

Family Employment Policy & Transitioning to New Owners

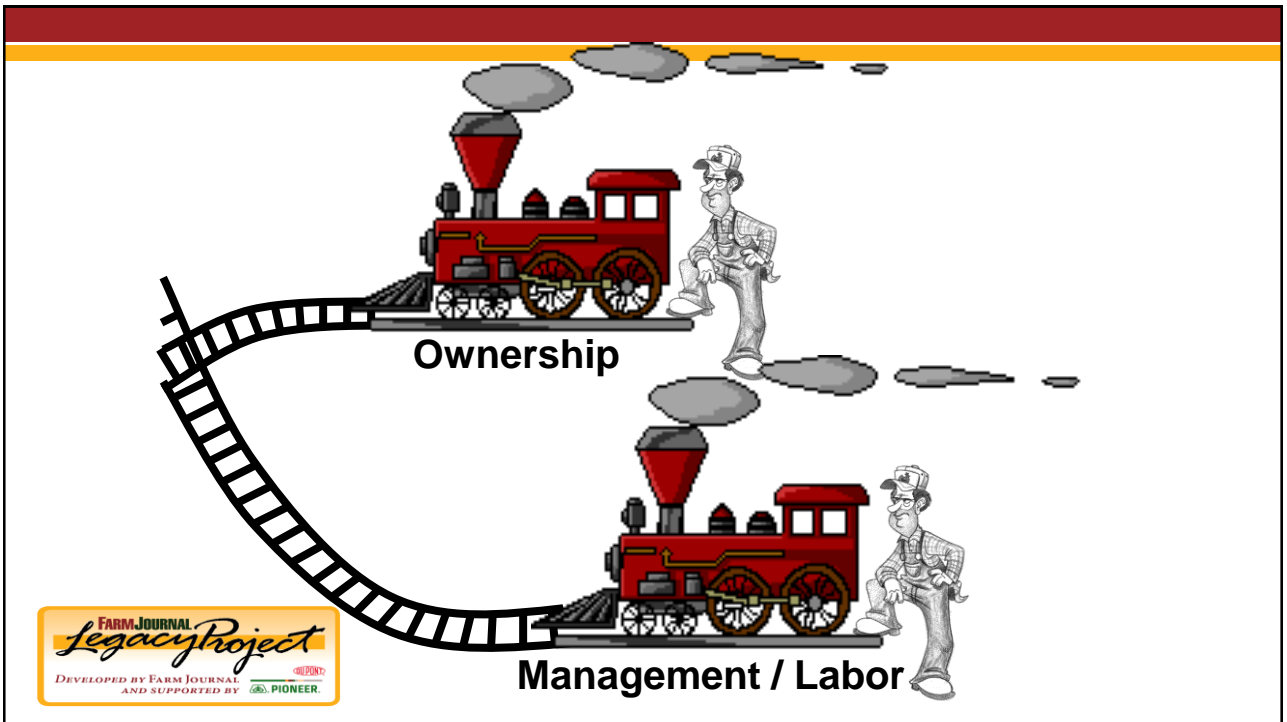
Policy considerations, case discussions,
mapping out your vision and values

Dick Wittman, FJ 201 Legacy Conference - 2015

Agenda

- ✓ Family Employment Policy
- ✓ Transitioning to Next Generation of Owners





Case Study

Stage 2 business transitioning to Stage 3

- ✓ 3 siblings (equal owners) all married with children
- ✓ Oldest sibling is boss; kids have returned to farm and are involved in management...looking at investing, too
- ✓ Middle has college age kids with interest in returning to the farm; worried that all the "...good jobs will be gone"
- ✓ Youngest has small children...not sure what they will want

What are potential issues here?



