

Woodbury: Farm Family Business

Your Most Important Conversation This Year



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Bio

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One of the most important practices in a family business is the act of meeting together to discuss the future. Talking about where the business is headed, how Mom and Dad plan to handle their estate, what roles people intend to play in the business, how and when the next generation may return are important conversations. But too many families are either uncomfortable or fearful of having a discussion about what will happen in the days to come. The result of that discussion -- knowing exactly where you stand with others -- is all too often missing in today's family business.

Why is it that families and family business members have trouble communicating about the future? Four reasons come to mind.

First, in a family business there can be significant complexity in figuring out the future. Crafting a plan for the transition of assets in light of tax laws and legal entity structures, feeling confident about range of management skills necessary to lead the business through its next phase, all while providing for financial security of the retiring generation, can seem quite overwhelming. Accountants, attorneys, wealth managers, consultants, insurance representatives ... where and with whom to begin? Who leads? Does it ever end? The fact is there no simple paint-by-numbers approach when it comes to drawing a picture of the future. It can seem overwhelming for some, and sometimes it becomes an insurmountable hurdle.



Parents have a chance to give their blessings and resolve conflicts for their heirs if they talk before executing a transition plan. (DTN photo by Ted Wood)

Second, family member roles, contributions, relationships and problems are a moving target. A family I know in which many of the adult children don't get along -- but are successful business owners in their own right -- continually moves in and out of conflict. As the parents think through the process of telling their kids about their inheritance, they sense that how the relationships look today may change. Parents don't want to take a chance they will upset their adult children by discussing their current intentions, as talking about the transition may create expectations or disappointments that will be hard to manage. Sometimes the parents are not even in agreement about how the future should look, further complicating attempts to describe the inheritance. They decide now is not the time.

Third, the act of gathering certain family members together might dredge up conflicts from the past. If a family has swept conflict under the rug, or there is a hostile environment with certain in-laws, the process of discussing the future may bring up pains of the past. It may in fact be difficult to gather people in a room because of unresolved tension. In short, the wounds of the past might block our attempts to describe our goals for the future.

Finally, you have the issue of mortality. Describing the future suggests a time beyond the current senior generation. The more specific the discussion, the more difficult it

may be for a father or mother to deal with the fact they won't live forever. And while we all know that on a general level, thinking about it in ways that are specific to a family member can sometimes be too much to bear.

A number of the reasons mentioned here assume the parents initiate a conversation about the future. Often times, the adult children don't want to offend their parents by asking what they intend to do with the business or their assets. They are uncomfortable asking what the future holds, or where they stand in the eyes of their parents in that future.

The net result of all of these obstacles is silence, with the parents often setting up



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future conflict over assets and intentions, and the kids developing unchecked expectations about the future.

After obtaining my master's degree in conflict analysis and resolution, I went back to my family's farm and ranch, hoping to provide mediation services to business-owning families. A few months after my return, I met the CEO of an accounting firm, who told me of their dilemma. Their firm did significant estate tax planning for high net worth clients, saving them millions of dollars in taxes. However, if the family didn't have an inclusive conversation about what would happen in the future with the business and assets, the accountants would instead often find themselves in the middle of a family dispute, or they would start projects but never finish them due to the client's indecision or fear of communicating the results. Their planning wasn't as effective as he thought it could be. The family conversation, he felt, needed to happen in advance of the technical planning so the plan could effectively match the desired goals of the family.

Is it an easy conversation? No. Might it create some conflict? Possibly. But the future conflicts, stress and assumptions that occur without the discussion also create significant problems. In short, having the conversation is better than the alternative, in that it can prevent significant problems. Having the discussion while the parents are alive offers an opportunity to get past any conflict, create understanding, and avoid the gossip and assumptions that occur in the absence of clear communication.

As you consider a family conversation about the future, consider the following questions.

- 1) Has your family had a conversation about the future of the business or assets? What was the result?
- 2) Are there obstacles preventing your family from having a conversation? What are they?
- 3) Could you lead a conversation about your family's future? Why or why not?

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." Join Lance at the "Pass It On!" pre-conference workshop at DTN's Ag Summit in Chicago December 8-11. He'll also moderate a session on designing an apprenticeship for your successor. See details at www.dtnagsummit.com

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