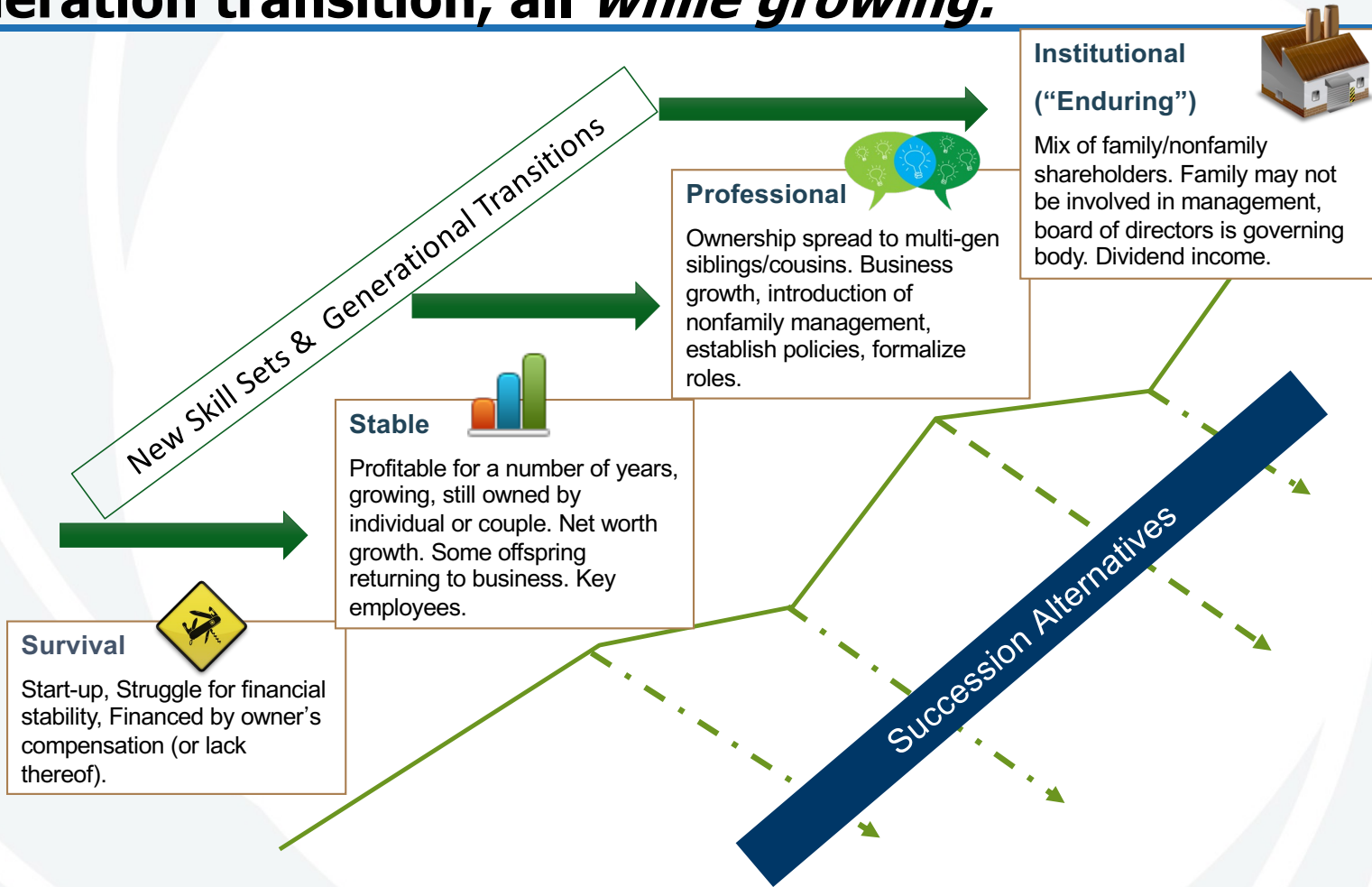




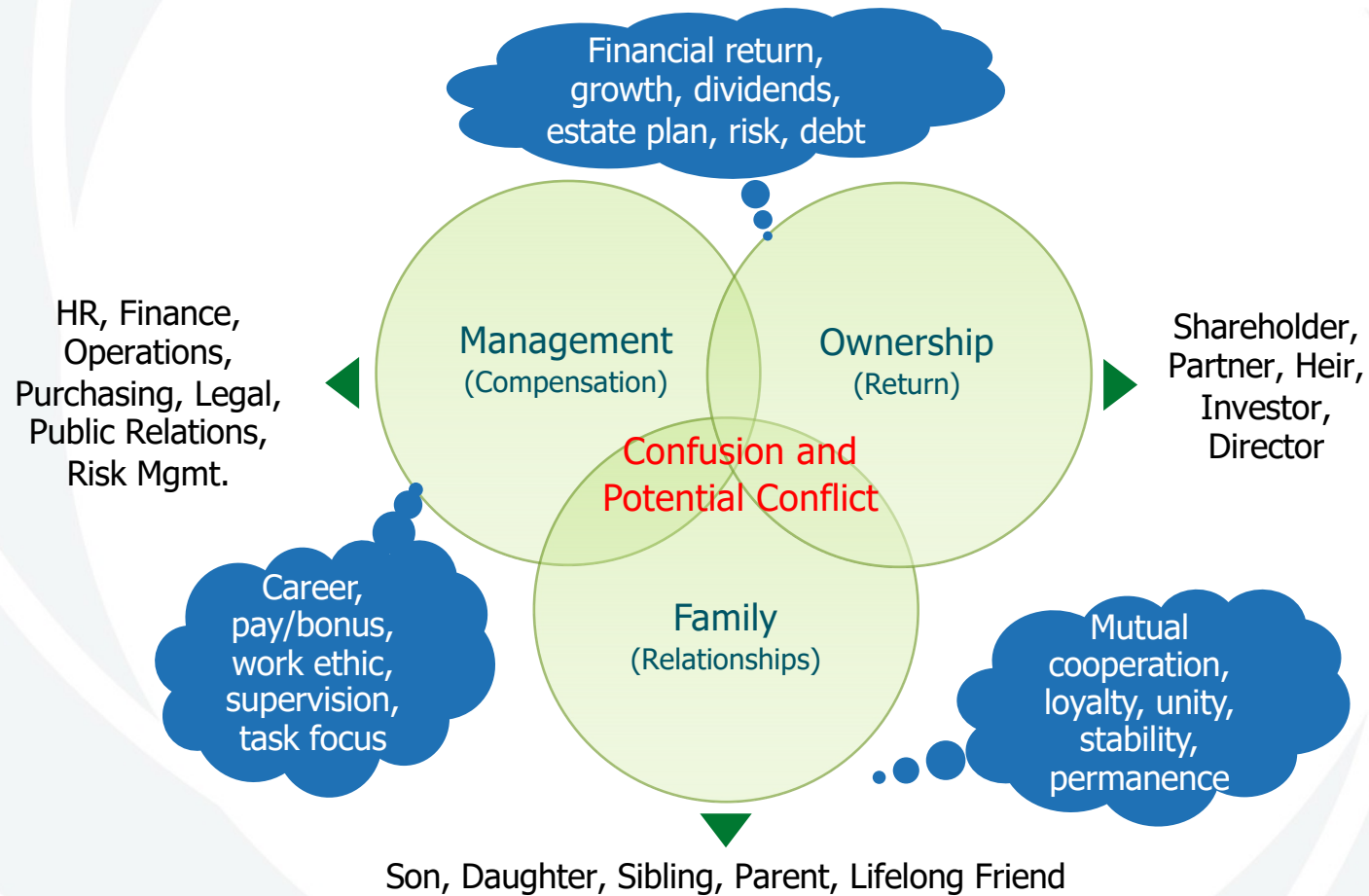
TEPAP Unit I: Family Business Management

Lance Woodbury
January 5-6, 2025

3 things at once: senior generation transition, next generation transition, all *while growing*.



