

Woodbury: Farm Family Business Letting Go in Family Business



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Bio

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As Raymond Lindquist says, "Courage is the power to let go of the familiar."

Exiting the family agriculture business can be a bittersweet experience. While celebrating the accomplishments on a family farm or ranch and considering the foundation built for future generations, a struggle with uncertainty, doubt and a lack of clarity about the exiting partner's role and purpose in their next chapter of life can cloud the future. Often, the hesitation to let go can create conflict with younger generations, and in some cases, can lead to the end of a family enterprise when future owners give up on the transition.



The current farm economy provides a teachable moment for successors while exiting partners are here to offer counsel. (Clipart image)

The first step in the process of transitioning out of the business is to understand the potential obstacles to an exit. I've found that some of those hindrances are easy to articulate, while others are not usually vocalized. Consider how these barriers fit into -- and obstruct -- the thinking about an eventual exit:

FINANCIAL SECURITY

The exiting partner's financial needs after stepping out of the day-to-day activities is a visible obstacle. For many years, he/she has been paid for contributing to the daily operation of the farm, often in the form of profits from marketing a crop or selling livestock. And when they stop doing those activities, they must turn to income from rent or retirement funds or asset sales.

The question "Is there enough?" can lead to a fear of leaving. Until there is a budget and discussion with an accountant and financial planner about income and tax strategies, this fear will hover over the business. It will be used as a crutch to stay engaged, and it has the potential to stifle the next generation and prevent them from fully taking over the business.

NEXT GENERATION READINESS

No one likes to see what they've built fall apart. In the case of a multi-generational family business, this means the exiting partner must have confidence in the next generation's ability to continue being successful with the business. The obvious question one might ask is "Do they have the skills, knowledge and experience to take over?" But a better question might be, "Do they have the ability to adapt and succeed in a volatile business and industry?"

The next generation of family members may not have been old enough to absorb the lessons of the 1980s farm economy, and they will never have that particular experience. But the real challenge is whether they can plan, respond and adapt in the current downturn. While low grain and livestock prices may not be a fun experience, it most certainly offers a chance to watch and learn how the next generation handles adversity. A blessing of our current times is the chance to watch how the next generation figures it out.

THE MANAGEMENT GLUE

More than a few senior-generation business owners have told me that if they leave, they fear the adult children won't work together well enough to keep the business together. Yet they don't actively address conflicts between family members or make the changes necessary to create an effective team. Instead they wait, hoping something will change and the working relationships will begin to harmonize.

Tackling conflict head on, challenging family members to address their working

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relationships, and making difficult changes when it is clear that the team is dysfunctional, takes courage. If the senior generation provides the team's glue today, then the business must address the composition of that glue tomorrow. If the business really won't survive because of the next generation's working relationships, then the time to address it is now.

THE STRUGGLE FOR IDENTITY

When a partner has spent 40 or more seasons in the business, it is easy to see how "who they are" becomes synonymous with "what they do." So when it comes time to exit the daily operations, if there isn't some compelling activity in which to engage, a crisis of identity can emerge. It's hard to quell a deeply ingrained work ethic and a passion expressed through agricultural labor!

Finding another opportunity to engage the exiting partner's intellectual and physical energy is just as important as meeting one's financial needs. The search for significance requires a level of internal reflection, spousal dialogue, and goal setting that can be difficult to implement. The exiting partner should look to peers, mentors, friends, a minister or counselor to talk through their feelings about letting go and their ideas about what's next. I've seen older family members spend more time traveling, doing church work or volunteering, serving on boards, providing industry leadership and becoming involved in politics in order to satisfy their hunger to make a contribution previously expressed through farming or ranching.

Regardless of the opportunities that letting go creates for the senior generation, the desire to stay connected is almost universal. And most younger-generation family owners want the benefit of their mom, dad, grandpa or grandma's wisdom and advice. Establishing the appropriate balance of involvement, creating the right glide path to an exit, identifying future roles, and finding the courage to "let go of the familiar" can be a process that boosts -- or busts -- the family business. Approaching it with care, conversation and commitment will create a win for your family enterprise.

EDITOR'S NOTE: Lance Woodbury writes family business columns for both DTN and our sister magazine, "The Progressive Farmer." He is a Garden City, Kansas, author, consultant and professional mediator with more than 20 years of experience specializing in agriculture and closely-held businesses. E-mail ideas for this column to Lance@agprogress.com

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