

# Prevent Fireworks

*Share information, clarify rewards and maintain common goals to limit deep conflicts.*

## In helping families communicate about the future

of their farm or ranch, we often run into conflicts between family members. These conflicts come from a variety of sources, such as past behavior or different expectations about how situations should be handled. A seemingly rude comment, the lack of an invitation to a business meeting or family event, going around someone to get something done or changing plans without notification are just a few examples of what can lead to fireworks in the family business.

Conflicts also arise from misunderstandings, basic assumptions and different visions about the future of the business. These conflicts can go deeper, shaking the foundation of the entire family business partnership and sometimes resulting in the unwinding of the enterprise.

Expecting there will never be such conflicts in a family business is naive. But, attention to a few important topics sooner rather than later can help prevent these deeper conflicts from tearing the fabric of family relationships. Consider the following three areas that help keep people on the same page.

## SHARE MEANINGFUL INFORMATION

Family members in different parts of the business, such as crops, livestock or the office, or even off-farm owners, have access to different levels of information. Someone in the office might have information related to finances. One or two people might be focused on grain marketing decisions. Someone working outside may have better information on equipment needs or crop conditions. Many people have some knowledge of a part of the family enterprise.

To work well together as partners, it is important that family members have a common level of understanding about key issues affecting the business. Not everyone needs to know every detail, but most current and future owners benefit by having a grasp of key business issues, problems and projections. Taking time to share that information helps to reduce the information gap and builds a shared perspective.



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## CLARIFY REWARDS

Participating in a family farm or ranch offers a variety of vocational rewards. Growing crops, feeding others, being outside, working with family and caring for animals can be deeply satisfying. But, as a business, people also expect some level of financial reward. A living wage, basic benefits, a return on investment, growth of one's net worth and a balance of work and personal time are a few of the expectations your partners may have.

With a family's desire to work together coupled with those intangible rewards, many family businesses do not formalize the financial rewards or expectations the same way a non-family business might. Because rewards are not formally discussed, dissatisfaction grows, and a chasm develops between expected and actual rewards. Spelling out wage, benefit, dividend and capital distribution policies helps to prevent financial dissatisfaction from breaking up the partnership.

## RECALL YOUR REASONS

There is often generational momentum to continue operating, or at least owning, the family farm or ranch. But, as more people inherit ownership and the number of partners grows, sparks can fly. Many of these new partners didn't make the original decision to be in business together—their parents made them partners.

It is helpful, every so often, to review the reasons you want to continue in business together. If someone wants to exit, it is easier to bring it up if there is a regular pattern of evaluation.

Partnerships are hard work, and many people try to avoid partnerships altogether. But, family ties, the cost of land and the generational nature of our industry make partnership maintenance an important activity. Sharing information,

clarifying rewards and reminding one another of the reasons for your partnership will help prolong and enrich your family business partnership. ///