You are wearing multiple hats in a family business...



You operate in two “contexts” with conflicting values

Family

Emotional
Inclusive
Inward-looking
Kinship based
Equal
Generational authority
Develop individual
Transfer values

Business

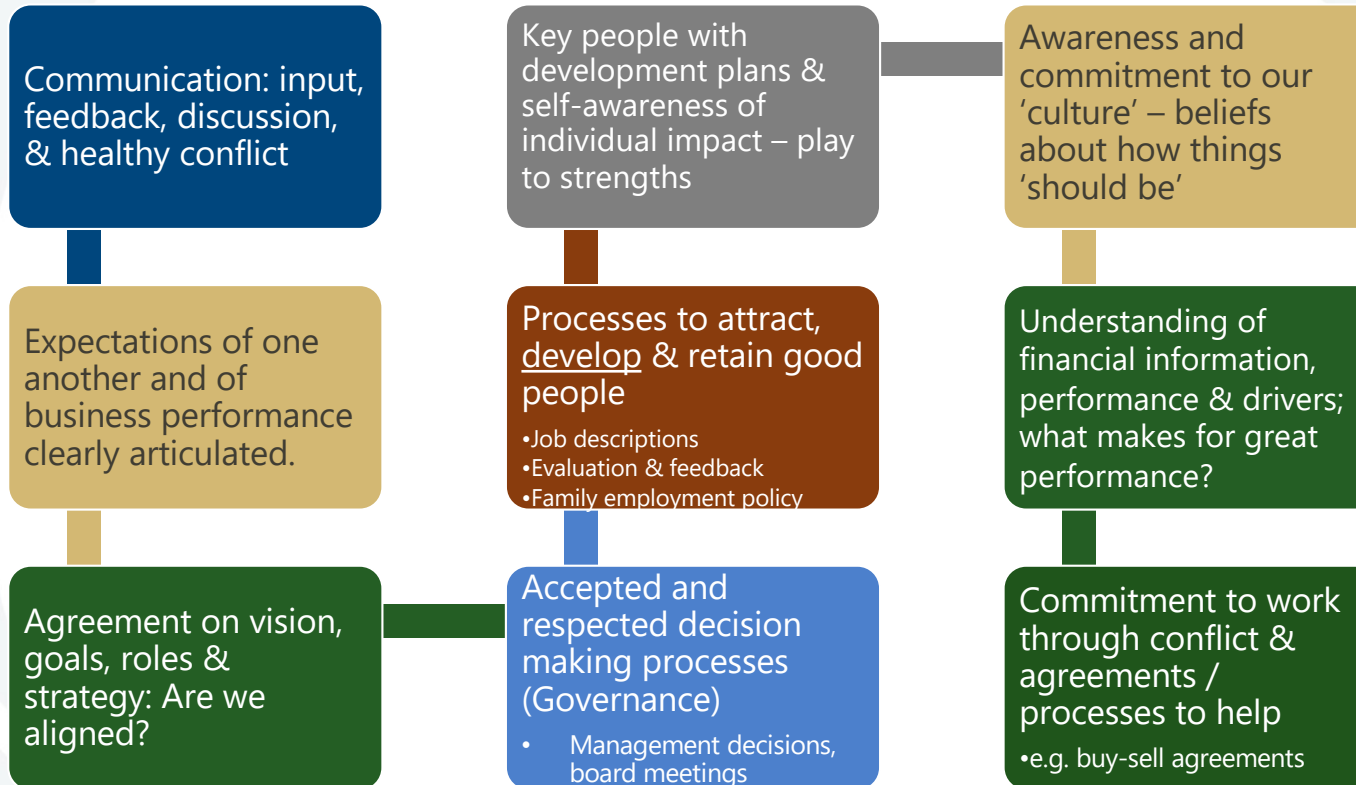
Rational
Competitive
Outward-looking
Merit based
Differentiated
Positional authority
Develop products
Transfer profits

Power in the family business

- Who has the power? Power is...
 - Legal authority: Entity control, board/officer position, power of attorney, etc.
 - Information: An “inside track” to what has gone, is going on, or will go on.
 - Proximity to decisions & decision-makers: Having the ear of the person in charge.
 - Family influence and relationships: Close roles, shared pillows, medical needs?
 - Money: The flow of dollars, the purchase of assets.

The ability to create chaos!

Healthy businesses have healthy processes



Recognize the value of being a family business...but act as if you are not one!

Relationship Risk: Where is your risk the greatest?

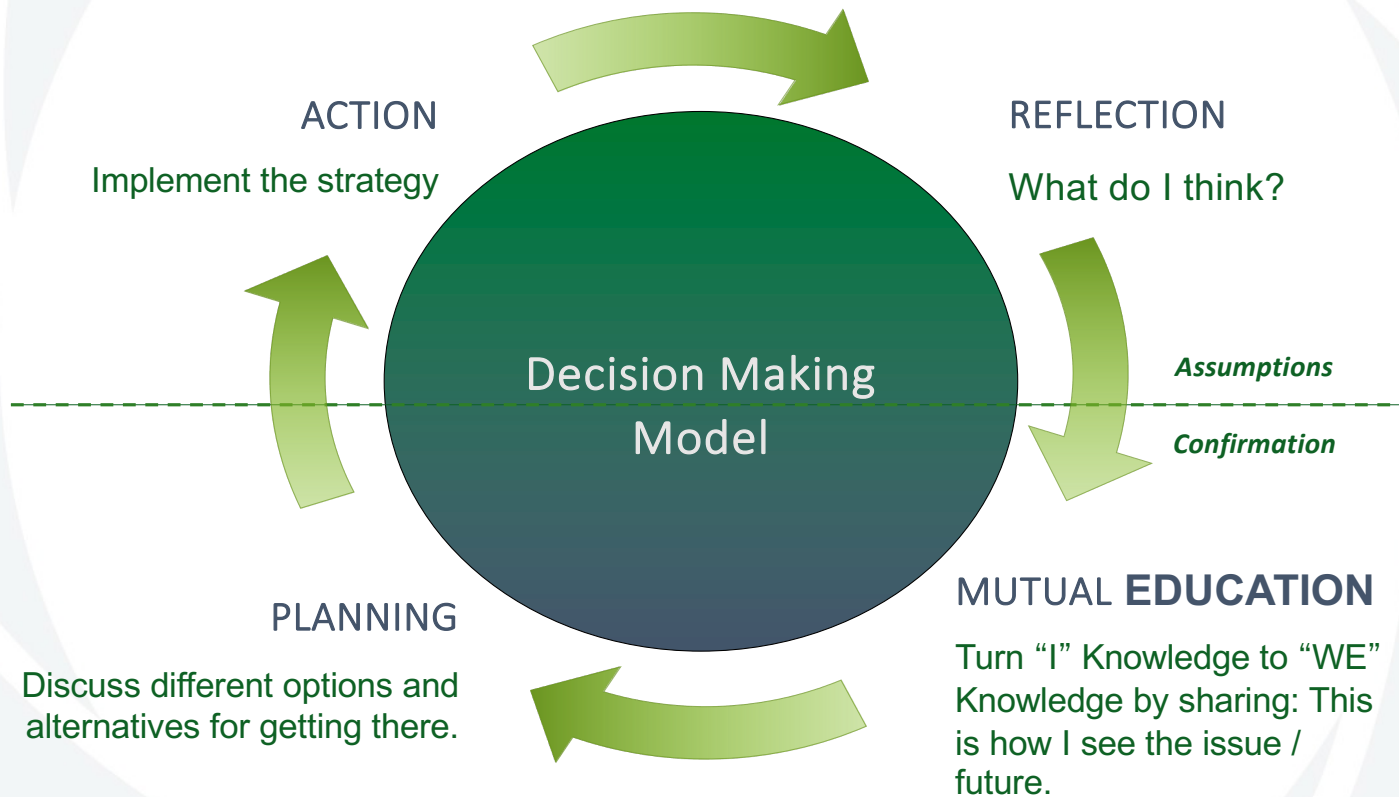
Where is the risk greatest
for you and your operation?

