

# Unspoken Assumptions Threaten Business

These strategies will help clarify expectations and avoid disappointment.



Of the many dangers that exist in the family business, untested assumptions are one of the greatest. In the absence of any real discussion, and because of intimate relationships and the level of trust expected of a family member, relatives often presume what will or should happen in the future. The combination of unexamined assumptions, individual

plans, uncoordinated action and no discussion causes tremendous turbulence in family farms and ranches.

An assumption can be defined as “a thing that is accepted as true or as certain to happen, without proof.” It’s the “without proof” that often causes so much heartache, as family members tend to avoid verifying what they hope will happen because of the awkwardness of the conversation.

**A few specific questions for which assumptions run rampant:**

- ▶ Who will inherit the land or other assets, and will the inheritance be shared equally among offspring?
- ▶ When will the ownership or management transition occur?
- ▶ What skills, experience or economic threshold must be present for a family member to work in the business?
- ▶ How will compensation be determined?
- ▶ May spouses be involved in the business or in communication about the family’s assets?
- ▶ How well is the business doing?

By assuming answers to these questions, family members begin to develop expectations about how things will turn out only to be disappointed later. To prevent assumptions from dominating your family business experience, consider three strategies.

**1) CREATE OPEN AND PLANNED DIALOGUE.** Younger family members are often hesitant to ask about the future

because they feel it’s not their place; the transfer is the senior generation’s prerogative. Particularly if the questions involve the transition of ownership or management, the next generation doesn’t want to be seen “pushing out” the senior generation. By creating a specific time and place to have an open discussion about the future, you allow some of the questions and expectations to surface. The senior generation may not yet have all the answers or may not be comfortable revealing all their concerns, but at least some of the assumptions and ideas will surface.

**2) SEEK AND SHARE GUIDANCE.** A family business transition is complex from both a financial and human standpoint. Tax strategies, financial ratios, legal structure and emotions all mingle to produce an overwhelming amount of information. Going to seminars, interviewing

your advisers or asking peers about their experiences can provide ideas and strategies you may find useful. Furthermore, seek to become educated as a family. The more family members understand the opportunities and factors influencing the transition, the more their ideas and expectations can become grounded in what is likely to make sense for your family. And, the act of becoming educated together creates

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an almost natural environment where some of the specific family business questions might arise.

**3) BUILD PROCESS AND PLANS.** Family business relationships and agricultural enterprise growth are rarely stable or unchanging. Marriages, births, deaths, divorces, along with commodity price swings, land values, livestock health or market changes, labor markets and government policy create an ever-evolving landscape in which you are making—or changing—plans. In a sense, your plan is never complete; it’s always evolving. Recognizing such unpredictability, gather your family on a regular basis to check everyone’s expectations. Don’t fool yourself into thinking the plan is “complete” and therefore finished. Schedule a recurring conversation about the future.

Family discussions about future ownership, management and employment in the business can be awkward. But an awkward discussion now beats the alternative: family members making assumptions year after year, only to wake up disappointed later in life. ●

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