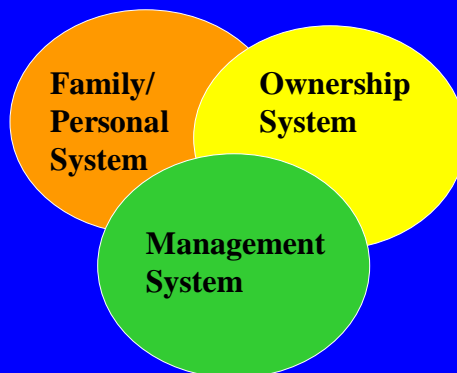


Integrating Economics, Management, and Human Relationship Issues to Facilitate Successful Family Business Transitions

Rodney Jones
K-State Research And Extension

Family Businesses are Complicated Beasts

Security
fun
nurturing



Return on
investment,
transfer of
assets

Productivity, day-to-day operations



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**

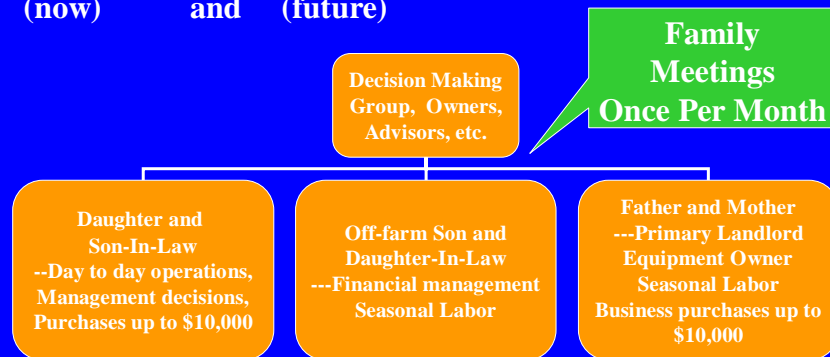
Program Highlights

- **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)



Legal Structure Comparison

	Individual Liability	Business Continuity	Mgmt Control	Taxation	Obtaining Capital
SP	Unlimited	None	Proprietor	Individual	Difficult <small>Large Sums</small>
Gen Partnership	Unlimited	None	Partners	Individuals	Limited
Limited Partnership	Limited <small>Limited Partners</small>	None	General Partners	Individuals	Limited
C Corp	None	Perpetual	Board	Double <small>If Distributed</small>	Stock
S Corp	None	Perpetual	Board	Individuals	Stock <small>Limited</small>
LLC	None	Limited	Members	Individuals	Flexible

Organizational, Legal, Financial Structure Decisions

Organizational Structure	Legal Structure	Financial Structure
Command and Control	Sole Proprietorship	Debt
	General Partnership	Equity
Bureaucratic	Limited Partnership	founder
	C – Corporation	family
People Oriented	S – Corporation	friends
	Limited Liability Company	financial inst
Hybrid		contacts
		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**