

Don't Want to Sell? Choose a Successor Instead



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In the landscape industry, where the majority of businesses are family-owned and operated, it's a frightening prospect for business owners who have worked their entire lives to part with their landscape businesses and also feel secure in their retirements. Most retirement planners agree the chance of a smooth, turmoil-free succession for family businesses is relatively low. And often, this leads to a sense of denial.



Scott Neave is now CEO and president of his family's company Neave Group Outdoor Solutions

This could be part of why only one-quarter of all family business owners do any estate planning beyond a will, and nearly one-third have not picked a successor either formally or informally, according to a survey by the [American Family Business Association](#).

[PricewaterhouseCoopers](#) reports that about half of all family business owners pass their businesses on to the next generations to own and run; about a quarter pass their businesses on to the next generations to own but not to run; and approximately 5 percent sell to private equity investors.

The reports also point out that, often, the next generation is not ready or not a good fit when the baton is passed and clearly defined roles aren't employed while multiple generations are still working together, adding to the chaos of the process. Succession planning is rarely employed by family-owned businesses, and when it is outside expert assistance rarely is used.

"It's hard to have fire in the belly when you've not earned your spot in the company," said Charles Vander Kooi just prior to his untimely death in 2016. As president of Vander Kooi and Associates, he was a consultant for the

landscape industry for 30 years and had seen all sides of family-owned landscaping businesses. “The biggest mistake owners can make is to put their progenies in management positions before they’ve worked their way up from the ground level,” he said. “The ‘ugly’ of the good, bad and ugly in family-owned businesses comes from simply handing over the keys to the kingdom.”

Passing a business to the next generation doesn’t have to be painful. The following three landscaping businesses show that planning and cooperation can go a long way toward a smooth transition.

Escaping the ‘ugly’ side of succession planning

For the Neave family, succession planning was taken on early and addressed openly among family members with outside experts guiding the process.

Second-generation landscaper Scott Neave assumed the role of president and CEO of the Hudson Valley, New York-based [Neave Group Outdoor Solutions](#) in 2004. “Throughout the years, my father [Bill Neave] ran the company happily as a ‘ma-and-pa’ focusing on high-end residential and commercial maintenance with annual revenue under \$1 million,” he says.

Neave started at the company out of college as a crew leader in 1988 and four years later became acting president, which included responsibility for overseeing financial operations. He grew annual revenue exponentially to approximately \$10 million and introduced a multitude of new services, including pool installation and maintenance, commercial snow and ice management, design/build, holiday decor, landscape lighting and irrigation.

“When the company got bigger and bigger, my father held less and less interest in managing the business, while my interest grew with every additional service introduced and every million-dollar increment in revenue added,” he says.

Although the Hufnagel landscaping name extends through five generations, it’s just in its second generation in construction services, with the business now called [Hufnagel Landscape Design & Construction Group](#). When the North Bergen, New Jersey, company shifted to construction work – the top service driving revenue – fifth-generation family member Valerie Hufnagel became the first female in the family to do it.

“When my dad (Edward Hufnagel) ran into severe health problems, I stepped in as president and CEO in 1986,” says Valerie. “After beefing up my credentials, taking a horticulture and design course at Rutgers and obtaining my business degree, I started to prove myself to him. Not only was I identifying landscaping plants better than anyone else at the company, but I was also learning masonry, woodworking and construction to build decks, patios and retaining walls by jumping in as construction crew leader.”

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Valerie Hufnagel is the first female in her family to run Hufnagel Design & Construction Group.

To head off any family animosity, the Hufnagel family's roles in the business were clearly identified in a succession plan. Valerie was named president and CEO, her ex-husband and son's father, Don Chamberlain, was made vice president-maintenance and their son, Jason, was named vice president-landscaping, focusing on sales and account management. Her brother, Ed, operator of an independent company, [Reliable Tree Care](#), was given preferential subcontractor status for the company.

