



Woodbury: Farm Family Business

Why the Soft Issues are So Hard - 2

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Wed Dec 4, 2013 02:52 PM CST

In my last column, I wrote about the "soft issue" of communication: Family business members need to take time to discuss their goals, plans, values, expectations and the culture of the business. Because partners generally know each other well and have spent significant time together, they take agreement on such topics for granted. The result is often frustration and conflict as differences arise during harvest or at family gatherings, instead of emerging during a time of focused discussion and structured dialogue.

Another difficult soft issue in the family business is the return of family members to the enterprise. Bringing a family member back into the business, especially if a spouse is also coming in to the organization, can be an eye-opening experience, often introducing families to both significant joy and to new levels of tension.

THINKING OUTSIDE THE FAMILY BUSINESS

To set the stage, let's take a quick look at the hiring process in a medium or large non-family business. Often, before a person is even hired a job description is created based on the needs of the organization. The job description not only serves as a way to attract the right candidate, it confirms the expectations people have about what that person should accomplish.

Then interviews are held with interested candidates to find the most qualified applicant, a specific offer is extended, negotiations take place, and agreement is reached about a start date. Once the person starts, there is often some defined orientation process or formal training, a review in the first few months, followed generally by annual performance evaluations and compensation discussions.

AN ALL-TOO-CASUAL APPROACH

But that isn't the way it often works in a family business. Here is a common scenario: Mom and Dad tell their recently married son and daughter-in-law that they will "make room" for them in the family business and encourage them to consider coming home. They will come into the business, get a feel for different areas (usually the son outside, and daughter-in-law in the office), and eventually take over for Mom and Dad. They will be paid at a rate comparable, or perhaps a little less, to what they are making now in their off-farm jobs. They will eventually become owners.

That's basically it. No specific job description that clarifies specifically what these newly hired people will do. No discussion of how Son or Wife's strengths fit the needs of the organization. No real negotiation over compensation, or identification of specific fringe benefit amounts. No formal training for Son and Wife, and limited dialogue with current employees about how they might be affected by the next generation returning to the business. And no set timetable for evaluating performance and assessing whether the integration is working.

BRING ON THE ASSUMPTIONS

Along with the return of the next generation in this fashion comes a host of assumptions. DNA and marriage are assumed to be the primary qualifiers for replacing Mom and Dad. The timing of the parents' retirement is often not identified, or they are on what I call the rolling five-year plan, in which every year the parents say "we'll retire in about five years." The path to ownership is not explained. The presumed job flexibility, benefits, and eventual ownership are assumed to make up for any reduction in compensation. As to fringe benefits, there is often limited discussion about what kind of house, remodeling budget or rent payment will be available. A vehicle may be provided, but is gas for all vehicles included? Child care, a future issue, will be "worked out."

A whole additional set of assumptions emerge relative to job performance. The culture of the business has historically been characterized as "no news is good news," meaning that if you don't hear anything, you should assume you are doing a good job. Not only has this resulted in employees occasionally feeling under-appreciated, but because Son and Wife are family, it seems even harder to have a conversation about their performance. So even if they aren't performing to the parents' expectations, they still get "no news."

All of the unanswered questions, the assumptions and limited dialogue leave each person making up their own narrative about how things will work. Ultimately those stories are bound to collide, resulting in the kind of breakdown that gives credence to the dismal statistics around family business succession.

In many ways, the key to a successful discussion about family members returning to the business is to act as if you are not a family business. By approaching the opportunity with preparation, specifics, and open dialogue, the odds of success improve dramatically. By bringing the same discipline and dialogue as any career move, the benefit will be better family and business relationships.

Editor's Note: Lance Woodbury is a family business consultant and mediator in Garden City, Kan., and author of "The Enduring Legacy: Essential Family Business Values." Subscribers can find all of Woodbury's past columns by using the News Search feature on the News page.

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