- Agreement on future direction
- Clarity in ownership and management transition
- Adequate retirement funding (non-operating)
- Buy-sell (exit) agreement for partners
- Accepted compensation philosophy and strategy
- Clear performance expectations; guiding principles

Managing Family Relationship Risk: Tools

- Assess the key stakeholders: Roles, Values, Power, Concerns. Who needs to be involved at what level, and what are their positions and concerns? Commit to a “process” vs. an “event”.
- Focus on *business planning*: future focused & framed more objectively. What they want to see...
 - **Vision** for the business and the family: Where are we headed? 10 years.
 - Specific **goals, strategies, and results** for the business: What & How? 1-3 years.
 - Each person’s potential **role** over the next few years. Senior gen? Spouses? Next Gen?
 - Clarifying how **decisions** will be made. Which are group decisions? Individual?
 - The best entity/ownership **structure** for the next generation.
 - **Expectations** about individual **performance**, and **transitions** that may occur.
 - Regularly **communicating** and **reviewing** business performance.
- As a group, create a list of key responsibilities and an organizational chart – forces a discussion about expectations.
- Determine functional areas for gradual transitions of control: timeline, percentages.
- Clarify what you expect of others - particularly around performance/results, knowledge, and skills.
- Seek out and encourage experiences (formal education, workshops, training, peer groups) to learn & interact with peers. Create a forum to discuss the results of your learning.
- Consider using a structured advisory board setting to challenge your business to become more professional and remain accountable to progress.

Bringing others along in the transition



Guiding Principles: What do you believe about your family, your wealth and your business? For example...

Those that are working in the business should own it.
My assets should be owned by my heirs regardless of their involvement.

The next generation should buy the business.
The next generation should receive the business as a gift or reward.

Being transparent (letting people know your thoughts) is important
Keeping my thoughts and information private, to be revealed later, is preferable.

Any family member can come back.
Only those that pursue additional education, work somewhere else for awhile, and have a skill set that fits our business' needs have a place here.

Only family members can be owners.
Ownership can be used to attract and retain the best talent.

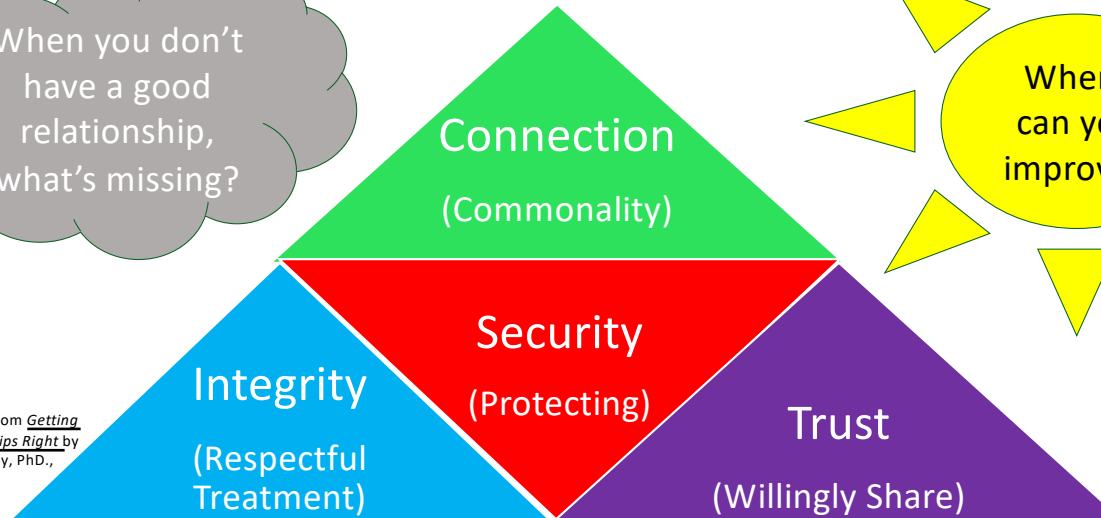
In laws should participate in discussions
Only family members (blood relatives) should be involved in the process.

Land will only be farmed by family members.
Family members must perform in order to retain the right to farm the land.

You will take a discount on your equity if you leave.
Using insurance to pay an estate tax liability is an acceptable strategy.
Giving some of my estate to charity is important.

Relationships – Keys to Effectiveness

When you don't have a good relationship, what's missing?



Adapted from *Getting Relationships Right* by Melanie Joy, PhD., 2020

Boundaries

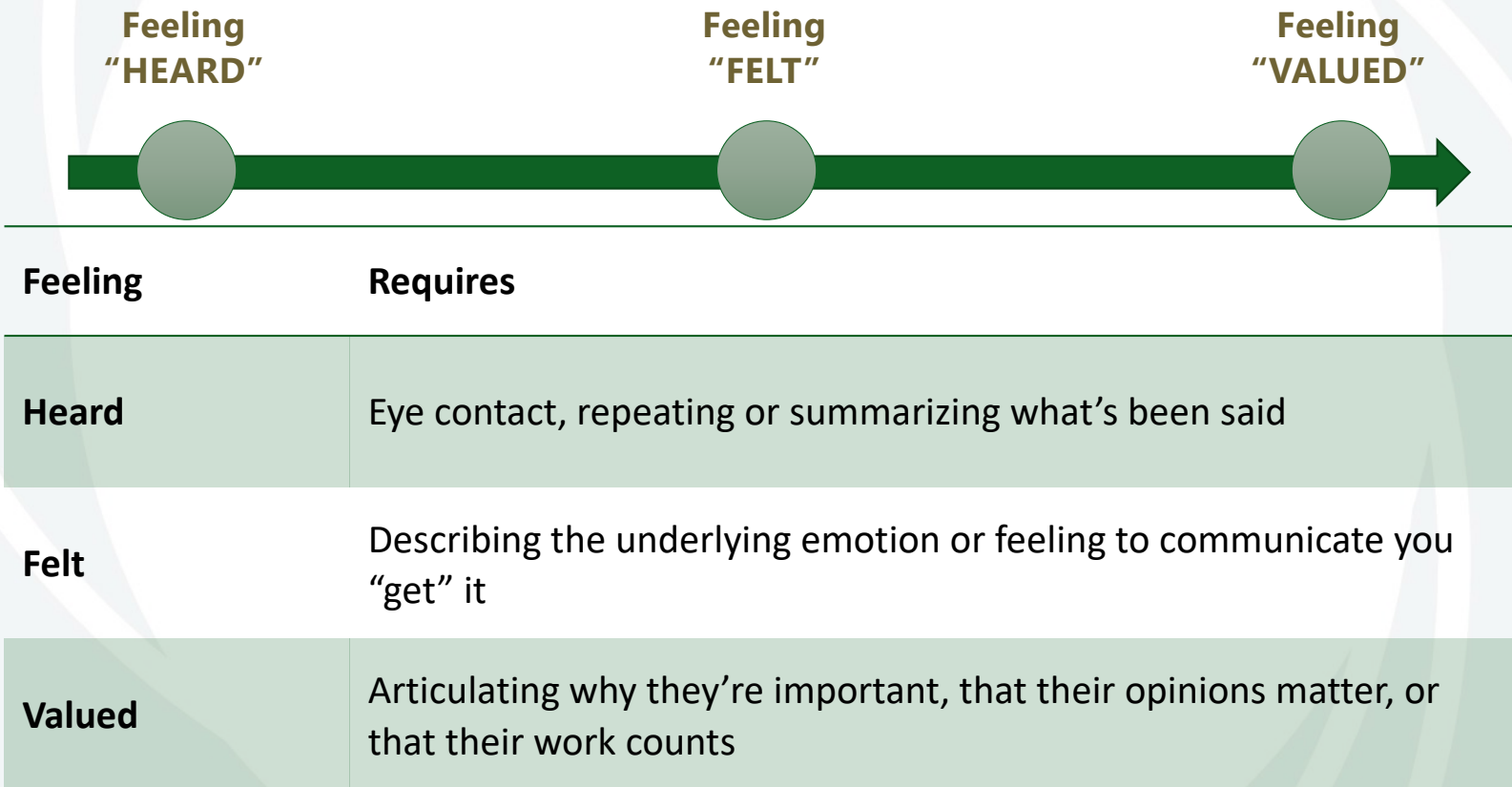
Mental: What you will/will not allow yourself to think or believe.