Kory Ballard, president of [Perficut](#), is one of three children of company founder Bob Ballard. Perficut is a Des Moines-based commercial landscape management company for corporate campuses, shipping and manufacturing centers and other high-traffic locations. Ballard recently bought his father out of his shares of the company after serving 20 years as a partner. Matt Boelman, a boyhood best friend of Ballard, is a third partner. Ballard's two younger stepbrothers, who have both worked for the company at different times, were not made part of any ownership.

"There was certainly some sense of entitlement on the part of my stepbrothers and maybe resentment toward Matt," says Ballard. "The reality was that Matt, who had been with the company for 20 years, had a great vision and an incredible ability to sell. This was a great fit as we all had our focus and core strengths. On the other hand, the company just wasn't the right fit for my stepbrothers, and I wasn't the type to just let them in without earning it. So in the best interest of the relationship and family dynamics, both have chosen other career paths."

Hiring outside consultants and incorporating good details key to smooth succession

Planning for retirement falls under the same estate planning necessary for smooth transitions, according to Vander Kooi. "It takes three to five years to transition a business," he said. "You need a written plan in the event of a catastrophe but also to guide you and your family through the passing of the baton to the next generation. This is a good time to bring in a consultant to help with succession planning."



During the succession process, the Ballard father-son duo employed several consultants and mentors who they had worked with for years. This allowed them to plan for Bob's retirement without excessive attorney bills or heated negotiations.

The Ballards and partner Boelman put in place an updated and detailed buy-sell agreement before Bob set a retirement date. This gave them approximately two-and-a-half years to plan for his retirement.

"It started with keeping up with an annual company valuation," explains Ballard. "Having annual company valuations kept us all on the same page understanding where we all stood. Then, in my dad's retirement year, we had a second business appraisal. We averaged out the two. This made all three owners feel that the valuation was fair and a good starting point for

negotiation.

“A succession plan is crucial for any business regardless of size or ownership dynamics,” says Ballard. “Estate planning and wills may be sufficient for the personal side, but they wouldn’t fully protect our company in the way we wanted. There was also an obligation to our dedicated employees to make sure all things were in order in the case of a tragic event or buyout.”

For the Neave family, succession planning naturally evolved. “Although we worked with several business consultants over the years, our financial planner was the one who was instrumental in helping us put a plan in place for me and my parents to slowly move on toward retirement,” he explains. Partially retired, Bill Neave is a company consultant acting as account manager for the company’s high-end residential customers, advising on maintenance issues and conducting small plantings. Scott’s mother, Kathy, partially retired alongside her husband, is still part of the leadership team, running the services division, which includes irrigation, landscape lighting and holiday decor. Both take the winter months of November to March off, typically spending that time in Hawaii or the Caribbean.



Kory Ballard and Matt Boelman bought out Ballard’s father to now lead Perficut.

Too many overlapping roles can spell trouble for a smooth succession

Problems often arise in business when there are too many head chefs in the kitchen. If they understand their roles and complement one another, then it works.

The Ballards had very different roles in the company, with Kory working on running the crews, business planning and buying equipment and Bob working as head mechanic.

“People assume that in a family business, the patriarch is always in charge of chief operations of the company,” Neave says. “Our family business model was completely opposite of that.”

When Neave’s parents were fully active in and owned the majority of the company, they were technically reporting to their son, according to the company’s organizational chart. “My dad looked to me for leadership,” he explains. “This did cause conflict at times for sure, but no matter what our differences were, we always had mutual respect and trust for one another.”

When Neave looks back on the process, he remembers how emotionally challenging succession planning was and how close the family came to being torn apart at one point. “I pushed the process along faster than what my dad wanted,” he says. “Succession planning for us was never about the money. It was all about the direction of the business. You could call it a ‘conflict of the culture.’”

Now that a well-planned and detailed succession plan is firmly in place for the Neaves, they are enjoying the best relationship they've had in their nearly 30 years in business together. As Neave says, "We are back enjoying each other's company again now that we have peace of mind with a well-constructed succession plan to follow."