

Woodbury: Farm Family Business

Why Soft Issues Are So Hard - 1



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Bio

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As one who helps family business members communicate about their future, I'm often accused of dealing in the "touchy-feely" realm. In fact, some professionals say -- with a "harrumph" and furrowed brow -- I deal with the "soft stuff," contrasting communication and conflict resolution skills with the "more important" technical and analytical accounting, finance, marketing, legal or risk management issues in a family agriculture business.

Yet when you ask family businesses where they continually get stuck, it is exactly in the "soft" areas of the family and closely-held enterprise. They can get all kinds of suggestions about how to handle the commodity markets, equipment lease strategies, Farm Service Agency, organization, debt structure, estate tax strategies, or contracts with employees and vendors. But here are a few areas that defy a nice, cookie-cutter technical solution -- or in other words, a "hard" answer.

-- Relationships and communication between family members.

-- Decisions about how to treat on-farm and off-farm heirs in an estate plan.

-- Agreements about compensation of family members in the business.

-- Policies about what qualifications family members must have in order to return to the operation.

-- Performance expectations of family members during the succession process.

-- The determination of fairness in a buy-sell agreement.

-- Discussions about which direction the business should go based on participants' passions and interests.

-- The inclusion of in-laws in business roles and communication.

Consider the case of three brothers farming together; all have kids, but only two of the brothers have children who plan to return to the farm. Of the two brothers, one brother has two sons returning in each of the next two years, and the other has a son-in-law and a daughter who both want to work in the business within the next five years.

HARD QUESTIONS

In short order you can see there will need to be some interesting discussions that involve some not-so-easy answers. Is there agreement about what skills or off-farm work history the kids should have prior to returning? Is there a real business need for all of the kids who want to return? Is the next generation gifted ownership or do they have to buy it? When does that happen? Are the brother's kids who didn't express

interest allowed to keep any ownership? If so, of which assets? Will one of the kids become the leader of the organization? Will they be compensated equally? These questions are just the tip of the iceberg!

The answers to such questions are not obvious. They depend on the goals, relationships, culture, history and values of the family business and its participants. The only way to sort out the answers is through the patient and sometimes frustratingly slow process of dialogue. You have to find out how people feel, how they are thinking about the future, and what they did and didn't like about the past. They have to speak about what is in their heart, they have to listen to one another, and



The only way to resolve family business differences is to have patient and frequent conversations. (DTN photo illustration by Nick Scalise)

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sometimes they have to work through some pretty tough emotions and conflict.

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In short, one of the key reasons the soft issues are hard is because the answers depend in large part on the opinions, philosophies, goals and values of the current business participants -- and most family business partners do not spend time in serious discussions on those topics.

DISCUSSION TIME

When you consider all the roles family members play in a production agriculture business, there is often not enough time or energy to have a high-level, philosophical discussion about the goals, plans, values, expectations and culture of the business. People are busy being agronomists, mechanics, harvesters, ranchers, human resource managers, marketers, chief financial officers, cooks, parts runners... not to mention parents, grandparents, husbands and wives! It is difficult to step away from the immediate needs of the business and family and think through and discuss all of the scenarios that need to be addressed for family business continuity. Yet those discussions provide the necessary ingredients for long-term family business succession.

In upcoming columns I'll explore some of the other reasons the discussions about the "soft stuff" are difficult, and offer several strategies to deal with difficult issues. But one early, key practice that all family businesses should adopt is that of creating the time and space to have the strategic discussions. Agree with your business partners to engage in a process of dialogue. Doing so doesn't provide all the answers, but it is a huge first step toward answering some of the toughest questions your business will face.

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 Dec. 8-11. See details at www.dtnagsummit.com

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