

Topic 4: Family First / Business First

The family is a system with a primary purpose of nurturing and developing member self-esteem and sharing common values. Each family operates with its own style, role relationships, rules and ways of dealing with stress and expressing emotions.

In contrast, a business system's primary purpose is to use resources to make a profit. Combining a family with a business blurs the lines that distinguish one system from the other.

Family first / business first is a scale with each end represented by the statements in the chart below. The chart lists the different characteristics of a family system versus a business system within the categories of:

- Membership — who belongs?
- Income (compensation) — what are members paid?
- Leadership or promotion — how are members chosen to be leader or promoted?
- Basis of operation — what underlying value drives operations?
- Training — how do members decide what training they need?

Category	Family System	Business System
Membership	Unconditional, based on blood. Personal family, children, spouses.	Conditional, based on qualifications and performance. Employees, managers, customers.
Income (compensation)	Often based on equality.	Based on responsibilities and contribution to the business.
Leadership or promotion	Often based on family position, birth order or gender.	Based on merit (earned).
Basis of operation	Emotion based.	Task oriented.
Training	Based on notion of fairness or as need may dictate.	Based on potential gain or earnings (return).

Why is this relevant?

Understanding your family's approach to business can minimize the potential for conflict. It helps to establish an agreed upon business culture and vision.

Instructions

1. On separate documents, each individual makes either a family first or business first selection by placing an X in the appropriate column for each category.
2. For each individual, note the column the majority of the answers fall in. It represents where on the scale that person feels the business culture resides.
3. Collect each individual's answers and include a discussion at the next transition planning meeting.
4. Compare and contrast each individual's answers, looking for areas of agreement and disagreement.
5. Store the documents for future reference.



EXAMPLE

Category	X	Family First	X	Business First
Membership	X	There is a place for all family members		If you're qualified to do the job, you can join
Income (compensation)		Family members are paid more (or less) than the going rate for the job — sometimes based on need	X	Pay is determined by responsibilities and performance
Leadership or promotion		Leadership is bestowed. Title / office is bestowed by birthright	X	Leadership is earned. Company officers control day-to-day operations
Basis of operation	X	Business resources are used for family perks		Strategic resources are used for business purposes (to grow and enhance the business)
Training	X	Outside experience may be less valuable than years of service in the family business		Outside experience is more important than years of service in the family business

How does this apply?

As you compare and contrast each family member's answers note:

- Are there major differences that could lead to conflict or act as a stumbling block in completing your transition plan?
- Were you able to identify any underlying reasons for existing conflict in your operation?

There is no right or wrong answer to this exercise. The exercise and resulting family discussion helps members gain a better understanding of each other and their respective views on the family business' role within the family and vice versa. You will refer back to this exercise in creating your farm's vision.



PLANNING POINTERS:

- Enter your answers from the perspective of the farm in its current state, not how you think it should be.
- Family members actively involved in the business should complete the exercise.
- Family members who might be actively involved in the business at some point in the future should complete the exercise.
- Family members who are not currently actively involved, or who do not plan being involved in the business, can optionally be included in the exercise.
- Remember, the examples you see in the guide are based on the case study found at start of the guide pages d-j and also in the appendix on page 215.



WHAT TO WATCH FOR:

- Consider using an external facilitator if you are concerned about some potential for conflict during the discussion.

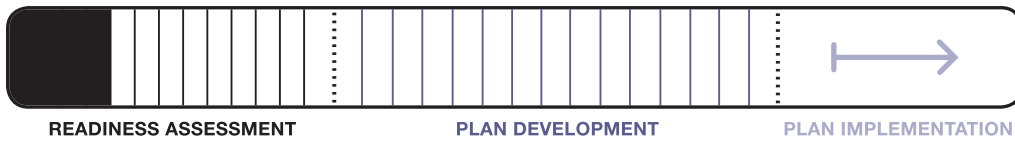


EXERCISE: Go to the forms appendix page 215 (at the back of this guide) for a copy of the Family First / Business First exercise.

Next steps

Congratulations on completing this topic. You are now a step closer to having a transition plan for your farm. Please proceed to the next topic area on your Transition Plan, but don't forget to add any assigned tasks that were generated by working through this topic.

Planning progress



Family First / Business First

Make either a family first or business first selection by placing an X in the appropriate column for each category.

Category	X	Family First	X	Business First
Membership		There is a place for all family members.		If you're qualified to do the job, you can join.
Income (compensation)		Family members are paid more (or less) than the going rate for the job — sometimes based on need.		Pay is determined by responsibilities and performance.
Leadership or promotion		Leadership is bestowed. Title / office is bestowed by birthright.		Leadership is earned. Company officers control day-to-day operations.
Basis of operation		Business resources are used for family perks.		Strategic resources are used for business purposes (to grow and enhance the business).
Training		Outside experience may be less valuable than years of service in the family business.		Outside experience is more important than years of service in the family business.