectares. His grandfather continued the work and reached 150 hectares of orchard. When his father started the work, his dream was to keep everyone in the family together and grow the business, but unfortunately due to some events, they had to sell some properties and returned to 20 hectares, along with the original 5.

His father died at the age of 48, but managed to retake the property for 50 hectares of plum, peach, grape vines and broiler chicken production. At just 21 years old, Vernon shared the areas with his brother and started his activities with 20 hectares. In 1985, at the age of 28, Vernon needs to sell part of his land and his packinghouse in order not to go bankrupt. He then decides to work for a large company in his region as a manager. At work, he supervised some production areas, the packinghouse and the fruit storage cold chambers.

In this period Vernon learned a lot about the system of production, classification and sale of table fruits. He says that going bankrupt and working for this company was the best thing that could ever happen to him.

After a period working at the company, Vernon decides to resume his own business, buys the property and returns to his grandfather's original 150 hectares. In 2002, due to a market opportunity, aiming to add value to the product, Vernon, together with his wife Carol and their children Erik and Heather, decided to transform their production into organic production, maintaining the fruit orchards and the sheds and poultry. The patriarch likes to say that he didn't go organic to save the planet, but to save his own farm.

Vernon has always focused on the family and his business, he does not show unconditional love for the land, so the family has always sold and bought areas, the main objective was to get out of the crisis situation. He always comments on the following sentence: *“A family business, in order to be subject to succession, needs to support two complete family nuclei, usually one from the first and the other from the second generation. Before that, the family should focus on growing and thriving.”*

With the experience acquired in the corporate years, the family starts a small direct-to-consumer sales operation through monthly subscription plans.

The model worked and more organic producers joined it and a community agricultural support system was created. Today, the company *Abundant Harvest Organics* counts on more than 150 registered family producers and about 5000 subscribers who receive more than 50 different products throughout the year. For the distribution company there are only two points that matter: The family that produces and the family that feeds on its products.

Vernon learned from a very early age to work with his father. At the age of 5 he was already picking grapes, and he did the same with his children. The idea was for the family to always work together, where everyone can express their opinions and have room to make mistakes, learn and redo. Today the farming operation is coordinated by his son Erik, while daughter Heather oversees the distribution operation.

Business Data: Altogether there are about 450,000 peach, plum, nectarine, persimmon and citrus trees.

Property	Location (City)	Size (Hectare)	Purpose/Use
Property A	Kingsburg - CA	150	Irrigated Agriculture, Perennial Crops and Nut Processing.
Property B	Kingsburg - CA	10	<i>Packinghouse</i>

Conclusion: Family unity, passion for agriculture, ability to reinvent themselves and the humility to resume production were some of the main factors that made the Peterson family establish themselves as farmers for more than 120 years in the Central Valley of California.

4.4 David Verney – England

The Verney family is located in the North Devon region, a county in the Southeast region of London. Patriarch David Verney came from a farming family. About 36 years ago he shared the land with his brother Andrew and they each went their separate ways, with David focusing on sheep meat and farming and his brother taking the sheep milk production.

Of the three children, the middle daughter decided to work outside, got married and lives in the city. His sons Edward and James have stayed working in the business and each one already has two school-age children. When the brothers made the decision to remain in the family business, there was the need to increase the volume to support 3 families.

In addition to the two existing businesses, around 10 years ago they started producing cage-free eggs in mobile sheds, where the area would later

serve as pasture for the sheep and the shed would rotate in areas that were being grazed.

Even with 3 businesses, they decided to increase diversification. With the help of a financial advisor, who came up with the business idea, they decided to start a goat milking project on the main farm.

Some of the points that made them decide for goats were:

- Less amount of waste;
- Greater added value in the product;
- Lower investment in milking infrastructure;
- Ability to produce all animal bedding on the farm;
- Potential to keep the herd closed and prepare to sell genetics in the future.

Business Data: Altogether there are about 500 hectares³¹

Property	Location (County)	Size (Hectare)	Purpose/Use
Property A (Crosse Farm)	North Devon	500	Agriculture, sheep farming, dairy goat farming and laying hens.