Verbal: What you will/will not say, call, or comment about another.

Behavioral: What you will/will not do or tolerate from others.

Time: What you will/will not devote your energy and attention to.

Remember that listening is core to the process

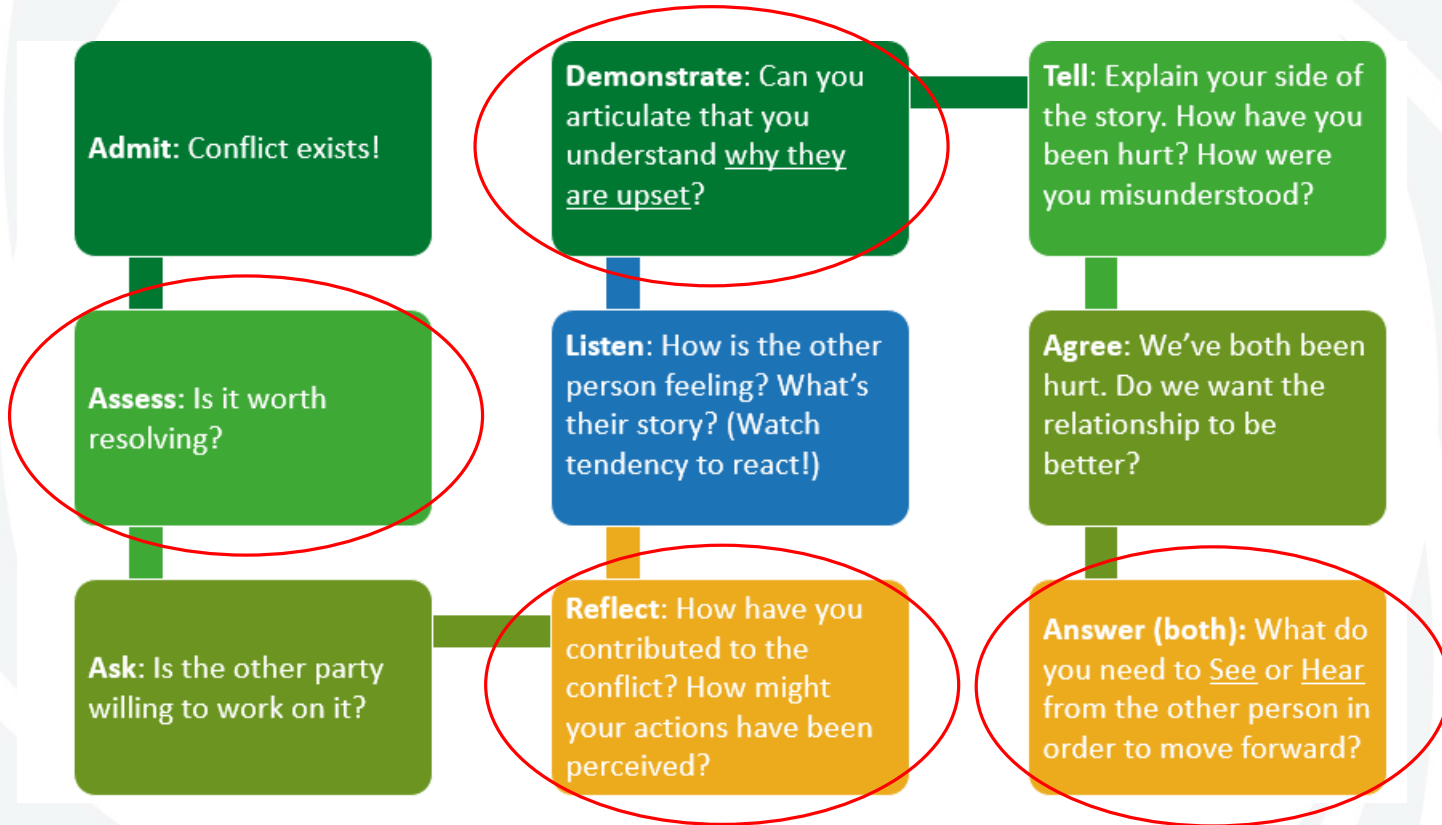


Conflict and Communication

- Many challenges to family & business come from not managing conflict (note: it is seldom “resolved”).
- The key to managing conflict is to promote good reflection, emotional intelligence and communication skills.
- All families have their own style of communicating.

- What is your family’s level of “unmanaged” conflict?
- What is your family’s level of and process for communication?
- What is your family’s “style” of communicating? (Bury it or Blow?)

Working Through Conflict with Family & Partners



Talks about Talks

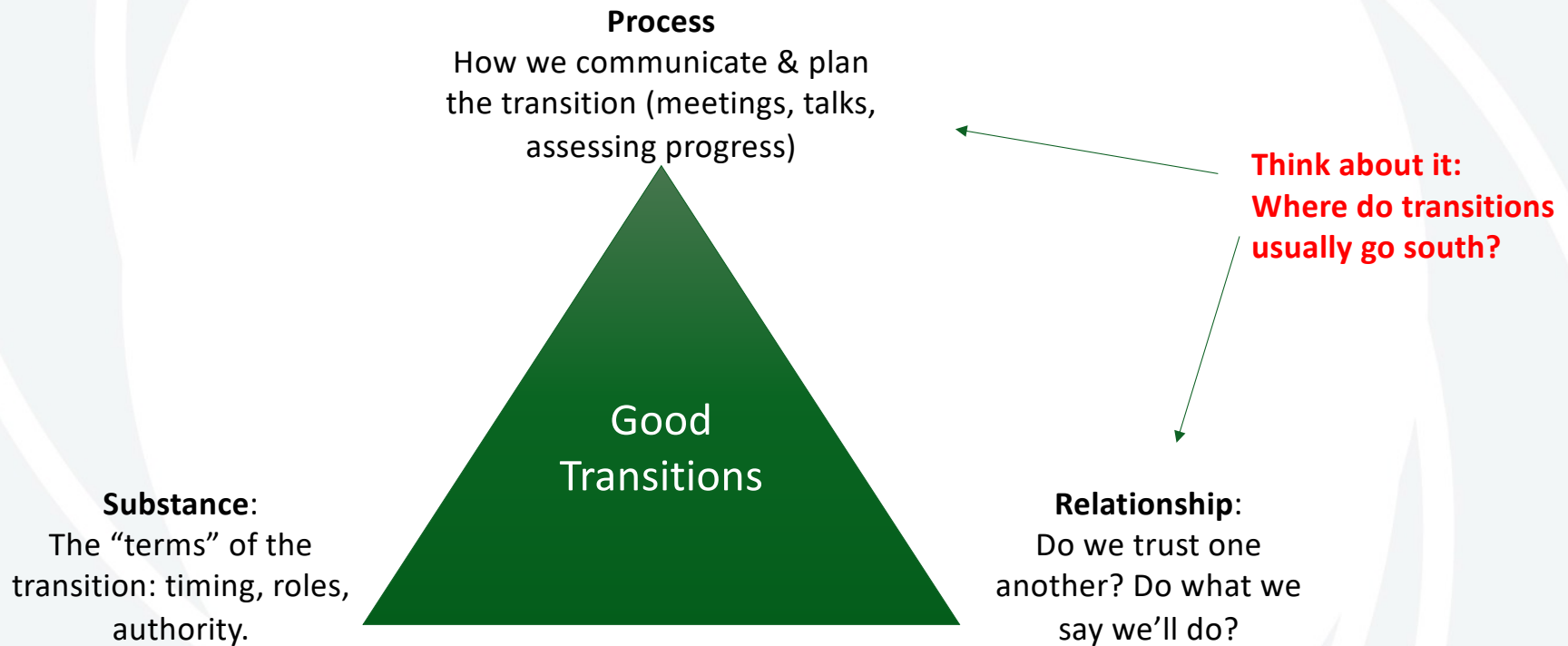


What's their Story?



