



Enterprising Rural Families™

This newsletter is an instrument of the *Enterprising Rural Families: Making It Work* program of the University of Wyoming Cooperative Extension Service. For further information concerning the Enterprising Rural Families program or on-line course contact information@eRuralFamilies.org or go to <http://eRuralFamilies.org/>.

TIP OF THE MONTH:

HELPING YOUR BOSS HELP YOU

- Remind them of where you left the matter last time you met.
- Remind them of the objective rather than rushing to the “what” or “how.”
- Remind them of past problems encountered because a decision was not made.
- Quickly summarize the options considered, your criteria for selecting one option—the one you are presenting.
- Tell them what you expect from them: to inform, decide jointly, share risk, add a criterion, re-examine the option.
- Focus on the points where you need their help.
- Be prepared with facts and data for potential disagreements. Help them out with graphics and visuals.
- After your meeting, summarize the decision in writing for them.
- Once the decision has been made, do not criticize it externally.

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Family Business, Tricky Business

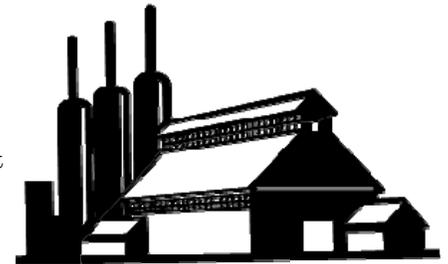
by Lorne Owen and Judy Carter

Almost all U.S. farms and ranches are family-run operations: 98 percent in 2004. In addition, about 27 percent of farm operators reported their age as 65 or older. (USDA, 2007) In contrast, only 8 percent of self-employed workers in nonagricultural industries reported they were that old. (USDOL, 2005) It has been estimated that 30 percent of family-owned businesses are successfully passed to the second generation, 10-15 percent to the third and 3-5 percent make it into the hands of the fourth generation. (Aronoff, 2001) The primary reason: people cannot get along and work out their differences.

Running a family business is tricky. Many factors conspire to diminish a family's chances of success and long term survival in

a rural business. It does not matter whether you are running a big, multi-faceted, news-making corporation like Cargill or a Mom and Pop roadside stand, the goals and challenges of running a family business are pretty much the same. Only the amount of money involved and publicity received vary.

No matter how big or small a family business is, its goals are "to keep the family together, keep the business together, and keep both healthy enough so that there is something meaningful to pass on to the next generation." The trouble is these goals often conflict. What is good for the family is often bad for business and vice versa.



Businesses and families exist for different, often diametrically opposed, reasons. A family's purpose is to nurture and support its members so they turn into responsible, self-sufficient, fulfilled individuals. A business exists to make money. A family offers unconditional love and is patient. A business demands performance, usually within a specified time frame. Family decisions can be based on feelings. Business decisions must be based on facts, figures, efficiency, and expediency.

The primary cause of most family business woes is their inability to separate the personal and professional roles. The enterprise founders are bosses and parents or grandparents. Children are both cherished offspring and employees. Relatives involved in the business are also partners, co-workers and possibly employees.

Non-family businesses are not forced to cope with role-blurring. Employees show up, do their work, and go home, alone. That is not the case for family businesses. In family businesses, emotions can run high. In addition to confusion over family and business roles, the three other main causes of conflict are:



1. Feeling something is unfair- this often stems from the assumption that children should be treated equally;
2. Feeling unacknowledged- people need to feel that they and the contributions they make are appreciated; and
3. Feeling powerless- to effect change.



Not surprisingly, these conflicts are most likely to flare up when the business is being passed to the next generation. Hence, the need for a definite, detailed succession plan is especially important for family businesses, and most especially for family farms/ranches. Parents and children alike need to know what to expect and when to expect it.

Instead of postponing the transfer of power, which is what many family business owner/operators do, it is much wiser to involve children in the management of the farm as early as possible. If Mom/Dad waits until they are 85 and infirm to grant check-signing and decision-making authority, the successor is likely to be 60 to 65, bitter, and ready to retire them self not revitalize the enterprise, which is central to ensuring it remains competitive and prosperous.

The sooner successors learn the ropes and are given freedom to run the farm, the happier and more successful they are going to be and the sooner the parents can relax and enjoy retirement. Letting children take-on responsibility for specific aspects of the business enables them to prove themselves and learn the skills they need to run the enterprise. Mistakes are better made while the parents are still alive and able to help correct them. In addition to shifting more and more responsibility to children, grooming the next successor should include discussion of the characteristics of successful family businesses.

Twelve Characteristics of Successful Family Businesses

No matter where in the world or in what sector of the economy a family businesses is positioned, those that have survive and thrive share twelve traits in common. To successfully combine business and family, the following attributes are essential:

1. *Trust* - Trust is the foundation of all relationships. It is doubly important when families are in business together. People must be honest and keep their word. Without trust, neither family relations nor the business can thrive.

2. *Shared Goals* - Family members must share a common vision of the business, both immediate and long term. They must be committed to its continuity, as well as its ongoing revitalization.