One of the main challenges of the property today, in addition to creating a possible structure to support the three families, is the high cost of maintenance of some old facilities (some with construction in the 1200's), as by law they must be protected and each day there are fewer manufacturers of parts and specialized labor for the maintenance of this type of building.

In order to take advantage of the existing structure, the Verney brothers' wives created a local sale with products made on the farm for direct trade with the population, thus creating a brand and adding value.

Conclusion: The decision to remain together as a family production unit caused the Verney family to make several decisions to take the risk of growth in order to support the increase in the number of members. It is important to note that it was a voluntary decision, since not all brothers remain in the business.

4.5 John Alvis – England

Lye Cross Farm started its first cheese factory in 1952 in the county of Sommerset, Southeast England. The founder was John Alvis I and his brother,

³¹ <https://www.verneysfarmproduce.com/our-story>

who passed the baton to current President John Alvis Senior and his brother Greg. Production is focused entirely on cheddar cheese, with different types of maturation.

John Alvis Sr, over the years, started a circular economy process in the family business, closing a production cycle that uses most of the waste. The whey from the production of cheese is directed for feeding and fattening pigs, the manure of these animals is used in the fertigation of agricultural fields for the production of corn, oats and wheat, which in turn are directed to feed dairy cows. The milk is 100% directed to cheese production, which closes the production cycle, setting a great example of a circular economy. John got the idea for the model after his travels as a member of Nuffield.

With the addition of their sons Johnny and Peter, cheese production has increased and diversified, in addition to its entire production of 1200 lactating cows, the company buys milk from 26 local partner producers, as real cheddar can only be made with milk produced in the Southwest region of England. Around 250 cows are for the production of organic cheese, focused on the domestic market, currently they are the biggest organic cheese producers in the UK. Altogether they produce around 6000 tons of cheese annually.

Following his father's footsteps, Johnny also participated as a member of the Nuffield program in 2013. After returning from his travels, his contributions were the implementation of a milking carousel model, which allowed for better quality control in the milk and more agility for the milk to get to dairy.

Another point of innovation was a small market next to the factory that sells all the family's products, and provides the opportunity for local farmers to sell their products.

The latest change was the company's entry into an educational cooperation group focused on teaching children about agriculture and food production, called Farmlink³², which annually reaches around 40,000 preschool and elementary school children. John Alvis Sr is the biggest fan of the program, its current director, and virtually coordinates all related activities

The family's next goals are, in addition to starting the training of the 6 members of the fourth generation, to make the production system more efficient and self-sustainable. They are outsourcing harvesting, planting and transport services, they have installed a system for the use of heat in the industry and a network of solar panels has been installed on roofs that have the structure to do so.

³² <https://www.farmlink.org.uk/>

Business Data: Altogether there are about 1800 hectares, divided into 3 properties, with agriculture, dairy farming and pig farming:

Property	Location (County)	Size (Hectare)	Purpose/Use
Property A	Sommerset	1200	Intensive Dairy
Property B	Sommerset	400	Organic Dairy
Property C	Sommerset	200	Pig Farming and Agriculture

Completion: Three generations with two men at the helm without any break-up of the group show that innovation, training and letting people take responsibility whenever possible are good indicators of attitudes towards the success of family businesses.

4.6 Mirella Galloni – Italy

Mirella is at the head of the family company, focused on the production of Parma ham. Founded in 1960 by her father, Primo Galloni and his four brothers. The family's tradition and involvement with "*Prosciutto di Parma*" began in 1919 with his grandfather, who began producing ham for his family's private consumption.

In 1938 her father, Primo Galloni, then 12 years old, started working in a factory in the city of Langhirano, considered the small capital of ham, where he learned everything about the production of the product.

Together with his four younger brothers, Primo starts production at his own factory, Fratelli Galloni, in the year 1960. The big difference at the time was the family's vision of uniting new production technologies without leaving aside the important traditional techniques of manufacturing the culinary delicacy.

In 1972, a new factory is opened where some brothers no longer participate in the new society. Over the years, Primo bought his brothers' stake, until the opening of a new factory in 2000, where his children, Mirella and Carlo were already part of the business management. Mirella focusing on the administrative part and Carlo on the production.

