

Worksheet: Map Current and Desired Roles within Your Family Business

A family business system consists of three separate but potentially overlapping groups of individuals: family members, individuals who own the business and individuals who manage the business (Taguiri and Davis, 1978). Individuals in a particular group have certain roles, responsibilities and expectations. Learning to visualize these distinctions among groups can reduce family business conflict.

Follow three steps to map current and planned roles, responsibilities and expectations for your farm business.

Step 1: Identify Individuals in Each Group

Family – List all family members including grandparents, siblings, cousins, in-laws and grandkids. Family members expect to be loved and respected by all other family members.

Ownership – List all current business owners including those who are family members and those who are not (e.g., outside investors). Owners expect a return on their investment through business dividends; asset appreciation; or other intrinsic values such as hunting rights and identity as a farmer.

Business – List everyone who provides management or labor to the business. This group includes family employees and other employees. Everyone who provides management or labor to the business expects to receive fair compensation for the time they work.

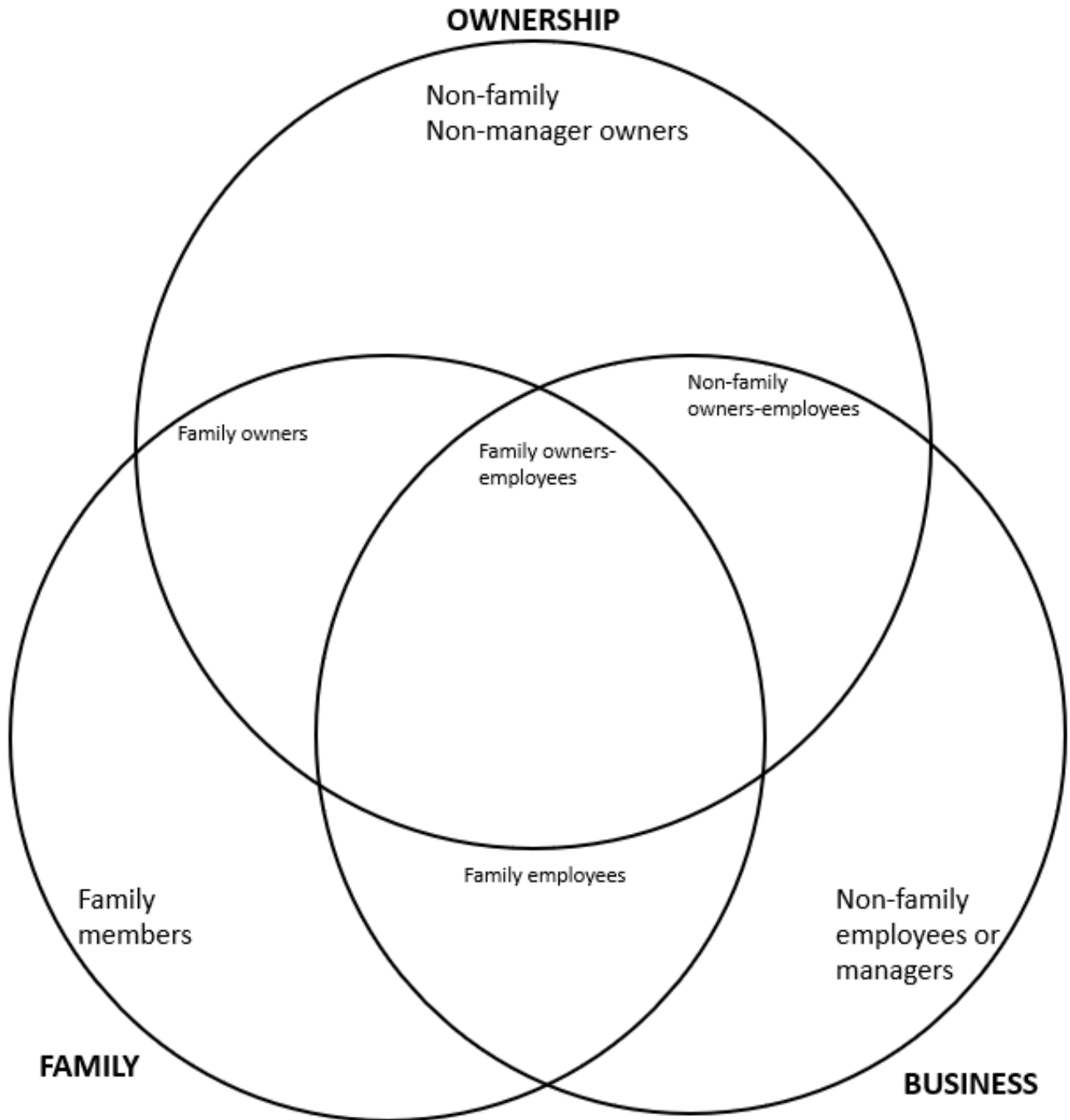
Step 2: Identify Areas of Overlapping Roles

