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Succession Scars

Most of what we hear or read about passing the family business to the next generation is positive. Farm- or ranchland, financial assets, life lessons and family values are the primary assets we hope to transition to others. Indeed, significant time and money are invested in making sure things of value pass with as little tax or family friction as possible.

But, what often is ignored are the negative traits and tendencies that we pass along to the next generation. We may leave financial liabilities or unfulfilled promises. We might also leave unresolved conflicts, patterns of abuse or addiction, or a history of fighting for control over day-to-day operations. As you plan for succession, try not to leave scars in the following areas.

UNFULFILLED PROMISES

Family businesses transitioning from one generation to the next are full of promise. There is often a promise to not sell land and keep the business intact. Sometimes, there's a promise to come home to the business after college. The senior generation also may make a promise to compensate the younger generation tomorrow for low wages paid today. We make promises to gift the business or certain assets to the next generation. And, many times there's a promise, implicit in most families, to take care of other family members regardless of their behavior.

When any of those promises go unmet, people can feel hurt. They may or may not say it, but the pain exists. That pain, then, might be shared with a spouse



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or even the next generation, creating a transition scar for future generations. Plans change, and promises may need to change, too. Discuss those changes sooner rather than later.

UNMADE PLANS

Succession planning involves transitioning both what you do (your work) and what you own (your assets). Like a baton relay at a track meet, the handoff takes both planning and skill. If you don't plan for the financial handoff, the income and estate tax liabilities will significantly impair the business. If you simply give the business or land assets equally to the next generation regardless of involvement and without rules for buying and selling between them, you've likely set up a difficult exit or insurmountable buyout.

When it comes to your role in the business, if you haven't taught, trained or shared your skills and experiences with the next generation, it may repeat some of the costly mistakes you made during your farming or ranching career. And, if you don't discuss

the timing of the transition, leaving people to assume when the handoff will occur, the baton might get dropped, or the next generation may simply quit the race right before the senior generation is ready to hand off.

"Everything I've ever let go of has claw marks on it."

—David Foster Wallace

UNRESOLVED ANGER

Succession is not just physical and financial, it is also emotional. Thinking about your transition requires considering your mortality, forcing you to reckon with your own goals, accomplishments and relationships. It means letting others do the things you love to do, and they may not do it quite as well. It speaks to your identity: Do you have a life apart from the business? And, it means watching the next generation work and manage things differently than you do. All of that can generate a fair amount of anger, which rears its head in the succession process.

In more than 25 years of family business consulting, I've never seen a perfect transition. There are always some scars. But, how deep those scars run is within your control as a family. Conversations about promises and plans are the liniment, which may sting a little when applied but ultimately helps heal. ///