In 2016, with Carlo's children (Frederico, Francesco and Luca) already involved in the family business, a fire destroyed the production plant, turning more than 85,000 pieces of ham into charcoal. What could be a factor of discord, became a point of transformation and overcoming. The family decides to take advantage of the occasion to modernize and expand their factory. Three hundred and sixty-five days after the accident, the first pork shank enters the new factory and the most modern ham factory in Italy at the time, for a new phase of the family business.

The company diversified the types of ham, adding some old recipes, with less sodium and super premium products sold only to Michelin-starred restaurants, such as those aged in wine barrels for 24 months.

Two years after the accident, as a way of demonstrating overcoming and closing a cycle, an open-air museum was opened with several sculptures made from the rubble of the old factory. Several plastic artists were called in to transform the remains into art and renovation.

The family's motto has always been to improve technologies, but never change and forget the traditions that make real Parma ham. As an example, to this day salting is carried out with sea salt by hand, 100% of pork hams are produced in the Parma region, the minimum curing time is one year and all pieces spend at least 6 months curing in the terracotta floors with the Adriatic sea breeze passing through narrow windows.

Business Data: It produces around 50 thousand pieces of ham/year.

Property	Location (Province)	Size (Sq Meters)	Purpose/Use
Via Roma Factory	Parma	500	Parma Ham Production.

Conclusion: The decision to always favor family members who want to stay in the business, place individuals in the most suitable positions, maintain the family essence without forgetting technological improvements are the differentiating factors of the Galloni family.

4.7 Peter Draper – Australia

Peter Draper is a rice and sheep farmer based in Leeton, New South Wales, Australia. He owns a property with 700 hectares of rice and another with about 1500 hectares for sheep. Unlike the other cases mentioned above, which are mostly large families with several employees, Peter has only one employee, neither of his two children want to continue the business.

Aviation has always been a great passion of the producer, he owns an ultralight that he uses weekly to check his properties, this passion also passed on to his children who followed it professionally. Peter Jr is a professional pilot for Qantas Airline, his daughter Maryann is a flight attendant for the same airline and is married to a Doctors Without Borders pilot.

None of this stopped the Draper family from planning and carrying out their family succession. When their children decided to take other directions in their careers that did not involve agriculture, Peter and his wife Erin (retired elementary school teacher) organized all the information about the farm and hold regular meetings with the children to update information.

All important data, such as property documents and contact details of the accountant and lawyer, are kept in binders organized by date and subject. Production and revenue numbers are also saved and sent to children at meetings, which also count market updates and general input prices.

Peter's concern is that his children could follow their professional dreams in an easy way, without worrying about a "black box" of information if a sudden death occurred, leading the family to pay high taxes and lose some piece of wealth. All the "tragic" situations have already been discussed, the necessary and agreed actions between them are described in the binders, which Erin controls with care.

Business Data: Altogether there are about 2200 hectares, divided into 2 properties, with irrigated agriculture and sheep farming:

Property	Location (City)	Size (Hectare)	Purpose/Use
Farm A	Leeton	700	Irrigated Rice
Farm B	Leeton	1500	Sheep Farming

Peter, Erin and John (the employee with more than 30 years of service), will work until they decide to retire, only at that moment Peter will decide what he is going to do with his business, if he will sell, lease or possibly some son decides to come back.

Conclusion: It is common to think that family succession occurs in large groups and companies, but it is precisely small producers who can suffer the most from wrong decisions. Peter and Erin show that accepting reality and preparing for the future is everyone's responsibility, no matter the size.

Conclusion

The stories of the families told above show that most of the time, the solution was to find the path they wanted to follow to achieve the goal.

Below is an excerpt from the book *Alice in Wonderland*, by Lewis Carroll³³, a conversation between the young lady and the Laughing Cat:

Alice asked the Cheshire Cat: "What road do I take?"

The cat asked, "Where do you want to go?"

"I don't know!" – Alice answered.

"Then," said the cat, "it really doesn't matter, does it?"

"–so long as I get somewhere," Alice added as an explanation.

"Oh, you're sure to do that," said the Cat, "if you only walk long enough."

"But I don't want to go among mad people," Alice remarked.

"Oh you can't help that," said the Cat: "we're all mad here. I'm mad. You're mad."



The Cat's ironic tone in the passage exemplifies an important premise: when you don't know where you want to go, you don't get anywhere. We become problem solvers, going according to the wishes of others, and only reacting to events that end up controlling the course we should take.

