



Woodbury: Farm Family Business

Turn Retirement into ReHIREment

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My recent columns contemplated the return of a family member to the business and some of the issues that can arise. In those articles, I claimed that if the discussion is too casual or the transition is given short shrift, assumptions and missed expectations are a likely result, endangering the succession of the enterprise.

This time I turn to the other end of the transition continuum: the senior generation's exit. In both instances -- the return of a family member or retirement of the senior generation -- there is no magic formula offering a fool-proof transition process. There is no "hard" answer. The exit of the senior generation, in particular, is a "soft," complex process or dance, fraught with multiple obstacles, including handing off management responsibilities, changing decision-making processes and implementing financial and tax strategies.

FOCUS ON THE FUTURE

In a recent discussion, a family business owner told me that they were offering Dad the title of "Emeritus." While we usually hear that word in connection with a retired professor (it is Latin and means "having served one's time"), in this case family members suggested it both as a way to indicate Dad's significant leadership contribution over the years, and as a means for encouraging his continued involvement in their strategic family business decisions. Family members framed the discussion in a way that focused on the father's future involvement, not as a directive to stop his work. They were saying "we'd like you to focus on sharing your wisdom with us" in a way that honored his past contribution.

Framing the conversation around the senior member's future contribution is a positive and productive way to honor his or her past contribution. We all know of people who were passionate about their work, and when the work stopped, depression set in or their health declined significantly, sometimes even passing away for lack of feeling that they had something to offer the business. Identifying the contributions to be made in the days to come is as important as clarifying what responsibilities to hand off.

DEVELOP A PLAN

One of the biggest risks to a successful transition is when the senior generation creates expectations that they are planning to step away but then don't. Sometimes they hold on because they fear losing control. Other times they are not sure what they will do with their time. Yet in other cases it is because they feel they are the glue holding the next generation together and that stepping away will allow significant levels of conflict to emerge. In short, they may have talked about and even made tentative plans, but then are reluctant to hand over the reins.

Whatever the reasons, the lack of discussion and planning can create serious frustration. Without discussion, people assume what might happen, and those assumptions -- about roles, timelines, finances, etc. -- create expectations that go unfulfilled, resulting in disappointment. A disillusioned family member once told me that if he had known it would be 30 years before he had a chance to take over the business, he would have pursued other career options. He just kept waiting for the transition (and discussion) that never came.

REWRITE THE JOB DESCRIPTION

Once you begin to discuss the transition and develop a plan, freeing the senior generation from daily business responsibilities allows them to make several potentially unique contributions. All of the examples below come from families who have continued to use "emeritus" family members:

-- Telling the story of the operation and capturing the events that shaped the culture and values of the family and business. The values are important to articulate as they help hold the family together as the business moves over time from siblings to cousins.

-- Mentoring the next generation by acting as the sounding board for strategic business decisions such as growth opportunities, risk management strategies, or rewarding key staff. In this regard, think of the senior generation as key "board members" in your business.

-- Focusing on the philanthropic opportunities created by business success: representing the business in giving time, energy, connections and money to charitable or community organizations.

-- Guiding the coordination of family estate planning strategies. It often feels awkward for the younger generation to have to "drive" the discussion about their parent's estate, and with the run-up in land values and the "land rich, cash poor" position of many in the agricultural community, there is often a need to discuss how best to hold family wealth together. The senior generation is well positioned to convene these discussions at regular intervals, bringing key advisers and family members together to better clarify how ownership will transition from one generation to the next.

As I said at the beginning of this column, there is no transition recipe that works the same in every business. The common characteristics of successful family businesses are a willingness to honestly discuss future involvement, meeting on a regular basis to develop a plan, identifying a contributing role for the next generation, and celebrating the transition between generations. If you make the successful transition from one generation to the next, you beat the odds in family business succession.

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." Register for a free, one-hour prerecorded DTN webinar with Lance, "How to Navigate Your Succession Plan," at <https://dtm.webex.com/...>

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