

Marketing

Next generation may come back



Family Business

By LANCE WOODBURY

ONE spring transition in which many of us participate is graduation, where our young people move on to the next stage of their lives. The transition generates a common question: Will they come back?

For a family farm or ranch, the answer to that question may mean the difference between the continuation or conclusion of a generational business tradition. Farms and ranches increasingly struggle with who will operate the business in the future. But for those who do return to the family business, how do we increase the odds of success?

Create an 'entrance expectation'
If one or more of your children (or other family members) are interested in re-

turning, create a few ground rules that increase their ability to work well in the business. For example, many family businesses require that returning family members acquire additional education prior to coming back, like a two- or four-year degree, or graduation from a technical college program.

Another ground rule might require the next generation to spend a year or two working for another business before returning, giving them valuable, "real world" employee experience.

Finally, honestly assess and communicate to the next generation that there is a clear need for additional help, there is a clear role for someone returning to the business, and there is a viable financial opportunity.

When there isn't a clear need for help, or if the business can't support a returning family member, the damage done to family relationships from confusion, financial instability and eventually unwinding the family member's return can be devastating.

Discuss compensation and job expectations

Another important element of successful transitions is the discussion of the same job issues one might review in a non-family job. Remember, your children are comparing the opportunity to return to the family business with the opportunity to work in the broader marketplace. When they enter the marketplace, they will know what their skills are worth through job offers. In the broader marketplace, they also will know what is expected of them through tools like job descriptions and performance reviews.

In too many family businesses, the important family relationship gets in the way of the necessary business relationship. When expectations are missed, there is no vehicle (like a performance review) to address the conflict. Or, compensation is based on what the returning family member needs — not what they are worth in the marketplace. That creates a difficult conversation somewhere in the future, either when the family member's needs get excessive (Did he really need that new pickup?) or when the family member feels significantly undervalued because many jobs off the farm will pay more.

Create opportunities to communicate

I often compare communication in the family business to oil in the tractor. You don't necessarily see it running through the engine, but you sure notice what happens when you run out. Similarly, good communication lubricates the family interaction, but the lack of communication is unnoticed until things start going wrong.

Find formal or informal time to meet to talk about the business. (I recommend regular intervals like weekly or monthly.)

Going over monthly financial reports, budgets, landowner relationships, personnel issues or upcoming decisions are all items that encourage communication and create a foundation for future business transitions.

While it is still hard to know if the next generation will return, enough people have been through family business transitions that we know what increases the likelihood of success.

A few principles can go a long way toward making sure that graduation provides momentum for a successful family business.

Woodbury is a mediator, facilitator and family business consultant in the Garden City office of Kennedy and Coe LLC. Family Business is a monthly column produced by Kennedy and Coe.

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