

Woodbury: Family Business Matters

Develop a Vision for Succession

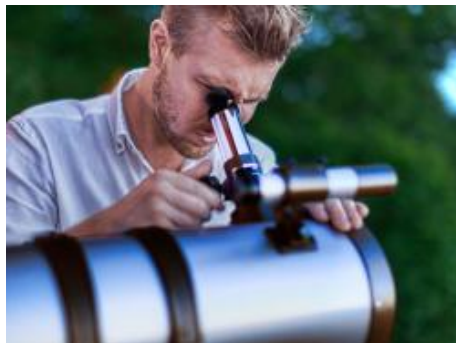


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Bio

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My last column focused on self-awareness as a key ingredient in the succession process. Armed with an understanding of your strengths, weaknesses and impact on others, you are able to acknowledge or modify behavior or communication that often prevents smooth transitions.

For example, if you know your tendency to be short-tempered causes family members to hide difficult issues, you can ask them for a break in the discussions after tough topics, allowing you time to cool off. Or if one of your strengths is managing details, you might ask to be involved in implementing certain aspects of a financial reorganization or estate plan. Self-awareness allows you to manage your shortcomings and magnify your strengths, thereby affecting and changing elements of the succession process and enhancing the relationships of those involved.



Outline a vision for what and how you want your succession to happen. That will make the process less ambiguous for your consultants as well as your successors. (Photo by Tobias Lindman, CC BY 2.0)

Another ingredient in a successful succession planning process is vision. Knowing what you want to have happen in the future -- your ideal outcome -- helps determine the path of the transition. In many family owned agriculture businesses, there are at least three areas I find useful for family members to have a vision.

ROLE CLARITY

Considering your strengths, having a vision about the role you want to play in the future helps ensure personal fulfillment and thus family success. Remember, a family business is a complex system of family, management and ownership relationships, and an unhappy family member will often make other family members unhappy. Conversely, family members fulfilled in their roles will likely make for a more positive business environment.

Achieving a vision for your role comes in part from reflecting on the business needs and your particular strengths, and it also comes from the unique flexibility inherent in family businesses. With concentrated ownership, a long-term view and a degree of trust, family owned companies can react, adapt, pivot or change the business as opportunities or issues arise. This flexibility applies to individuals within the organization as well. Team members can shift to different areas of the business, learn different functions, step in to troubled projects and take on new roles.

In one situation I know, a daughter who wanted a stronger internal role migrated from a customer-facing position to a human resource coordinator and landowner communication role. Her "calling" was to something different than what she had been doing; recognizing that pull has allowed more fulfillment, and the flexibility of other family business members in allowing for the shift has created distinct opportunities for a more effective business.

LAND DECISIONS

A central reality in most farming and ranching businesses is the land. A land base is typically built over generations, related to the current and historical identity of the family, and often has an emotional, sometimes even spiritual, component.

Knowing what to do with the land in estate planning becomes a major discussion. Should each heir receive an outright parcel of land? Should land be held together in an entity? If no one comes home to farm should the land be sold? What about the water or minerals or wind potential? These are not easy questions, and there are no right or wrong answers. Being clear about your vision for the land and its ownership is what's

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important. While your professional advisers may inform your vision, the family -- the owners -- should develop a clear sense of what they want the future land ownership to look like. Doing so will make the transition process less ambiguous to everyone involved. [more...](#)

LIFESTYLE CHOICES

A few weeks ago I was visiting with a mother and father who were near traditional retirement ages. While they never planned to golf all day in the way we sometimes think about retirement from the corporate world, they did intend to be off-site more frequently, travel more on ocean cruises and spend time with grandchildren spread around the country. They had a vision for what they wanted to do, and now they were budgeting financially for that lifestyle.

Having a clear vision about your lifestyle in retirement (recognizing that a definition of retirement is different in each family), its financial implications and your involvement in the business is helpful to the next generation. It clarifies some of the necessary goals for the succession planning process. It tells the next generation how much they can count on Mom and Dad for day-to-day help, thereby informing their hiring decisions. And it tells them how much money the operating business and assets need to generate in order to allow them to live their desired lifestyle.

I've seen other cases where the senior generation won't give any indication of their planned financial draw from the business, and as a result the next generation is stuck, not knowing how to plan for the future. The indication of a desired lifestyle doesn't mean that way of life is set in stone (think back to my comments on the flexibility of a family business), but it does mean that the next generation can plan with some degree of certainty how they will invest in future opportunities.

In conclusion, "vision" is often thought of as a lofty, abstract statement of where a company wants to go. But in the context of succession planning, the family's vision around roles, land and lifestyle is a critical ingredient in making the succession plan work. Each family member should take some time to reflect on their individual vision, and then discuss those visions as a family. Your team members and heirs will be appreciative.

Editor's Note: Lance Woodbury writes for both DTN and our sister publication, The Progressive Farmer. He is a Garden City, Kan., author, consultant and professional mediator specializing in agriculture and closely-held businesses. Over his two-decade career, he has guided many families through inter-generational farm transfers as well as mentored successors. Email questions for this column to lance@lancewoodbury.com.

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