

## Why is Inclusion Important in an Ag Legacy?

By Caleb Carter, consultant to the Department of Agricultural and Applied Economics in the University of Wyoming College of Agriculture and Natural Resources

**S**herrie grew up watching her parents work hard to create a living for their family on the ranch. She enjoyed the long days and time outside as a family working alongside her brothers and her parents. Her parent's example taught them to set goals and work hard to achieve them. Sherrie went on to pursue her own goals following her parent's model. In spite of all that she valued, Sherrie's life lead her away from the ranch. She never gave much thought to coming back. She had always assumed one of her brothers would take over. However, as the topic was never discussed, the family didn't have a formal plan or process to complete the transition nor any idea when it would happen.

Recently, her father's health has been declining, forcing the family into hard conversations about the future of the ranch. Her mother is concerned that she won't be able to keep up with everything on her own. The kids have all moved on with their lives, made their own plans and charted their own courses since there were never any discussions about passing on the ranch. This has left everyone unclear about how to proceed if Dad and Mom are no longer able to remain in the driver's seat.



Could Sherrie's parents have made better plans for the future? What approach would work best? How would one or more discussions that included everyone involved have helped her parents and brothers gain a better understanding of the expectations?



### Trends in family-owned businesses

PricewaterhouseCoopers LLP (PwC) found some interesting and alarming realities about family-owned businesses in a 2021 survey of family-owned businesses across the country. Results provide insights into the state of succession planning, communication and the need for diversification (PwC, 2021).

A total of 34 percent of respondents, although up from 23 percent in 2016, said the family had a robust plan for succession of the business. This is a very low percentage of families that are developing, documenting, and openly communicating their plans for succession of the business.

An equally alarming finding showed that, while 60 percent of respondents felt that the (COVID-19) pandemic increased the level of communication between family members, only 40 percent felt that communication had



increased between generations. Further, only 56 percent felt that there is family alignment on the direction the company should take in the future.

The good news is that not all is doom and gloom for family-owned businesses. The survey also found that overall, family businesses weathered the downturn in the economy during the recent pandemic better than non family-owned businesses. PwC attributes this to the fact that family businesses often tend to favor long-term success over short term gain. This often leads families to favor diversity in their business rather than simply chasing trends for short-term profits.

### **Inclusion in your Ag legacy**

Inclusion – *in·clu·sion*. The action or state of including or of being included within a group or structure (Oxford University Press, 2021). Is your family struggling to develop a cohesive vi-

sion for the future of the family farm or ranch? You are not alone, as demonstrated by the findings of the PwC survey. How would striving to include everyone involved in the operation help to create and preserve the family's Ag legacy?

There can be many obstacles to passing on management of the family business. When the founding generation looks back on the time and effort put into creating the business, it may not trust the incoming generation to run things the way it wants things run. It may even doubt that the next generation can even run it at all. This is made even more difficult when it comes to a family farm or ranch, as the founder's identity is very often tied to the creation and future success of the operation.

While there are many challenges involved in working towards more inclusion in the family business, there are also many benefits. Importantly, as nobody lives forever, clearly at some point the next generation will find itself in the position of making the decisions. The success of this transfer depends on the family and how well they plan for it. Inclusion of the next generation just might help the business to stay competitive as markets and economies continue to change around it.

### **The excitement of entrepreneurship**

All family-owned businesses, at some point or another, are an entrepreneurship venture. Entrepreneurship is synonymous with energy, excitement, momentum and ingenuity. Family-owned businesses, according to Tharawat Magazine, have a unique connection to entrepreneurship. First, each family business can be linked to a visionary who had the ambition and work ethic to spend years creating and building a business. The second connection comes back to the importance of diversity. Entrepreneurship doesn't end with the initial creation of a business but, rather, continues as future managers continue to innovate and keep the business on top.

Lastly, family operations have the benefit of a built-in talent pool through family ties. If younger generations are cultivated properly, they can learn from the founder's example and experience. They can then use this skill to start their own business or the family can take advantage of their experience to build the family business (Tharawat Magazine, 2010).

The dynamic environment of entrepreneurship is also contagious and can help revitalize those around it. This is at the heart of every family business and keeping that spark alive can keep the operation fresh and invigorated, helping to maintain diversity and direction. Family members must have mutual trust and good communication in order to build and ride this momentum.



## Importance of trust

Trust must exist between the founding generation and the incoming generation. The founding generation must have trust in the incoming generation to allow it to take over management without worrying that it will wreck everything that required so much work to establish. Conversely, the incoming generation must trust that someday it will be allowed to make decisions and take over a management role. That, if the family members stick around, there will be something for them in the business.