Moving Forward

The “Satisfaction Triangle” for a transition



Shifting Your Mindset – Thinking Beyond the “Family Farm”

“Progress is impossible without change; and those who cannot change their minds cannot change anything.”

--- George Bernard Shaw

From a “Family Business” to an “Enterprising Family”

- Do we value being in business together, or just THIS business together?
- What could we do with the assets entrusted to us, that create (or re-create) the same (or more) enthusiasm, vocation and wealth creation?

From “Heirs” to “Partners”

- Do we/they inherit an asset or share of an entity as siblings, or
- Do we inherit a vehicle for growth, security, value-enrichment and philanthropy. If so, how might that vehicle look differently tomorrow?
Other (non-family) partners? Diversified assets?

From Operators to Owners

When facing large-scale change...

- Define the “value” and your “values”: Are you growing in financial value (track it), and operating according to your most important personal and family values?
- Design activities and include people (advisors, other respected business owners) that offer a high-level view of the business.
- Design activities that encourage family participation.
- Develop a plan for how the family members can participate in various aspects of the business: Land or livestock or equipment ownership, roles in the management of the business, support for the activities of the business.
- Develop both family and non-family talent. Internships, off-farm jobs, workshops, educational programs.
- Figure out how to “strategically experiment” with new business opportunities, and define what constitutes a winning or losing opportunity.
- Challenge businesses and activities that destroy value but remain due to tradition, old attachments, or conflict avoidance.
- Detach quickly (more quickly than you are comfortable) from businesses, investments and people that are not adding value or supporting your mission.

Succession Planning: Changing the tire while driving...



It's not always clear what we're talking about!

Estate Plan

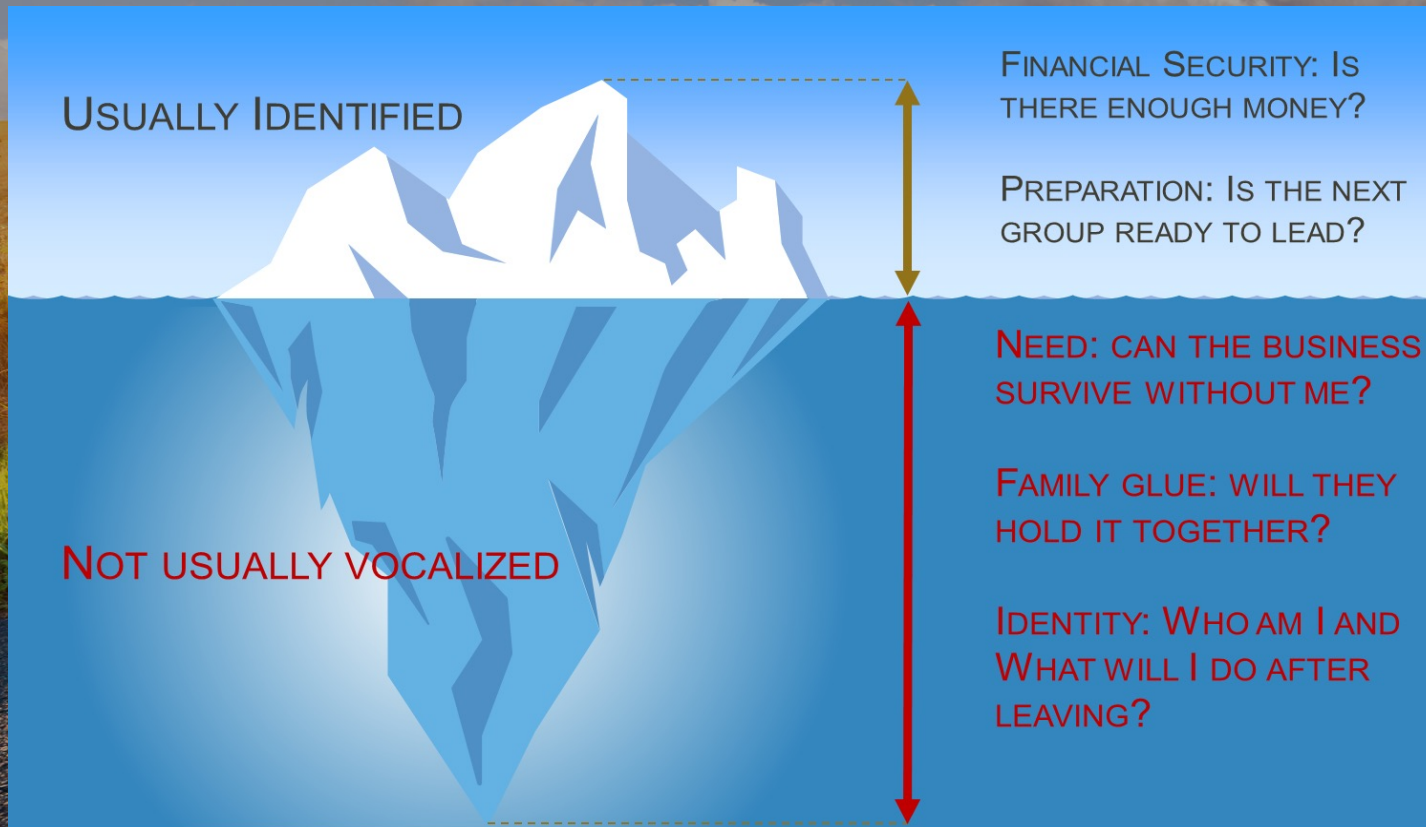
- The process of determining a plan to transition financial wealth from one generation to the next.
- Often parents determining how to get X assets to Y people.

Succession Plan

- The process of “co-creating” psychological ownership of the vision, strategy, goals, roles, decisions, performance and results of the business enterprise between two or more generations.
- Often all family members in business determining where you are headed, how best to get there, who will do what, and how that should be rewarded.

Both get framed as a “plan” which suggests a “product” – when a succession plan is really a “process”

Lurking under the surface...



FINANCIAL SECURITY: IS THERE ENOUGH MONEY?

PREPARATION: IS THE NEXT GROUP READY TO LEAD?

NEED: CAN THE BUSINESS SURVIVE WITHOUT ME?

FAMILY GLUE: WILL THEY HOLD IT TOGETHER?

IDENTITY: WHO AM I AND WHAT WILL I DO AFTER LEAVING?

