

Woodbury: Farm Family Business

When it's Time to Move On



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While I often write about succession planning and the continuation of the family enterprise, in this column I would like to address the issue of how to deal with ending a business partnership with family members. Many reasons drive relatives to split up. They may have divergent goals for the future, be frustrated over their roles in the business, have differing expectations of one another's behavior, find themselves in continual disagreement over financial issues, or be unable to move beyond past conflicts.



There are times in one partner's life when incompatibility, substance abuse, financial problems or personal crises like divorce or death cause the need to exit. (DTN/The Progressive Farmer file photo by Nick Scalise)

There are also times in one partner's life when substance abuse, financial problems or personal crises like a divorce or death of a loved one cause that partner to need or want an exit. Whatever the reason, it can feel like failure when the end is in sight, when the momentum toward an assumed level of shared success grinds to a halt.

But once you decide that getting out of business together is the right answer, how you go about the exit offers an opportunity to recast the relationship. In other words, exiting a partnership is a distinct experience, and can potentially be a better one, than the events leading to the break up. By using a collaborative and inclusive process, a family I worked with actually improved their family relationships. They are much happier, have less stress and communicate better on family issues now that they don't try to make business decisions together. That doesn't mean the process wasn't hard or at times difficult, but the way they communicated about their necessary changes led to healthier family interaction in the long run.

Here are several suggestions if you are stuck and feel that an end to the partnership may be near:

EXPLORE SCENARIOS

Instead of approaching the discussion as if a decision to split has already been made, view it as the exploration of several different paths. Start it as a "hypothetical" discussion by asking, "If we were to split up, how would we go about it?" There may be reasons to own some assets together, one party might buy out the other party, or the whole business might be sold and the proceeds divided. As you explore each different avenue, you will likely become more comfortable with the idea of splitting. In many cases, the parties actually become excited about their future. In other cases, people realize the costs of breaking up the business are so significant that it pushes them back to examining how they might continue working together. In either case, the important point is that you get started by exploring what-ifs.

KEEP COMMUNICATING

When the issues get tough, a natural tendency is to avoid the conversation. Who wants to keep getting reminded of the fact that you can't work together? And if you dislike or distrust your business partner, pushing yourself to go to meetings that require communication can feel arduous at best, sickening at worst. In order to get to the other side, however, you must keep communicating. If you take one step at a time, and focus on solving one issue after another, you will make it. Even if you have trouble agreeing on some of the issues, you can agree to an ongoing process. In short, keep setting the next meeting date.

REQUEST COLLABORATION

Splitting a business has financial, tax, legal and business management consequences. It often takes several professional disciplines to understand fully the ramifications of a significant ownership change. This is no time to skimp on paying fees to professional advisers, as mistakes can create headaches for years to come. Have your advisers at the table, and ask them to communicate and brainstorm with one another off line, so that you are not acting as a go-between translator. Above all, ask for their leadership in exploring the options. You are ultimately in control of the decision, but a coordinated team of advisers, while expensive in the short term, will ultimately be more efficient and will provide more clarity than work completed by professionals working in silos.

It is unfortunate that family business partnerships must sometimes be split, but how you deal with those circumstances provides a real chance to define your future family relationship. Agreement on, and commitment to, the process you use to explore the transition will make future dealings with one another easier.

Ending well will influence your lasting feelings not just about the decision you made but about the people involved in the decision.

Editor's Note: Lance Woodbury writes columns for both DTN and our sister publication, "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. Email ideas for this column to Lance@agprogress.com

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