Now, let's focus on individuals who have overlapping roles. Move the list of names from above to Figure 1. All family members will be in the family circle. Some will be identified as "family owners," meaning they "own" part of the business. Others will be listed as "family employees" who work in the business but are not owners. Those labeled as "family owners-employees" own a portion of the business and work in the business. They have roles, responsibilities and expectations in all three circles.

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Complete the graphic by listing the non-family, non-manager owners who are strictly outside investors; the non-family owners-employees who own and work in the business; and the non-family employees or managers who are not owners. Accurately identifying the appropriate circle for each person involved in your business helps you to clarify roles and responsibilities and consider what everyone expects to receive from their roles.

Figure 1: Three-Circle Model of the Family Business System, Tagiuri and Davis, 1982.



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Step 3: Use the 3-Circle Model to Plan Your Family Business' Future

Set Guidelines for Changing Roles

Individuals involved in a family business appreciate knowing what it takes to move into an overlapping circle and accept new roles and responsibilities. Answer the following questions and take the appropriate action steps to set guidelines for re-evaluating roles.

Adjusting Employment Roles:

- What is required for a family member to become an employee of the business?
- What qualifications are needed to do the job, or does being a family member guarantee employment?
- ➔ **Action Step: Develop a farm employment policy and job descriptions as you make these decisions.**

Adjusting Ownership Roles:

- What does it take for a family member to become an owner of the business?
- How can a key employee advance to an ownership role?
- Are those wishing to become owners required to make a financial contribution or invest sweat equity to earn the right to be an owner?
- ➔ **Action Step: Develop a farm ownership policy to define what it takes to become an owner.**

Explore Overlapping Areas as You Plan the Business' Future

Review your three-circle system graphic to find interactions between roles. Those interactions will affect how you approach transition planning for your farm.

To give the farm business a chance of being financially viable for future generations, your succession plan and estate plan should be compatible. For example, if one of four siblings is currently active in the family business and expresses interest in being the successor, then how do potential ownership rights of the three other siblings impact the business' future? Can you structure the business to support the expectations of family owners and family owners-employees?

As you begin your estate and farm succession planning, ask each family member to answer these questions:

- 1.) What are my current roles and responsibilities in the family business? What qualifications do I possess that uniquely qualify me to fill those roles and handle those responsibilities?

a. Current ownership role _____

My qualifications _____

b. Current business role _____

My qualifications _____

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2.) What roles and responsibilities do I wish to fill in the family business five years from now?

a. Desired ownership role and responsibilities in 5 years _____

Necessary qualifications: _____

b. Desired business role and responsibilities in 5 years _____

Necessary qualifications: _____

3.) Where do I plan to live five years from now? How do I plan to earn money to pay my bills?

4.) If becoming an owner requires me to financially contribute to the business, then what am I willing to invest and when?

5.) What ownership rights do I expect from the business if I become an owner?
