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Self-Awareness FOR SUCCESS

An effective transition requires knowledge of both strengths and weaknesses.

Everyone knows the importance of accountants, attorneys and wealth managers when planning the transition of the farm or ranch to the next generation. And, for good reason, as getting the legal, tax and financial strategies wrong can lead to unnecessary costs and legal problems.

Less frequently emphasized but equally important to the process of transitioning is self-awareness, or the ability to see your strengths and weaknesses, and understand your preferences and biases. Being knowledgeable of your problem-solving style, your family's transition history, your future goals and your financial needs are the keys to being able to effectively "let go" of the business. Consider the following reasons each area is important.

PROBLEM-SOLVING STYLE. Each of us has a unique way we approach our daily work. Kathy Kolbe, creator of the Kolbe Index, outlines four action modes. Some people are more detailed, some are process oriented, some are more improvisational and some tend to be very hands-on. Each action mode is valuable and can get the job done, but each will do the work in a different way. If you aren't aware of the strengths of different styles, your bias for "your way" limits your view of the next generation's true capabilities.

TRANSITION HISTORY. When you look back at the transition of the business from the prior generation, how did it go? Was it an immediate transition because of an unexpected death or disability, or was it a gradual transition over time? Did your parents retire and move to town or stay close to the farm? Most importantly, how did you feel during that transition? Were you frustrated? Appreciative? Disappointed? Families in multigenerational businesses often repeat their transition history; after all, it's the only way they've seen it done. If prior transitions were difficult, recalling those difficulties and the pain they caused can help you change your transition process for the better.

FUTURE GOALS. For a transition to go smoothly, it helps to feel a pull toward your next chapter in life. That could be as simple as traveling or spending time with grandkids spread around the country, or as challenging as doing church mission work in another country. (My grandparents became missionaries in Japan at age 65.) Your goals might involve improving your health, writing your memoirs, seeing new places, teaching, serving on boards or even starting a new business. Without a reason to look toward the horizon, you will focus on the current business, finding it hard to let go.

FINANCIAL NEEDS. One of the primary reasons for conflict in transitions is the senior generation looking over the shoulder of the younger generation. That may be appropriate when the younger generation is in its 20s or early 30s, but not so much when in its 40s or 50s. It leads to a general feeling that the incoming generation isn't trustworthy with business decisions.

Trust, however, isn't always the problem. Sometimes, the senior generation feels like it can't financially let go. It doesn't have a good understanding of its true financial needs—in part because the farm has been paying many living expenses—thus feeling tied to the farm's income stream. Improve the transition process by studying your income needs and articulating the sources of retirement funds. You'll help everyone in the process.

Family business handoffs are notoriously difficult. Gathering information from your advisers is important, but it's just as vital to gather information about yourself. If you identify your problem-solving style, your family's history, your future goals and your financial needs, plus get some help from your key advisers, you can improve your odds of a successful business transition. ●

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