

Woodbury: Farm Family Business Boost the Next Generation's Success



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Bio

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In the world of family-owned businesses, there are lots of scary succession statistics. One that appears most often is that only 30 percent of family-owned businesses make it from the first generation to the second, 17 percent make it to the third generation, and about 5 percent make it to the fourth generation. I believe the success rate is higher in agriculture, but the point is clear: Making the leap from one generation to the next is not easy.

Most in production agriculture are either members of -- or relatively close to -- a family-owned business, so there should be plenty of opportunities to see what works and what doesn't. Yet, family businesses can be very private, and the information you glean from others is usually only part of the story. So when you are thinking about the next generation, here are a few strategies that, in my experience, seem to increase the odds of success.

Establish Expectations About an Off-Farm Experience

While there are many examples of the next generation having stayed on the farm, the likelihood that the next generation can manage an increasingly complex business is generally helped when the returning family members have earned a college or technical education and have worked for someone else for awhile. That experience gives them a sense of perspective, an opportunity to see how other people do it, and a chance to learn from their initial mistakes. If they get a chance to experience life as a non-family employee, it gives them a feel for that position when they are in a family or ownership role, which probably increases their effectiveness. It helps them see what works -- and what doesn't -- from a supervisory perspective.

For your own family business, consider the expectations you have about what kind of education and how much time a returning family member should spend away from the business.

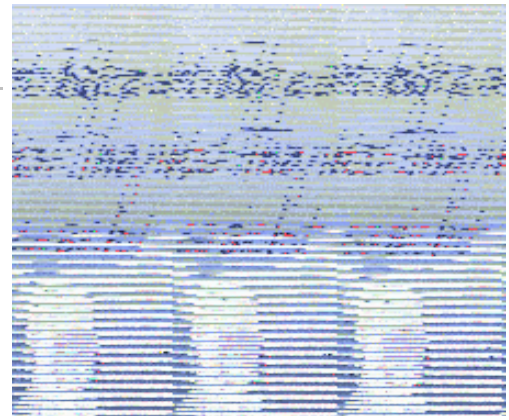
Include the Next Generation in Planning and Vision

If you are hoping to keep the business together for future generations, I find it helpful to give potential successors a sense of vision and purpose for the future. It helps them answer the question, "Why would I want to come back?" In a family business, the opportunity exists to engage family members in that vision, both early and deeply, through participation in discussions, inclusion in meetings, and dialogue about core values, industry trends and business opportunities.

I sometimes see people shy away from the conversation about returning to the farm, for fear of unduly influencing their kids to come back. However, as long as you balance your vision of the opportunity with the strong message that it is their choice to return -- and couple it with the expectation they spend some time elsewhere -- you have contributed, I believe, to a better-informed decision on the part of the person that considers a return.



Requiring an off-farm apprenticeship will build appreciation for home-farm experience and broaden a successor's skill set. (Photo courtesy NASA)



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Be Honest About Strengths and Weaknesses

Conversations about family member performance, especially when negative, can be very difficult, and no strategy exists to make such conversations less awkward. However, family members returning to the business, or in their early years of that return, create a change in the family and management system, and thus offers a rare opportunity to “reacquaint” family members with one another in a new setting (the business.)

A part of this discussion should be an honest conversation about each person’s strengths and weaknesses, including those who have been on the farm for awhile. If those weaker areas are identified earlier, it can help family members keep one another aware of when they are moving toward poor performance. In a sense, it gets the likely performance issues on the table before they become real issues, creating a measure of accountability, while setting the stage in a more helpful way for future performance-related discussions.

EDITOR’S NOTE: Lance Woodbury works as a consultant to family owned and closely held businesses in Garden City, Kan. He’ll appear with two Midwestern farm families at the DTN-Progressive Farmer Ag Summit in Chicago Dec. 8-10 to discuss “Life Cycle of a Farm Handoff: From Teenage Years to Adult Transitions.” For information go to www.dtnpf.com/go/agsummit2010

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