Transferring the idea to the environment of a family business, the alignment among members is the key point for the success of the business.

³³ British novelist and poet (1832-1898)

Everyone being aligned on a clear and well-established objective - this practically provides a way out to any problem. We need to lose the fear of solving problems, facing the facts must be firmly present in the culture of the family and the company.

The family succession process has become increasingly challenging. Decreasing revenue margins in the agricultural sector, intense technological development and longer life expectancies increase the need for the process to be increasingly professional and clear. Understanding the main difficulties and the reasons is essential for the advancement of stages.

Governance, together with risk management, creates a solid and robust foundation on which the family business can develop and thrive. Such solidity generates the strength capable of overcoming any “storm” caused by time and life events. Family alignment can be reinforced with objectives and goals, to avoid losing the main focus.

One of the main ways that humanity transmitted knowledge was through stories. They help us access our imagination and create scenarios that can help solve real situations. The family cases presented have the same purpose, to exemplify varied circumstances that can aggregate ideas to solve similar stories.

When making changes, we must be willing to accept our mistakes. The word “error” comes from the Latin *errare/errante*, which means the one who walks, the one who walks aimlessly; that is, when we walk towards a new objective, towards a new phase of the company, mistakes will happen.

The difference is in how the family, aligned and united in the same goals, will react and overcome such challenges. In this way, walk to perpetuate their legacy and the health of family relationships.

Final Considerations

Some basic recommendations on how to start the professionalization and management of the family business, follow in the topics below:

1 – Perform a diagnosis of all assets (family and business), financial situation and main risks;

2 – Understand the ambitions, ideas and projects of each family member and household (daughters-in-law, sons-in-law and brothers-in-law), both professionally and personally;

3 – To reconcile the main common goals of the group in some topics, it is already important to know who wants to actively participate in the operation or not;

4 – Start the gradual process to implement governance practices that best suit the situation, such as frequent meetings and presentation of results;

5 – Always cultivate an integrative family environment, open to receiving ideas, where everyone can add to their strengths and improve their weaknesses.

“Family is the foundation of society and the place where people first learn the values that guide them throughout their lives. Believing in the Family is building the Future”

John Paul II³⁴

³⁴ Saint Pope John Paul II (1920 – 2005)

Plain English Summary

TOPIC: Family Succession and Governance in Agriculture	
Nuffield Project: Scholar: E-mail:	2022/1 Ollavo Queiroz Tinôco ollavo.tinoco@outlook.com
Objectives	<ul style="list-style-type: none"> - Gathering the important and effective tools of family governance that can positively contribute to succession in agriculture. - Finding common points of families that were successful in the process of passing on the business from one generation to another. - Understanding how you can develop a framework to create alignment in business and family strategy for long-term plans. - Identifying ways to build a more professional culture within family farming to avoid risks, take advantage of good opportunities and protect equity.
Background of the Author	Agronomist involved in their family farm business focused in understanding how management and governance tools can help and improve families farms and their business.
Countries Traveled	<p>Main Countries Visited:</p> <p>USA, England, Ireland, Netherlands, France, Italy, Switzerland, Germany, Australia, Chile, Argentina and Brazil</p>
Results	<ul style="list-style-type: none"> - Perform a diagnosis of all assets (family and business), financial situation and main risks; - Understand the ambitions, ideas and projects of each family member and household (daughters-in-law, sons-in-law and brothers-in-law), both professionally and personally; - To reconcile the main common goals of the group in some topics, it is already important to know who wants to actively participate in the operation or not; - Start the gradual process to implement governance practices that best suit the situation, such as frequent meetings and presentation of results; - Always cultivate an integrative family environment, open to receiving ideas, where everyone can add to their strengths and improve their weaknesses.

