Integrating Economics, Management, and Human Relationship Issues to Facilitate Successful Family Business Transitions

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Family Businesses are Complicated Beasts

Security fun nurturing
Family/Personal System
Ownership System
Management System
Productivity, day-to-day operations

Return on investment, transfer of assets
Categories of Issues

- Strategic Thinking (Visioning, Goal Setting, SWOT, etc.)
- Communication
- Economic and Structural Realities
- Conflict Resolution
Our Program Brings Together a Diverse Group of Professionals

• Strategic Thinking (Visioning, Goal Setting, SWOT, etc.)
  – Jerry Jost, Kansas Rural Center
• Communication
  – Charlotte Shoup Olsen, KSU Human Ecology
• Economic and Structural Realities
  – Rodney Jones, KSU Ag Econ
  – Kansas Farm Analyst Team
• Conflict Resolution
  – Charlie Griffin, Kansas Rural Family Helpline

As a Team, We Have Applied For, and Received Funding Assistance For Three Consecutive Years

Funding assistance for the development of workshop materials and program delivery provided through USDA – Risk Management Agency’s Commodity Partnership Program
Program Delivery

• Day Long Trainings For Farm Family Advisors  (Extension Educators, Lenders, Rural Clergy, etc.)
• Day Long Workshops For Farm Families
• One-on-One Farm Family Advising
• Material and Planning Tool Development and Distribution

Program Highlights

• Strategic Planning
  – Visioning – goal setting exercise
  – Getting the right people “on the bus and in the right seats”
  – SWOT overview
  – Family business meetings
Program Highlights

• Communication
  – Communication theory
    • How vs What
    • Non-verbal
    • Effective listening
    • Recognizing and handling bids for communication
  – Handling tough times
  – Communication roadblocks

Program Highlights

• Conflict Resolution
  – Negotiating change
    • Resistance to change
    • Principles for navigating
  – Generational differences
  – Sources of conflict
    • Guidelines for conflict resolution
  – Recognizing signals of need for professional help
Program Highlights

• Structural Realities
  – Organizational structure
  – Legal structure
  – Financial structure

• Economic Realities
  – Profitability
  – Feasibility
  – Business size

Organizational Structure

Successful Businesses Exhibit Shared Decision Making

Develop an “organizational” Chart (now) and (future)

Daughter and Son-In-Law
--Day to day operations, Management decisions, Purchases up to $10,000

Off-farm Son and Daughter-In-Law
--Financial management Seasonal Labor

Father and Mother
---Primary Landlord Equipment Owner Seasonal Labor Business purchases up to $10,000

Decision Making Group, Owners, Advisors, etc.

Family Meetings
Once Per Month
### Legal Structure Comparison

<table>
<thead>
<tr>
<th></th>
<th>Individual Liability</th>
<th>Business Continuity</th>
<th>Mgmt Control</th>
<th>Taxation</th>
<th>Obtaining Capital</th>
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<tbody>
<tr>
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<td>Individual</td>
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<tr>
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<td>Board</td>
<td>Double If Distributed</td>
<td>Stock</td>
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<tr>
<td>S Corp</td>
<td>None</td>
<td>Perpetual</td>
<td>Board</td>
<td>Individuals</td>
<td>Stock Limited</td>
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<tr>
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<td>Members</td>
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### Organizational, Legal, Financial Structure Decisions

<table>
<thead>
<tr>
<th>Organizational Structure</th>
<th>Legal Structure</th>
<th>Financial Structure</th>
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<tbody>
<tr>
<td>Command and Control</td>
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<tr>
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<td></td>
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<tr>
<td></td>
<td>Company</td>
<td>contacts</td>
</tr>
</tbody>
</table>

*founder, family, friends, venture capital, general public, grants, etc*
The Important Point

• These decisions are not independent. All decisions regarding the “structure” of the business need to be made simultaneously, and at the early stages of the planning process.

Economic Considerations

• Profitability
  – Pointless to talk about transferring a systematically unprofitable farm or ranch
• Feasibility
  – Can we make the payments on proposed expansion plans
• Size
  – Is the business large enough to accomplish goals
Program Highlights

• One-on-One
  – Various members of our team facilitate family meetings and discussions
  – Farm analyst professionals follow up

Successes

• Program has been very well received
• Extremely rewarding program emphasis for myself
What Have I (We) Learned?

- Very rewarding to work across these “non-traditional” disciplinary lines
  - And the public appreciates it
- Contrary to what we are told in graduate school…. Economics does not provide a solution to every management problem
- Work in this subject area will likely be difficult to publish in disciplinary Journals