Family Employment Policy

Components to keep professionalism in the family business

- Vacancy requirement & skills required before hiring
- Economic capacity analysis to support hire
- Prior experience/training required; apprenticeships
- Supervision and reporting relationships/nepotism rules
- Consultation of stakeholders required before hire
- Merit vs. paternalism as criteria for hiring and advancement
- Policies on pre-nuptials
- Discriminatory treatment - family vs. non-family stakeholders
- Correlating compensation/bonuses with responsibility and performance



"...Policy before the need"

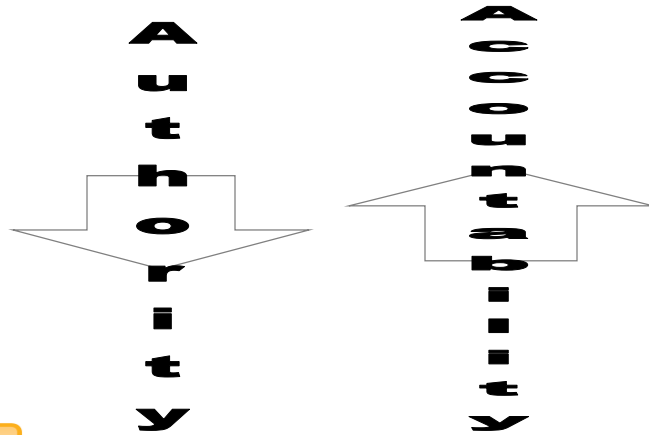
Danger Zone:

Abusing "Family Preference"

- ✓ **Nepotism** has bad connotation for a reason!
 - Preferential compensation: "...pay mine more because..."
 - "right name" gives special rights (12 yr old at potato dump year; spouse driving truck @ harvest)
 - *Unemployed kid*...needs job. "Let's find a place for him."
- ✓ Relevance to Transition Planning
 - Assess commitment to running it like a business
 - "All in...or all out"– rules must apply to ALL
- ✓ Solution: Address in ***Vision/Value Statements*** and ***Family Employment Policy***



Double “A Track” of Accountability



The Path to becoming an “owner”...

...lessons we can apply from case study

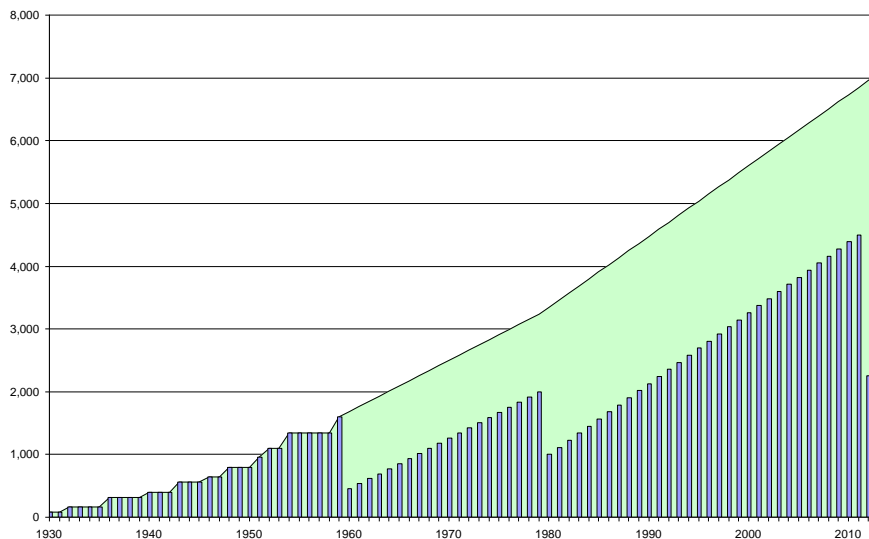
Capital Contributions, Withdrawals

... 22% have policy in place.

- ✓ Who is welcome to invest in farm/ranch?
- ✓ Should everyone be "equal?"
- ✓ When should we start...should there be a waiting period?
- ✓ Minimum capital to leave invested? **"Can I ever get my money out?"**
- ✓ Revenue sharing tied to ownership ratios?
- ✓ Whose monitoring owner invested capital and compliance with legal agreements?



History Example



...for further information

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