

No One To Farm

Don't assume your children will want to take over the family business. You have to educate and engage them early to gauge their interest.



LANCE WOODBURY

young adults with limited knowledge of the family's financial, historical and vocational assets.

CULTIVATE INTEREST. I wanted to ask the parents if they had to do it over again whether they might have involved their progeny more in the life of the business. Would they have given them summer jobs outside or asked them to help in the office? Would they have taken them on trips to the banker or accountant's offices? In short, would they have encouraged their children to get to know the business?

As you think about your own family business, are you inclined to include or exclude the next generation?

DON'T LIMIT INVOLVEMENT. Some parents think of their own experience growing up. If it was negative, they tend to not want to put their own kids in a similar situation. For example, many farmers retiring today remember surviving the 1980s, and while we've seen better times recently, the memories of economic hardship are still present. Other parents feel as if they did not have the option to go elsewhere—they had to come back, thus feeling trapped. As a result, they limit their children's involvement to direct their attention away from the family enterprise.

I don't know if more exposure would have made a difference for this family. Maybe none of the children would have taken to the business. But I'm fairly certain that by not strategically involving them in the life of the businesses during years when strong impressions can be made, their decisions were influenced toward a different path. And that lack of interest by the next generation offered one less succession option for the parents. ●



PHOTO: DEBRA FURGLUSON

Several months ago, I sat down with a father to discuss the succession options in his diversified agriculture operation. It appeared his children were not coming back to the family business, and he and his wife, both of retirement age, wanted to think through the possibilities. Should they sell the business and land? Transition the operation to a key employee? Rent the assets to another operator? There were several good options to extract some financial value from the company, we just needed to decide which one to pursue.

QUESTIONS TO ASK. As we talked about the pros and cons of different strategies, I asked about his kids. Why weren't they interested? Here was a profitable agriculture business that had grown over two generations, and the organization had numerous roles offering family members a place. Indeed, most of the ingredients seemed ready-made for family business continuity.

As the father described his children, however, it became apparent they spent little time in the business while growing up. The family lived in town, and the adolescent children weren't really encouraged to go out to the farm. They had jobs in town during high school, moved away to college and then landed in big cities. They had no significant knowledge of the different business activities, lacked a grasp of the comparative size of the business and knew nothing of the family's balance sheet. In short, they were educated

Editor's Note:

Family Business Matters, our new monthly column focusing on succession and estate planning, is written by Lance Woodbury, a Garden City, Kan., consultant specializing in agriculture and closely held businesses. During his long career, he has guided families through intergenerational farm transfers and has mentored successors. He is author of "The Enduring Legacy: Essential Family Business Values" and "Family Business: Genesis 37–50 and the Family of Joseph." Woodbury grew up spending time on a farm and ranch in western Kansas.

This column will also provide a forum for Woodbury to answer questions from readers. If you have questions, e-mail them to lance@lancewoodbury.com. All inquiries will be kept confidential, and no names will be used in the column.

Write Lance Woodbury at Family Business Matters, 2204 Lakeshore Dr., Suite 415, Birmingham, AL 35209, or e-mail lance@lancewoodbury.com