3. *Shared Power* - Power must be shared across generations, between spouses and among siblings. At the same time, family members must accept that all people are not created equal. They must let those with more experience or specialized expertise have more say, whenever appropriate and beneficial.



4. *Mutual Respect* - Family members must respect each other, as well as everyone's contribution to the family and the business. Abilities and talents must be recognized and put to wise use. Strengths and weaknesses must be acknowledged and taken into account, without being judged.

5. *Direct Communication* - Differences of opinion must be handled openly, promptly, and directly. At the same time, family members must remain respectful of each other. Compliments and support should flow as freely as constructive criticism does.

6. *Willingness to Learn and Grow* - All family members must be open to new ideas. Families which are willing to consider other points of view and try new approaches can solve virtually any problem that arises. They are also more competitive and resilient.

7. *Shared Values* - Family members must share similar values concerning work, money, time, and interpersonal relationships. In addition, compatible values regarding education, achievement, decision making and problem solving, community involvement, lifestyle, and morals helps.

8. *Traditions* - It is a good idea to establish and perpetuate family traditions, such as taking a family ski vacation each winter or going camping together. Doing so is fun and strengthens family ties outside of the business setting. (Separate get-aways for Mom and Dad are important too, particularly where they are the owner/operator team.) Traditions bind people and especially family members together.



9. *Personal Boundaries, Privacy* – It is also important to maintain well defined personal boundaries. Spending all your time with family members, living in each other's pockets, is not healthy. Family members also need to take care not to fight each other's battles.

10. *Clear Role Differentiation* - Family and business roles should be defined and must be kept completely separate.

11. *Relationship -Building Activities* - Like crops in the field or livestock in the pasture, relationships must be nurtured. By sharing good times and having fun together, successful families build-up the reserves in their emotional bank accounts. When difficult times or dissension strike, these accounts can be draw upon.

12. *Caring and Support* - Members of successful farm families genuinely care about each other. They express their feelings openly and purposefully. They visit. They call. They have fun together. They rally to support each other during times of pain, loss, struggle and failure.

(Communication techniques and problem solving in family businesses are covered in greater detail in the **Enterprising Rural Families: Making It Work™** on-line course.) Edited by: John P. Hewlett, UW Ranch/Farm Management Specialist.

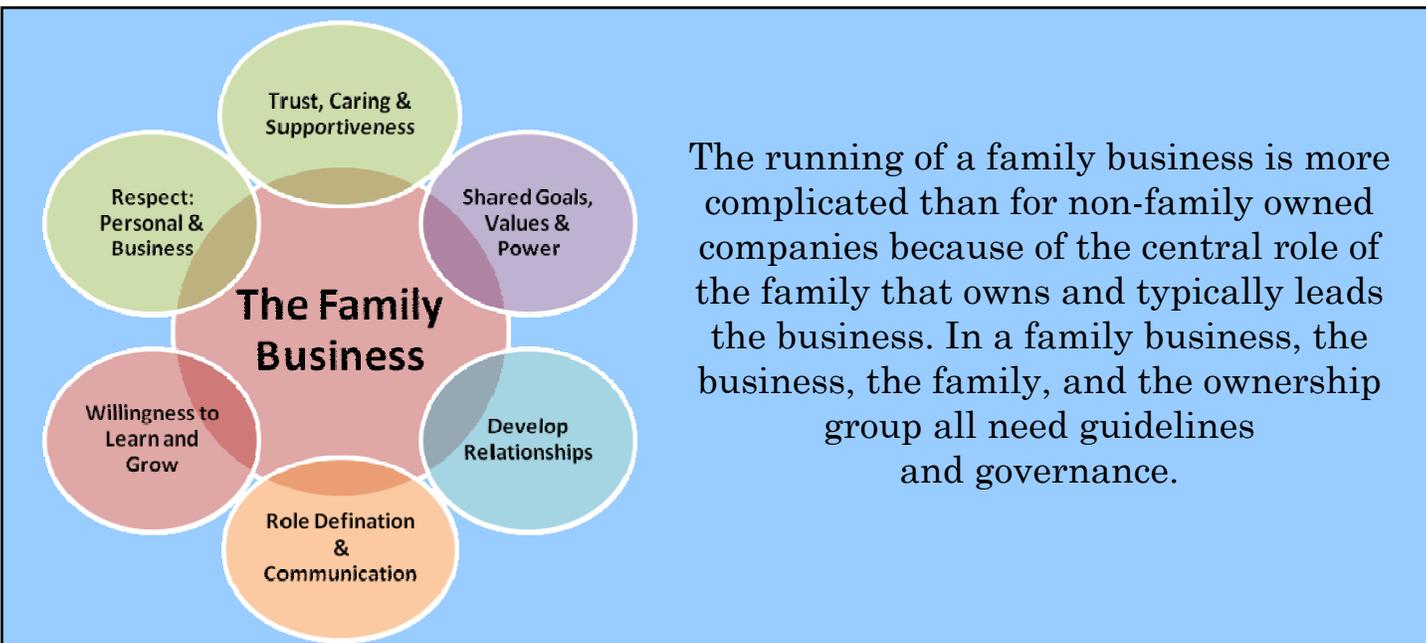
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