

Rethink Failure

Exploring your options can lead to unexpected solutions to reconfigure ownership and management.



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When we consider the future, we often assume that the family business must continue at all costs.

Whether the business has existed for multiple generations or just one, the idea that the family might choose to do something different—stop farming or ranching and rent the land, sell the business or land outright, or divide the assets between family members—is laden with negative connotations. Feelings of failure and guilt hover over the options, leading people to miss financial opportunities or worse, perpetuate family conflict and bitterness.

I'm not suggesting family business members throw in the towel at the first sign of trouble. Indeed, multigenerational farm and ranch businesses are usually oriented toward the long term, are owned by dedicated and resilient family members, and have survived very difficult years. I am proposing, however, that there may be times when the alternatives to continuing “as is” should be discussed, explored and debated—guilt-free. You may discover that getting out of business is the best option for the family. Consider the following scenarios.

> AN UNEXPECTED WINDFALL

Financial opportunities to exit the family business fall into two categories. One is where the well-performing family business is faced with a windfall of cash or equity. In farming and ranching, this often includes the development of real estate, such as commercial buildings or housing developments, recreational interest, urban encroachment with roads and infrastructure, wind energy or solar farm investments. Someone comes forward with a “too-good-to-be-true” offer. Don't automatically dismiss it; give it some serious thought and discuss the what-if scenarios.

> A LIFE PRESERVER

The second scenario is a chance to stop, avoid or prevent an underperforming trajectory by the family business. The sources of the potential cash infusion may be similar to those described earlier, but the business itself is in a more troubling place because of poor crop conditions, mismanagement, the poor health of the owners or other economic reasons. The business headed downhill may have a unique chance to change direction. Several struggling business owners I know took advantage of turnarounds in commodity markets to pay

off debts and exit or downsize with a strong financial position. If you are thrown such a life preserver, take time to discuss the pros and cons openly with your family members.

> RELATIONSHIP RELIEF

Maintaining great working relationships with your extended family members day in and day out is no easy feat. The overlap of family roles, management expectations and ownership requirements put enormous pressure on even the calmest family business members. Communication is often lacking, and conflict simmers just below the surface.

Over time, family members and their spouses can come to resent one another, leading to limited family interaction, missed holiday celebrations and awkward family events. If you keep a family business going, but no one likes their family members, what have you accomplished?

Getting out of business together via buyouts, asset sales or equity distributions may not lead immediately to family harmony, but it will lessen the stress people feel in their lives, especially if serious conflict seems intractable. Exploring options and ideas can lead to unexpected solutions to reconfigure ownership and management of the business.

Don't let the fact that “we've always done it this way” or your prior definitions of failure get in the way of exploring all of your options. If you collaboratively discuss and agree as family members on your future path, you've succeeded, even if that means doing something different than you had ever imagined with the farm or ranch.



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