



Enterprising Rural Families™

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TIP OF THE MONTH

The family business is made up of four interacting systems which may be in conflict over goals and purposes:

The Individual—Every family is made up of individuals and the skills, roles, and dreams of each vary.

The Family— The needs and desires of the family for stability and relationship may be in conflict with the goals of the business.

The Business— The bottom line of the business (profit) may be in tension with the family goals.

The Community—The community may exert numerous influences on the family and business, some of which may be controlled and some not.

You Can Buy the Business But Just Remember— I Still Own It”

Succession Issues for Family Business

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(Reprinted with permission of the author from a presentation at the 2005 Wyoming Bankers Association Ag Bankers Conference)

When transferring the actual ownership of the family business to the next generation, especially if the business has been in the family name for several generations, the entire succession process itself can result in a lot of emotional stress among the family members involved.

There are many issues which confront family members in working through this transition in a reasonable and expedient manner without disturbing the daily operation of the business. **These succession issues must eventually be discussed by all the family members involved and resolved to everyone’s agreement to allow for a successful transition of ownership to the next generation.**



The Role of the Father: Remember that Dad is wearing two hats in the family business, i.e. **Boss Hat** and **Dad Hat**. When wearing the Boss Hat, Dad is in charge (authoritative power) and supervises the adult children as employees in the business. When wearing the Dad Hat, the father is understanding and takes time to listen to the concerns of the children. Dad is more relaxed and willing to spend time visiting about family matters, such as planning Mom’s birthday party. This presents a difficult situation for any father since he must know when to be wearing which hat. **Dad may even have to change hats several times during the day.**

The adult children working in the family business must make this distinction between the Boss and Dad roles that the father plays. When things go wrong in the operation or someone makes a big mistake (i.e. a major screw up), the father will become upset and even get angry. He is wearing the Boss Hat. He still loves his adult children (Dad Hat), but is disappointed with their work performance in the business. Dad needs to correct mistakes in a positive manner that builds confidence and self-esteem in these adult children.

Dad must be certain to compliment that adult child by giving praise when he/she does a good job. If Dad only criticizes and points out the mistakes - never mentioning the accomplishments - a negative working environment soon develops between Dad and these adult children. This issue can actually lead to more serious problems in the family. Many times an adult child will go back to the family business to begin their career after graduating from college or working at another job. Dad has to be careful to treat this son or daughter as an adult person, capable of making decisions and providing their own ideas.

If Dad wears only his Boss Hat (my way or else), the adult child may feel that he/she is only hired help with no opportunity for any management input. This can quickly damage the effective working relationship between Dad



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and the adult children. With no chance for input and not being recognized for their contributions and efforts, these adult children soon lose interest in the business itself and have little motivation to be successful in the operation.

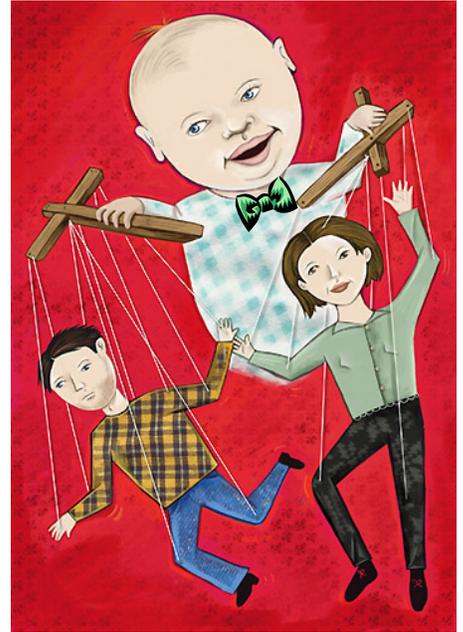
The Issue of Controlling Parents: Some parents raise their children to be followers. Children are often expected to do what the parents always want. “Work hard, do exactly what you are told, but don’t ask any questions” is often the norm in these families. The parents cannot understand why their adult children have no drive or ambition. Why they lack being creative or having new ideas. These adult children may even lack personal goals or direction in their lives.

What is the behavior expected by the parents for the adult children in the family business? Do parents want their children to be puppets or independent thinking adults with their own ideas? Is it the parents’ dream for the children to return home to the family business or is it the children’s dream to work with Mom and Dad? Or is it everyone’s dream together as a family? Children should never feel obligated to remain in the family business when their career interests or dreams lie elsewhere.

Another side of this issue is that parents want their adult children to have a better living standard, for example, helping them buy their first home, or a new car or the chance for a needed vacation. But often this is done with “strings attached.” Mom and Dad often expect something in return for the favor or gift that they have provided. For example, the parents give a cash gift for the down payment on a new car that their adult children may really need. But the parents expect them to buy the type of car that *they* would actually purchase. When the children spend the money on a large SUV, the parents may come unglued and upset. They are quick to remind the children that it was “their money” to begin with and something more practical and less expensive is in order. This may make the children feel guilty for making a wrong decision - according to the parents – and wasting their parents’ hard earned savings on this new SUV just purchased.

Parents should never do anything extra for their adult children unless they can do it with a free conscience and no strings attached. “Here is a cash gift, spend it how you want and enjoy.” That would be hard for some parents to tell their children. **More simply stated, the parents need to treat their children as adults with respect for their decisions.**

(“*What If Mom Outlives Dad*” is the focus of the next issue in this series on **Succession Issues for Family Businesses.**)



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