



Woodbury: Farm Family Business

Don't Leave Them in the Dark

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"We demand rigidly defined areas of doubt and uncertainty!" -- Douglas Adams, "The Hitchhikers Guide to the Galaxy"

I recently heard a workshop presenter refer to certain negative behaviors or practices in the family business as "the dark side." One view of this "dark side" in family agricultural companies is a world in which participants are left "in the dark" about the business: What's it worth? Are we progressing? Where are we headed? Who will own it? Where do I fit?

Leaving these questions unanswered leads to a darkness, an overall climate of author Douglas Adams' "doubt and uncertainty" about the future. Consider these three behaviors and how they apply to your company:

KEEPING THEM IN THE DARK FINANCIALLY

I've seen a number of parents or grandparents keep a tight lid on any financial or sensitive information about the business. While I can appreciate their interest in keeping financial issues private, and I understand the concern that "if they know what we're worth, they'll quit working hard," the parents keep the numbers so confidential that not even family members working deep in the business have a good understanding of the size and scale of the organization. And they don't give enough credit to the values they've instilled in the next generation.

The extreme example of this is a spouse who keeps all business and financial information out of view of their partner, and when the spouse dies, their partner is left to start from scratch in understanding their now-significant financial position and requirements. There are also plenty of examples of where the senior generation has not shared balance sheet information with their adult children in the business, and so the next generation is left guessing about the overall financial position. How is keeping financial information a secret from future owners helping anyone?

Instead of keeping key information private, a better strategy is to develop expectations, or even a policy, around confidentiality in the business. Encouraging responsible behavior around how to handle sensitive information, and having a discussion of consequences for violating the policy, helps the younger generation appreciate the information and mature in their business practices. Sharing information also creates some level of competence in others, so that when something happens to the leader, there are others who understand the numbers.

KEEPING THEM IN THE DARK ABOUT FUTURE PLANS

In another recent Farm Credit workshop, Marcia Taylor, Executive Editor of DTN, noticed how many family members recounted stories of not knowing what "the plan" was for the disposition of assets. My own speaking and consulting experience confirms this. Sometimes, family members are in their 40s and 50s, have invested 20 or 30 years of work in the business, and have no idea what the senior generation intends to do with the farm or ranch. And quite often, the senior generation has no idea either!

There are some natural reasons that such a plan is lacking, or that discussions are not forthcoming. Planning for your assets beyond your lifetime requires a recognition of your mortality -- not necessarily a fun topic to consider. It involves a long-term plan in a business that has had its share of ups and downs. And it requires some faith that the next generation will figure things out. In short, trying to plan a generation or two out is not only an uncomfortable exercise, it can feel like a major guessing game.

Estate planners are fond of saying that if you don't develop a plan, the state and federal governments have

one for you. Their point is well taken; the absence of your planning will ensure that someone other than you, namely, the legislative bodies that have developed estate and tax laws, influences the direction of your assets. Better to let your intent be known, and a plan developed, than to not plan and end up with an estate tax bill, assets being sold, and your family in turmoil and possibly conflict.

KEEPING THEM IN THE DARK DUE TO FEAR OF CONFLICT

Speaking of conflict, I've seen a number of senior-generation members not plan, or avoid communication about their intentions, because they are afraid a family member will be upset. They hold back from developing a succession strategy, or they put an estate plan together but hesitate to sign the documents or tell people, because they fear their children will start fighting.

I counter this concern with the following question. "If you know what you want to do, what will make your kids less upset later?" In my experience, it will probably not get easier to have the discussion, so I encourage families to get ahead of it. If there is going to be conflict, let's have the conflict now, go through a communication or mediation process, and allow some healing to begin. To expect that everyone will "just get along" is not realistic when it comes to a family business. Sweeping the conflict under the rug will, more than likely, result in a bigger conflict later.

Keeping family business members in the dark not only creates future problems, it causes people to question their commitment or plans to return. Instead, create a brighter future by educating family members, sharing your intentions, exploring estate planning strategies and tackling conflict. It may be uncomfortable, but your efforts to minimize such "rigidly defined areas of doubt and uncertainty" will be rewarded in the long-run.

EDITOR'S NOTE: Lance Woodbury writes family business 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. Hear him in person Dec. 6 at the DTN University course in Chicago www.dtnagsummit.com. Subscribers also can access his archived columns under News search. Email ideas for this column to Lance@agprogress.com

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