

Woodbury: Farm Family Business

Plan a Family Chat During Christmas Break



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Bio

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Christmas carries many traditions, often including a gathering of family members from far and away places. Such "family time" offers a chance to have fun together, to enjoy one another's company, to reconnect and reminisce about events of the past. It also offers a rare opportunity to talk about the future together -- the hopes, dreams, goals and plans of multiple generations over time.

Over the years, a number of families have asked how they might use the time when their (now adult) children are at home to talk about the family business or estate. Some families will raise the subject during a walk, over coffee or after a day of skiing. For many, it's easier to check signals in a relaxed setting rather than calling a formal business meeting.

My general suggestion is that while Christmas break is a good time to capture everyone at once, the business discussion should not eclipse the focus on family time. There can be varying amounts of personal stress -- some of which may be hidden -- related to family business issues and you don't want to negatively influence your time together.

However, handled a little more informally, there are some great discussion areas that can further everyone's thinking about the family business.

Whether you have some light group discussion or just spend some one-on-one time, here are a few areas that might further your family business planning.

OFF-FARM EXPECTATIONS

More and more family businesses are vocalizing their expectations about the need for the next generation to work somewhere else before returning to the farm. If this is the case in your family, what are some of the experiences you hope the next generation has at their off-farm employer? Are there certain functional areas of the business you would like them to experience, such as sales, human resources or finance? Do you hope they will experience life as a supervisor -- which means they probably will experience being supervised -- before returning? How many years do you expect them to stay away? If they are still in college, is there a non-agricultural industry you think might give them particularly good insights?

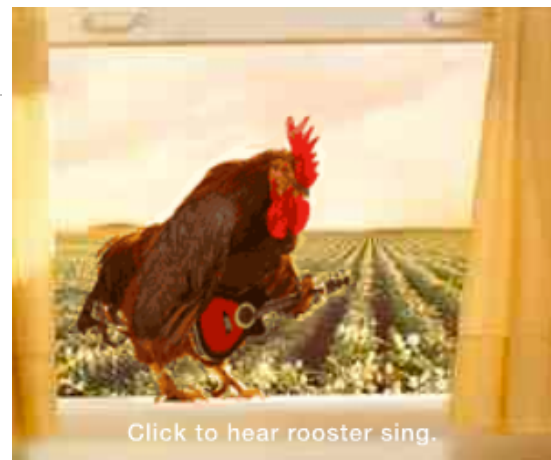
ON-FARM EXPECTATIONS

One of the potential areas for long-term future conflict in a family business has to do with people's expectations of what they will do, versus the role they actually end up playing. I've heard family members say that they "wasted" several years of their life at the family business as they expected to take over the farm or take on certain decisions, but that transition never really panned out. To prevent such conflict, give some thought and discussion to what roles you anticipate your adult children assuming in the business. What are their strengths? What experience will they bring? Where do you think they will make the biggest contribution?

Furthermore, do you expect them to work for your long-term employees upon returning? Or do you expect them to immediately enter "management" and supervise others? (Note that it may depend on their experience.) If you do expect them to work under another employee, how long do you expect that to last? The idea here is not to set the answers to such questions in stone, but to elicit the thinking of the older generation so that the younger generation has some perspective on how you initially see things.



Family gatherings can offer a rare opportunity to focus on your multi-generational future as well as your past. ("Grandpa's Visit Christmas Morning" by Griffith and Griffith)



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OWNERSHIP EXPECTATIONS

I've noticed that the members of older generations often suggest that the younger generation members expect to advance further and faster in life than they did. While I suspect this may be true of each successive generation, the desire to advance offers a great opportunity for you to outline what it takes to be a future owner of the business. What kind of attitude do you expect an owner to have? What kind of work ethic? What skills or experience should an owner bring to the table? Does being a family member automatically entitle the next generation to be owners? And if so, what rights does being an owner really mean in terms of the allocation and direction of company resources? In other words, does being an owner entitle you to be a manager?

While you are discussing ownership issues, it doesn't hurt to talk about how soon after a return might a family member become an owner. Will you expect them to contribute significant capital as an owner, or will they receive some sort of sweat equity? If some owners work on the farm and other owners do not (i.e. there are off-farm siblings), will the kids who came back be rewarded differently in your estate plan?

There are many, many more questions that come up in the lifecycle of a family business. While you can't know all the answers ahead of time, having some informal talks (and at the right time, some formal discussions) about the future can set the stage for a successful return of the next generation.

EDITOR'S NOTE: Lance Woodbury works as a consultant to family owned and closely held businesses in Garden City, Kan., with a special emphasis on business planning, mediation and conflict resolution. He also maintains an interest in his family's western Kansas ranch. E-mail comments or suggestions for this column to lance@lancewoodbury.com.

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