

# Keeping it in the family

## Careful planning can lay the groundwork for transferring a family business to the next generation

By Sherri Noxel

The *Farmer's Almanac* is owned and produced by the Geiger family, a fifth-generation company. This valued compendium of information, forecasts and other practical knowledge served past generations as a guide for seasonal events.

One topic the almanac doesn't cover, however, is how to transfer ownership of the family nursery business to future generations.

To fill this informational void, the Austin Family Business Program at Oregon State University has developed guidelines for succession planning. They are based, in part, on extensive surveys of successful multi-generational family businesses. The three key areas are:

1. Strength of family unity,
2. Business stewardship, and
3. Leadership development in the next generation.

### Family harmony

Mixing business and family is a continuous challenge. This struggle exists because the family system, which is centered on unconditional support for all members, contrasts with the business environment, which demands outstanding performance and accountability.

Families that are united in their respect for the founder's legacy with a shared understanding of the family history also share a deep responsibility to



Every family member plays an important role at Fall Creek Farm & Nursery — parents Dave and Barbara Brazelton (center), daughter Amelie Brazelton Aust (second from left), son-in-law Boris Aust (left) and son Cort Brazelton (right). PHOTO BY CURT KIPP

the family. Family members who work outside of the business play an important role in building societal bonds.

Creating a dedicated forum for the family to meet and discuss activities and issues helps to demonstrate good communication patterns and to forge trusting relationships for tough family decisions down the road. Youngsters can be

involved by creating social media pages for the family, which are helpful when the family is divided geographically.

Fall season is full of opportunities to strengthen bonds between close and extended family members. School activities, sporting events, winter vacation planning and holiday get-togethers are traditional gatherings for the family ▶

generations. Use these occasions to collect histories and share stories that help everyone reconnect.

Assisting families in need during the holidays is another meaningful activity. Philanthropy not only benefits those in need but also demonstrates the value and significance of community support to the up-and-coming generation.

### Business renewal

Smart stewardship of the family enterprise will add value to the business and protect the family's assets, thereby supporting long-term stability. Stewardship is characterized by a deep commitment among owners to leaving the business stronger than when they came into it, and motivation to grow the business to support future generations.

Establishing advisors or a board of directors with outside expertise is a good

way to encourage innovation.

A highly successful owner and president of a second-generation family business recently spoke to the OSU Family Business Management class. He noted that he delivers formal business statements to his family advisors and "wears a suit and tie" to the family board meetings to create a professional atmosphere.

Agricultural businesses typically gear up for end-of-year planning for tax purposes, gifting, shareholder meetings, planting schedules, machinery purchases, personnel reviews and meetings with professional advisors.

Approaching these meetings with a view for the long term may inspire owners to ask new questions, such as "What does our business look like in five years? In 10 years?" "Does our current business strategy provide adequate opportunities for future generations?"

If possible, consider including young family members who are active in the business in these meetings. They are the future leaders of your business.

### Generational leadership development

Preparing the next generation of leaders is critical for any family business — now more than ever! The average age of agricultural enterprise owners is at an all-time high. In Oregon, the average age of a farmer is just shy of 60 years old.

This finding is troubling because current owners are not transitioning the management responsibilities needed to develop experienced managers. Along with managing the operation, it is the current owners' responsibility to develop the leadership of the next generation by giving them early and frequent opportunities for decision making, with the benefit of guidance from senior family members.

Current owners have faced serious economic adversity. Those who have weathered times of recession and economic downturn have developed a keen sense of business acumen. The next generation will need even more savvy and preparation to succeed. Delaying their opportunities to manage and take risks may disadvantage these future business leaders.

Alternatively, more owners are choosing outside management for the family company. Future generations must be prepared for ownership and develop an understanding of the responsibilities needed to lead an organization, with or without experience working in the business.

Recently published studies show that children from successful third-generation family businesses are making career decisions related to joining the family business as early as 16 years of age. It's smart to plan early for their college education, coursework and business-related internships.

At Oregon State University, more than 6,000 undergraduates on the Corvallis campus alone are part of a family-owned business. Formal business

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coaches and mentors can also help families to prepare future leaders.

**Assistance in building excellence**

In Oregon, the end of summer is typically marked by the announcement of the newest Century Farms and Ranches. This elite group will join the more than 1,100 farms that have successfully navigated four and sometimes five generations of business ownership.

Here's another striking fact: in a recent survey, these resilient family enterprises reported that transferring the farm to future generations was their top concern. Clearly, agricultural families are experiencing the challenges of today's global business environment with increased regulation, unprecedented competition and faster-paced markets. Facing these heightened market demands, future generations will need to be more prepared than ever before.

In 2014, the Excellence in Family Business Awards (presented by the Austin Family Business Program at OSU) were reconfigured to reflect three important areas of business: family harmony, business renewal and generational leadership.

The award application is available to families at any time, whether interested in the competition or not, to benchmark progress in each of these areas. The program will provide a feedback report based on the scored results.

Also, in collaboration with the College of Agricultural Sciences, the program offers the "Family Agricultural Enterprise Succession: A Management Transition Seminar," which is designed to help current owners transfer business management functions to the next generation.

In 2015, the program will host a conference to help Pacific Northwest agricultural producers envision the innovations that will help family operations succeed in the next century. ©

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