THE Search



FINDING
MEANINGFUL
WORK

IN A
POST-CAREER
WORLD

BRUCE FEILER

AUTHOR OF THE NEW YORK TIMES BESTSELLER
LIFE IS IN THE TRANSITIONS

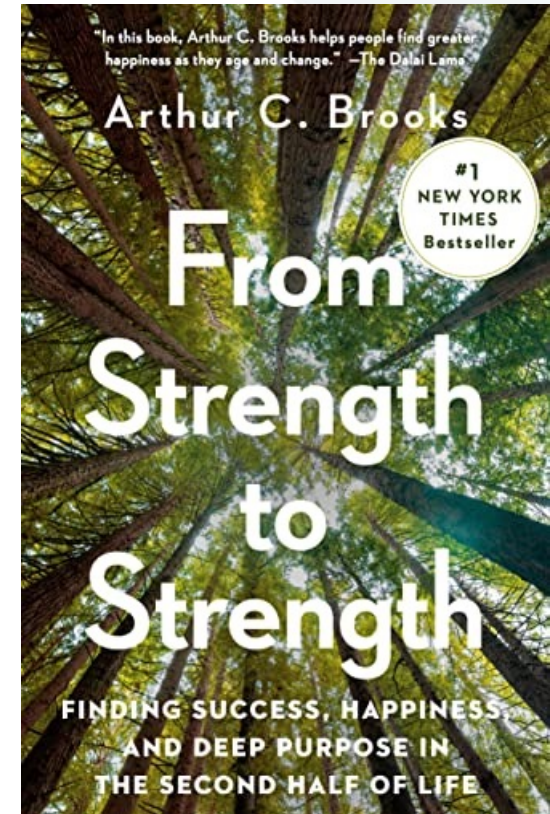
Individual Blocks: The Twin Curses

Striver's Curse (Brooks)

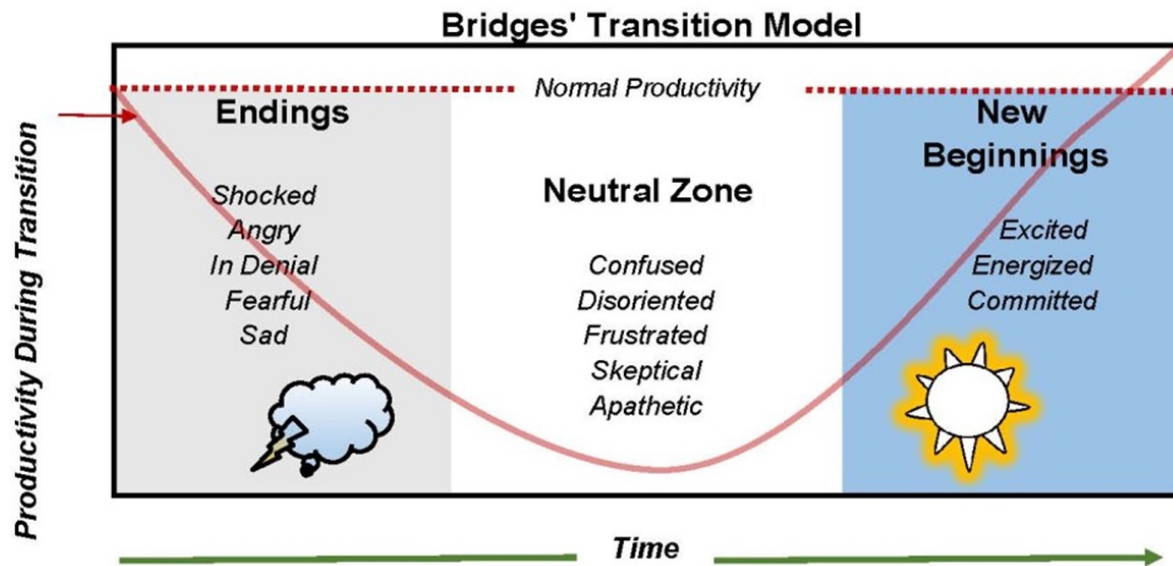
The better you perform, the steeper the decline you likely face. If you are attached to that success (and who isn't?), the harder the loss hits you.

Founders Syndrome/Dilemma (Wasserman, others)

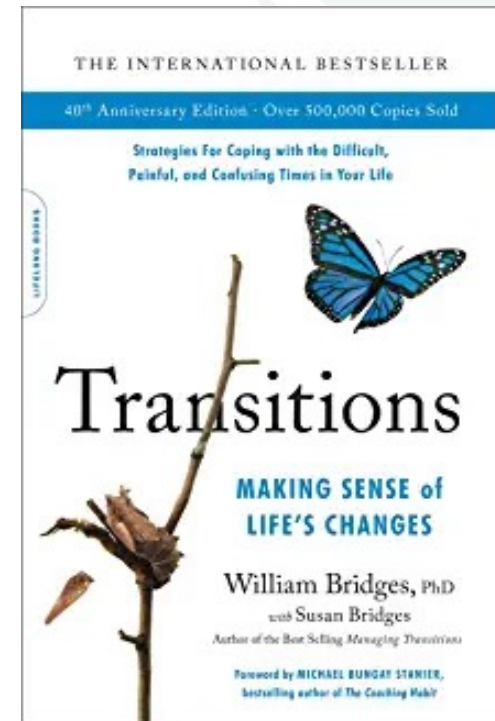
The drive, passion, creativity, and productivity of the founder can become a limiting factor as the organization tries to transition or scale.



Letting Go: The Transition Model



Adapted by Career Vision from
 Managing Transitions: Making the Most of Change (W. Bridges, 1991).



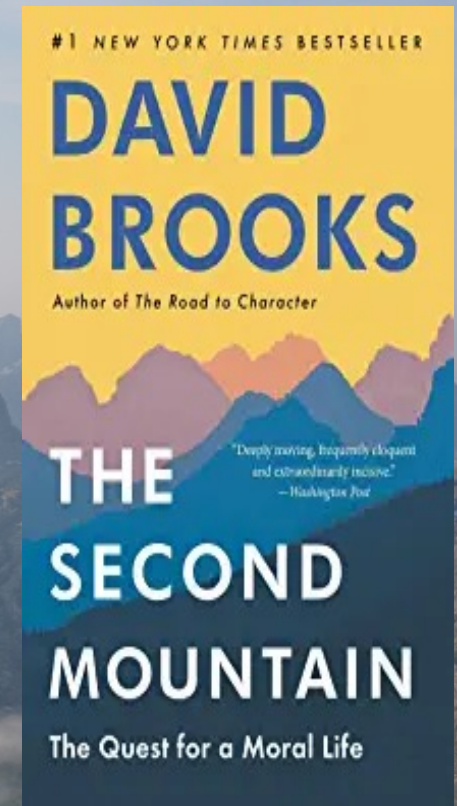
Find a “second mountain”

First Mountain

- + Raise a family
- + Start, build, sell a business
- + Solve problems
- + Be present/available (manage details)
- + Accumulate wealth
- + Achieve scale (acres, employees, revenue)
- + Be recognized for accomplishments
- + Focus on success

Second Mountain

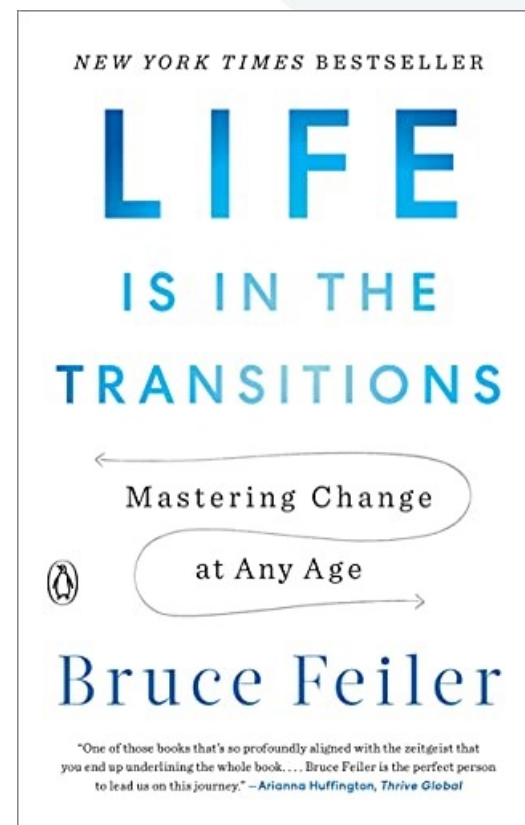
- + Enjoy family relationships
- + Start/build a charity or other biz; board service
- + Share wisdom: lessons, memoirs, history
- + Be elsewhere (set standards) – vacation/travel
- + Give wealth away
- + Achieve meaning/purpose (spiritual focus)
- + Help others succeed/be recognized
- + Focus on significance



There isn't room for everyone on top of the first mountain.
If you stay on top, others will stop climbing.