References

- ANA MALVESTIO - PWC. **O Agronegócio Cresce e as Famílias Prosperam.** Available at: <https://www.pwc.com.br/pt/sala-de-imprensa/artigos/o-agronegocio-cresce-e-as-familias-prosperam.html>. Access on: Sep 15, 2021.
- BANYAN GLOBAL. **Family Business Advisors.** Available at: <https://banyan.global/>. Access on: Dec 15, 2021.
- CAMBRIDGE PRESS - JOHN DAVIS. **The Three-Circle Model.** Available at: <https://johndavis.com/three-circle-model-family-business-system/>. Access on: Jan 5, 2022.
- CFA INSTITUTE. **ESG: Investing and Analysis.** Available at: <https://www.cfainstitute.org/en/research/esg-investing>. Access on: Feb 8, 2022.
- DELOITTE - NEXT GENERATION FAMILY BUSINESS 2019. **Sucessão e governança em empresas familiares.** Available at: <http://lp.deloittecomunicacao.com.br/nextgen-family-business2019>. Access on: Feb 10, 2022.
- FRANK HYNEMAN KNIGHT. **Econlib - Risk Definition.** Available at: <https://www.econlib.org/library/Enc/bios/Knight.htm>. Access on: Mar 15, 2022.
- GEOVANA DONELLA - CAPITAL ABERTO. **Governança Corporativa - Como surgiram e quais os princípios básicos.** Available at: <https://capitalaberto.com.br/secoes/explicando/governanca-corporativa-2/>. Access on: October 1, 2021.
- HARVARD BUSINESS REVIEW. **The Four Room Model.** Available at: <https://hbr.org/data-visuals/2021/01/the-four-room-model>. Access on: Mar 15, 2022.
- HSM. **Special Management Program - John Davis and You: Managing the Family Business.** 1. ed. Alphaville: HSM Brasil, 2008. p. 40-276.
- IBCG. **Especialistas apontam governança como ferramenta de fortalecimento para o agronegócio.** Available at: <https://www.ibgc.org.br/blog/ibgc-conecta-webinar-agronegocio-pos-crise>. Access on: Nov 15, 2021.
- IBCG: PORTAL DO CONHECIMENTO. **Governança Corporativa.** Available at: <https://www.ibgc.org.br/conhecimento/governanca-corporativa>. Access on: Nov 15, 2021.
- INSPER. **Plataforma de Empresas Familiares.** Available at: <https://www.insper.edu.br/plataforma-de-empresas-familiares/>. Access on: Mar 20, 2022.
- JACTO - BLOG. **O futuro da fazenda: sucessão familiar em uma empresa rural.** Available at: <https://blog.jacto.com.br/sucessao-familiar-na-agricultura-entenda-o-que-e-e-como-fazer/>. Access on: October 10, 2021.

- LUCIANO SAMPAIO - PWC. **Empresas familiares e plano de sucessão.** Available at: <https://www.pwc.com.br/pt/sala-de-imprensa/artigos/empresas-familiares-e-plano-de-sucessao.html>. Access on: Sep 15, 2021.
- MAJU PETRONI - JORNAL DA USP. **Empresas familiares representam 90% dos empreendimentos no Brasil.** Available at: <https://jornal.usp.br/atualidades/atualidades-em-dia-com-o-direito-boletim-18-10-empresas-familiares-representam-90-dos-empreendimentos-no-brasil/>. Access on: Jan 20, 2022.
- OXFORD REFERENCE. **Overview: Agency Problem.** Available at: <https://www.oxfordreference.com/view/10.1093/oi/authority.20110803095355755>. Access on: Mar 10, 2022.
- RENATA BERNHOEFT - HÖFT. **COMO PRESERVAR O PATRIMÔNIO FAMILIAR.** Available at: <https://www.hoft.com/post/como-preservar-o-patrimonio-familiar-1>. Access on: Feb 10, 2022.
- SCHOUCHANA, Felix. **Gestão de Risco no Agronegócio: Gestão Estratégica.** 1. ed. SP: FGV, 2015. p. 25-119.
- THÜNEN-INSTITUT. **Kontakt.** Available at: <https://www.thuenen.de/>. Access on: Mar 10, 2022.
- TIAGO REIS - SUNO. **Risco sistemático e não sistemático: Entenda a diferença entre eles.** Available at: <https://www.suno.com.br/artigos/risco-sistematico-e-nao-sistematico/>. Access on: Feb 8, 2022.
- TRATTO CONSULTORIA. **Blog: Sucessão, Liderança e Estratégia.** Available at: <http://www.trattoconsultoria.com/blog>. Access on: Mar 20, 2022.