The founding generation will not transfer significant responsibilities for the business to the next generation if it does not have faith in the next generation's ability to lead the family farm or ranch forward. The next generation is much less likely to stick around if it does not see a future for itself.

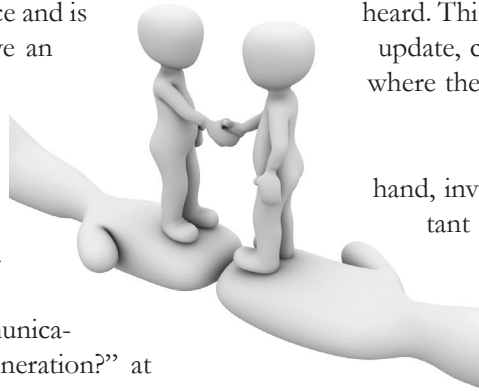
## Open Communication

Building trust is based on good communication. Making assumptions about what the other parties are thinking usually ends poorly for all involved; honest and open communication can go a long way toward building trust. Everyone can come to a better understanding of where each person is coming from when family members feel comfortable sharing their thoughts, hopes, dreams and intentions.

While a great deal of communication may happen can help make sure that everyone has a voice and is meetings where all family members receive an These may be held annually or more often or more significant change.

Family business meetings, on the other management of the business. These are impor- in managing the family business, to strat-

For more information on improving communica- are you communicating with the next generation?" at



over coffee or in the field, formalizing a process for communication heard. This can be accomplished by scheduling family council update, can share their thoughts, as well as their concerns. where the family or business are undergoing more frequent

hand, involve everyone responsible for day-to-day manage- tant to provide time, for the family members involved egrize and discuss options and make plans.

tion see the Ag Legacy newsletter titled “How [AGLEGACY.org](http://AGLEGACY.org) under the Modules tab.

## Addressing Contention

Everyone won't always be in agreement, no matter how well-structured the communication process is. In fact, the best approach is to assume that there will be some contention and disagreement and to make plans to address it that all involved can agree to. For example, determine ahead of time how decisions will be made and how to proceed when there is a disagreement. Who will have the final say? Is agreement by everyone necessary, once all the voices have been heard or is a simple majority required? What happens if Dad or Mom are the one to disagree? Is there an appeals process for reconsidering a decision?

## Promoting Inclusion

It is easy to focus on differences of opinion when discussing the family farm or ranch. It is also helpful to have these differences. Innovation doesn't come from everyone agreeing and keeping the business on the traditional course. However, it is important that the family develop a way for these ideas to be shared and evaluated. There must be a process for decision making that allows for differences without judgement.

One way to help family members describe the future that they see for the family and the operation is to write a Christmas letter. Instead of looking backward from the present, encourage them to jump forward and write the letter looking back ten or 20 years in the future. What would they like to remember has taken place? What would they include in that letter to their friends and family members? What



would they change? What would they keep the same? Who do they see running the business? What role do they see for themselves? For other family members? This can be a good way to open up the dialogue on these challenging topics and begin the process of formulating a management succession plan.

## A Process

Managing a successful family business is not easy. When we add the additional stress of coming up with a plan to pass it on to the next generation we can compound that anxiety and fear. Developing and following a management succession plan requires communication and trust, not only between those currently in management roles, but also those who will someday take over those roles. Adding another enterprise can increase diversity and help keep the operation fresh and innovating. It can also provide additional income to allow more family members to remain a part of the operation.

Where is your family in this process? What steps have been taken to move the family farm or ranch closer to completing a management succession plan? When will you take the remaining steps that are needed to address the transition of management responsibilities?

## Resources

Entrepreneurship and Family Business – Exclusion or Inclusion? Tharawat Magazine, 2010. Available at <https://www.tharawat-magazine.com/family-business-branding/entrepreneurship-exclusion-inclusion/>. Accessed May 2022.

Inclusion, (2021). Definition of inclusion [online]. Oxford University Press. Available at: <https://www.lexico.com/en/definition/inclusion>. Accessed: May 2022.

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### Ag Legacy Newsletter:

Contributing Authors -

Caleb Carter, [calebcarter069@gmail.com](mailto:calebcarter069@gmail.com)

John P. Hewlett, [hewlett@uwyo.edu](mailto:hewlett@uwyo.edu)

Editing/Layout - John P. Hewlett, [hewlett@uwyo.edu](mailto:hewlett@uwyo.edu)

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