The Individual Transition: Lessons about transitions

- Transition: Where you choose – or are forced – to cross a “threshold.”
- Most people resist!
- But: It can be a vital period of adjustment, creativity, and rebirth.
- Or: If not handled well, a period of frustration, anger, and decline.
- The key to getting through a transition:
 - How well you manage the challenge of **making meaning** in your life.
- Meaning has three elements
 - A = Agency (freedom, mastery, creativity) – that you are in control
 - B = Belonging (relationships, community, family, friends) – that people need you
 - C = Cause (purpose, direction, mission) – that there is something bigger than yourself
- Succession is an “autobiographical occasion” – when we are obliged to reimagine or redefine who we are and what we will do.



Getting through life's transitions

1. Identify your emotions: Fear, sadness, guilt, anger, loneliness, resignation, grief; so they can be used as motivators.
2. Ritualize the change / symbolize the transition: Hand over the "key", have a retirement or promotion party, take a (big) trip, buy a sports car, get a tattoo!!
3. Give up old mindsets: "In order to reach new lands, we have to lose sight of the shore." Leadership, ownership, what is done by us vs. others, (family biz vs. enterprising family). What mindset do you need to let go of?
4. Try new things: Move away, paint, write, sports, take a class, learn a language.
5. Seek wisdom: Connect with old friends, make new ones, mentor/be mentored. Look for people to comfort, nudge, slap, model, or call you crazy!
6. Unveil your new self: Talk about your new role, announce your recent change.

Write Your Story

Carefully cultivating our memories improves quality of life, increases self-esteem, heightens well-being, elevates a sense of serenity, reduces depression.

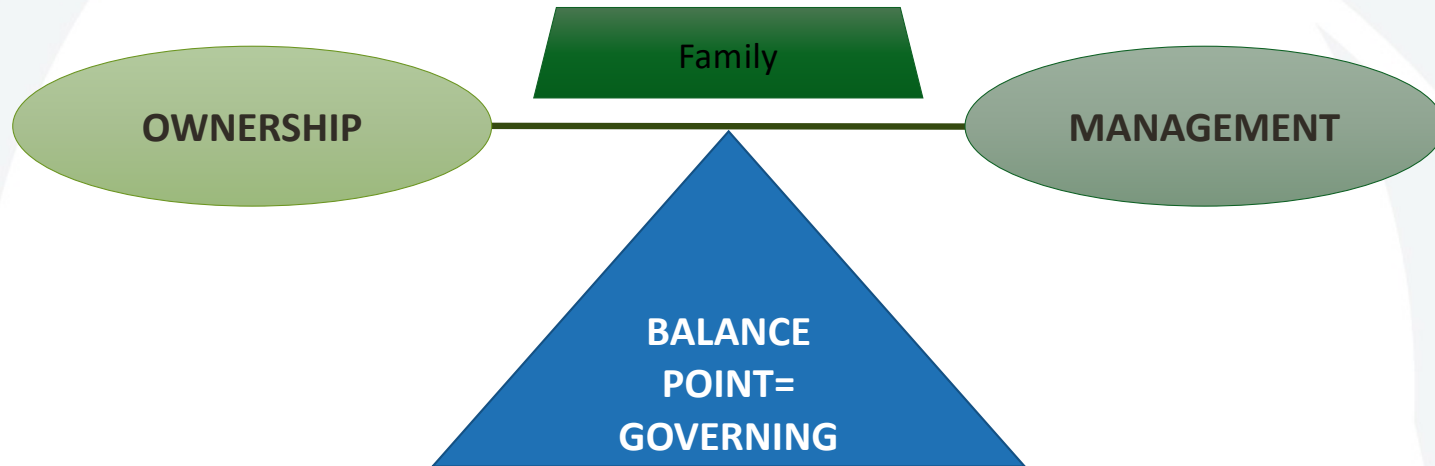
Recounting our past helps us begin to tell a new story.

Revisit, Revise, Restart.

What is your First Next Step?

- The process of succession can feel overwhelming
- The key is to keep putting one foot in front of the other – taking a step
- What's your first next step?
 - A discussion with family members?
 - Their goals?
 - The next generation's return?
 - How people retire?
 - A meeting with a CPA or attorney or wealth manager to review your balance sheet?
 - Projecting income for later in life?
 - Reviewing your buy-sell agreement or will or trust?
 - Clarification of your own “guiding principles” to guide the discussions?
- The key is to keep taking a step forward! Ask someone to “nag” you!

Governance: The Balance Point



Governance = Joint Decision-Making

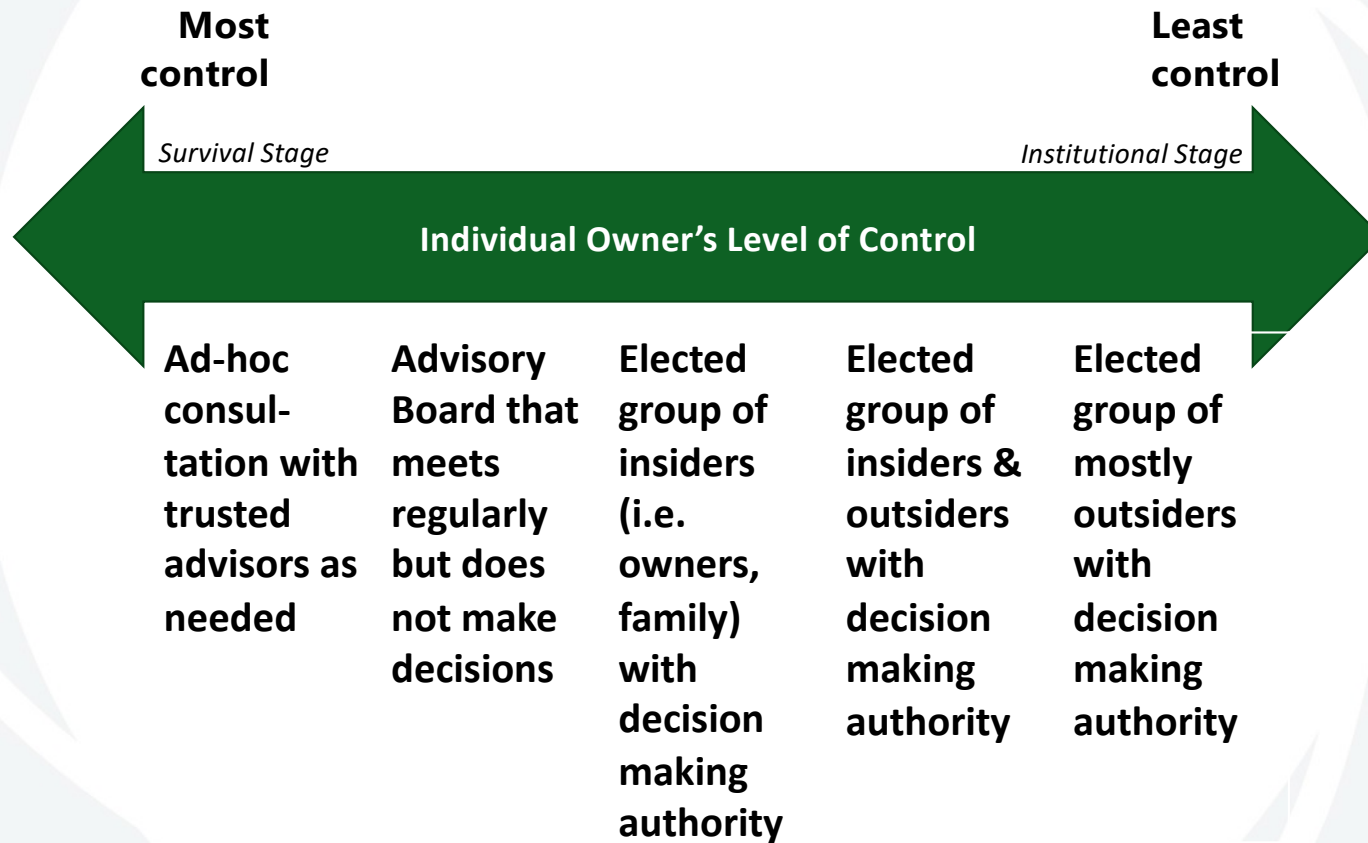
- **The place where owner and manager values, needs, and goals are integrated.**
- **The place where another generation of family members becomes part of the ownership and/or management decision-making process**

Governance: The Role of Boards

Boards bring

- Higher standards for treating the business like a business:
 - Financial statements, preparation, planning, reporting
 - Focus on management or ownership (take heat off “family”)
 - A bridge between family and non-family
- Experience with other organizations/situations:
 - A “reality check” through questions, assessment
 - Credibility in guidance
 - Connections to others; a strong network
- Coaching potential for family and management team members:
 - Support for key decisions
 - Assistance during personal challenges
- Accountability: The pressure to “get it done”

Continuum of Board Options



Characteristics of Effective Family Business Board Members

- Honesty
- The willingness to challenge others
- The ability to challenge in an appropriate way
- Open-mindedness
- Interest in the company, enthusiasm for its mission
- Expertise in an area and the ability to make a contribution
- The ability to see various sides of an issue
- The willingness and ability to work with other board members
- The ability to deal with intellectually complex issues
- Able to ethically balance self-interest, organizational needs, laws
- Ability to assess their own performance, strengths, weaknesses

Qualifying your Advisors

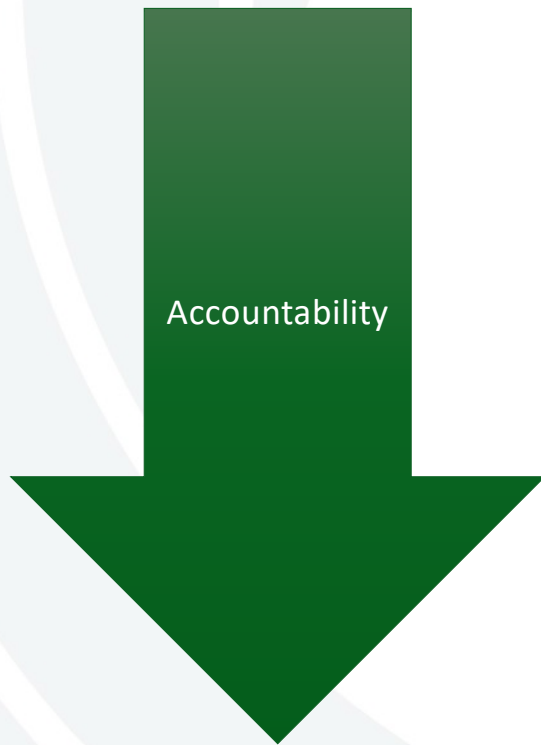
CPA, Attorney, Lender, Insurance Agent, Wealth Manager

- Are they competent? Do they do good work for similar organizations?
- Do they know your industry specifically?
- Do they initiate communication and bring ideas to you?
- Do they collaborate well with your other advisors?
- Do they have other resources in their firm or office? (Succession)
- Do they admit when they don't know the answer? Are they willing to research or find others who do know the answer?
- Are they clearly / transparently compensated? How?

Splitting Up: Observations

- We are increasingly being asked to help people “get out” of business together.
- The request often comes before families have instigated a legal process or litigation – they want to unwind “collaboratively.”
- The request often comes after families have tried to work together, make decisions, or co-exist in the business.
- Sometimes it isn’t a request; it’s a recognition of the long-term problems that have existed or will continue if not dealt with. In short, it’s a reality.
- The “unwinding” often leaves one or more family members in place to operate the business, or may divide the business into smaller operating segments. Seldom does it mean “sell it all.”
- If done well, the change to the ownership and management structure can leave the family structure intact, and in a position for future improvement

Navigating the challenges: Who holds you accountable to the necessary transition or improvement activities?



- Individual friends, spouse, family members
- Education – reading, workshops, conferences
- Advisors – Accountant, attorney, insurance
- Informal peer groups (groups of friends)
- Friends from boards or common experiences
- Formal peer groups
- Advisory boards
- Formal boards

Why would I benefit from a peer group?

Operating a successful agricultural business in a small town can be lonely, and continually improving and growing your enterprise is no easy task.

Implementing new strategies, behaviors and habits takes ongoing support and reinforcement.

- Access to ongoing executive education content that provides skills, resources and connections
- Peer support and advice in a non-competitive setting to learn and grow together



Why? Becoming Better

- ✓ **Self-Awareness** – a better understanding of your strengths and weaknesses
- ✓ **Support** – community, friendship, help through tough times
- ✓ **Ideas** – creativity, new perspectives, strategy, solutions
- ✓ **Clarity** – a focus on the things most important to your success
- ✓ **Connections** – to talents, resources, problem-solvers
- ✓ **Confidence** – to do what needs done, to lever your strengths
- ✓ **Leverage** – to influence programs, policies, perceptions, price
- ✓ **Benchmarks** – knowledge of where you stand relative to others
- ✓ **Mentors** – guides along the journey of business growth
- ✓ **Business opportunities** – deals with peers



In a group you gain...

- Introductions
- Networking
- Education
- Perspective
- Benchmarking
- Business Review
- Cost/Revenue Strategies
- Joint Investments
- Merger/Acquisition

What topics are covered?

- Management topics: strategy, HR, finance, growth, leadership skills.
- Ownership topics: succession planning, estate planning, family business dynamics.
- Technical aspects: agronomy, health, new technology, software, or equipment.
- Each meeting includes members sharing goals and progress toward those goals so that group members can provide advice and accountability.
- Some groups do a deep dive into each others' business with an in-person visit; the peer group is your ad-hoc advisory board.



How do group members support each other?

- Your ongoing advisory group that knows you, your strengths, and your weaknesses...that helps you improve over the long-term.
- Business collaborations sparked...joint buying, joint investment, mergers, employee sharing, equipment sharing.
- Powerful personal support through life's ups and downs.



How does it (usually) work?

- Meet 2 or 3 times per year for 2-3 days; ongoing interaction in between.
- Meetings run by a facilitator who knows ag and business and knows how to make group interactions impactful.
- Content is delivered by a combination of external speakers and peer group members learning from each other.
- Consider bringing in viewpoints, experiences, and tours outside of production ag regularly because members value the fresh perspective they don't hear elsewhere.
- Group size 6-12 member businesses, which may have 1-3 participants each. (Some groups may be just 1 from each business.)



Do I qualify?

Are you...

- A progressive business with eagerness to learn and improve?
- Willing to check your ego at the door in spirit of self-improvement?
- Willing to invest in others--the peers within the group?
- Able to honor the time commitment for consistent attendance?
- Trustworthy enough to hold information confidential and commit to a confidentiality pledge?



A “Personal Board of Directors”

THE WALL STREET JOURNAL.

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(Sue Shellenbarger, 2011)

Karen S. Rohan, president of Magellan Health Services, a major health-care management company, believes in running your life like a well-managed company. She has her own personal board, made up of several family members and friends, she says. She has consulted her board during each of several major career transitions she has made in the past. Each time, these confidantes have given her insights into her own strengths and weaknesses, often prodding her to make difficult or challenging job moves. While they sometimes delivered advice she didn't want to hear, they always helped her make better decisions, she says. She believes their input has enabled her to progress faster in her career than she would otherwise have done.

Who is on your personal advisory board?

Consider sharing with them your TEPAP goals to help hold you accountable for progress.

Leading a Business is Lonely...

*Friendship is born at that moment when one person says to another:
"What! You too? I thought I was the only one."*

C.S. LEWIS

TEPAP



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