

**Family Dynamics and the Next  
Generation of Land Stewards**  
XI Annual Quivira Coalition Conference, by Kirk L. Gadzia

**Recognize Don Green – mentor friend and colleague in the field of human resources and family dynamics for many years.**

In over twenty years of experience in working with family owned agricultural businesses, I have witnessed both excellent and tragic ways of dealing with intergenerational succession. The experience of one exceptional family will be profiled to bring out the **principles** that can serve to guide others wishing to plan such a transition into the next generation of land stewards.

As a whole, family owned businesses are notoriously bad at “passing the torch” onto the next generation. The old saying, “Three generations from rags to riches and back again” is a reminder of what often happen when the process is unsuccessful. The first generation establishes a thriving business through hard work and sacrifice. It remains viable through another generation, then the next generation too often loses it.

The loss is not necessarily because of lack of hard work and sacrifice, as the first generation often laments. More often, tight control, poor communication, lack of goals, and marginal experience in the real “heart” of business decisions are to blame. Moreover, it is often the failure of the founders to plan for the involvement of the next generation in these critical roles that causes the ultimate collapse.

In the case of ranching and farming families, the situations are often more complex because those families often live in close proximity to one another and may work together on a daily basis. A young son that goes off to college and comes back to work at the ranch with “new fangled ideas” is the classic example. The strong

and silent and somewhat tolerant role of the manager works pretty well until an idea comes up that could cost serious money if it does not work. Then the upstart gets put in his place, and told how that will never work because it has already been tried.

Or, consider the normal situation of junior meeting a lovely young (city) girl at college and after returning home they get married and move back to the ranch. You can imagine the potential for misunderstanding here. This non-rural thinking young woman is also a convenient scapegoat for some of the inevitable problems that arise in a family business. Imagine the effect that a statement like, "Everything was fine till **SHE** showed up!" might have on marital relations and how that might ripple through the family business.

Fortunately, many families manage to avoid this common catastrophe. One of the best examples of that is the James family who will be speaking to you next about their experiences in creating a common future for generations involved in the business. Their James's will give you the specifics of how this has worked for them as well as some of the problems encountered in the process.

Since 10 people are here from the James family to tell you about their own experiences, they deserve most of our short two hours. However, I just want to briefly relate the story of another family I have worked with for many years to point out the common threads and try **to highlight the principles** involved in successfully negotiating the pitfalls of family dynamics and intergenerational succession in a family business.

The Frasier families, who operate a diverse operation collectively known as Frasier Farms, live in Colorado. The residence of the patriarch and matriarch, Marshall and Larue Frasier, is the ranch located at Last Chance, Colorado. Isn't that a great name! I have known the family and worked with them since the late 1980's where

some of them first attended training in Holistic Management in Albuquerque. I still remember my first consulting visit to the ranch when Marshall picked me up at the airport in his small airplane and we flew to the ranch at Last Chance underneath a ceiling of threatening clouds.

During my consulting visits, I worked primarily with Mark in the grazing, monitoring, and financial planning aspects of the ranch. Marshall would accompany us occasionally, mainly to explain the water system that supplied over 125 different pastures with drinking water for several thousand yearlings brought in each year. Although he seemed interested in what we were planning, he did not take an active role unless we needed his insights.

I was amazed that a man in his mid-50's had turned over the entire running of the ranch to his son, because that was what he wanted to do -- and never seemed to second guess what we were doing!. If he thought running 1250 head of yearlings on a pasture of 40 acres for half a day was madness – he never said so!

Rather than worrying about the decisions Mark made, he trusted that he wanted to succeed and would ask for help if he needed it. Marshall had turned to other interests to occupy his time. He enjoyed the outdoor plumbing of the extensive water system and restoring old wooden windmills to mint condition. Many of them were in various stages of repair at the shop and on display at prominent public places in Limon and other Eastern, CO communities. Marshall was also very active on the industry issues with the Beef Board and National Cattleman's Association.

In preparing for this talk I interviewed both Marshall Frasier and one of his son's, Mark Frasier, whom I worked with at the ranch at Last Chance. Today, Mark lives in Fort Morgan, CO and has hired a manager to take over the day to day duties on the ranch. This too was a planned part of the succession, as Mark has taken over

much of the financial management and marketing responsibilities for the enterprise.

Mark has two brothers; Chris and Joe, who grew up on the ranch and are still involved with the family business. Joe operates the ranch at Limon. Chris is now off the ranch, but runs a business providing recreational livestock for ropings, and rodeos.

Marshall said that he was 12 years old when the 1<sup>st</sup> family partnership started in Kansas with him and two other brothers. In the 1940's they decided to buy out one of the brothers who was no longer interested in the business and he and the remaining brother divided the properties into separate Kansas and Colorado based businesses.

I told Marshall that he was one of the best examples I had ever seen in successfully passing on the ranches to the next generation and asked him what he felt were the keys to that success. He responded that the most critical aspect of the process was – you guessed it – open communication and good family relationships. But talking about things wasn't enough, you also needed a plan.

Marshall said it was also important that at an early age they kids owned their own livestock, and learned the daily responsibilities this entailed. He rented them pasture to run the animals on so they would see the true costs of raising them and marketing them. They were also actively involved in FFA, but more in a practical sense than just showing livestock.

When I remarked how I was always so impressed on how he never meddled in decisions once he had turned over the reins, he said that it was important to give the full responsibility over at that point. Before that, each son had been given escalating responsibilities in the business. He said it was important for them to make a “good mistake” at least once.

Marshall recalled an instance of one son who had the idea of diverting and pumping water from a creek to irrigate some rangeland. Marshall let him carry out the plan, even though he had quickly calculated the potential returns would never repay the investment of time and money. The son quickly learned this on his own, but it didn't break the ranch, and he soon abandoned the scheme when saw the meager results of his heroic efforts at irrigating marginal pasture land. He then later asked his father for help in resolving the problem.

**During the interview it was clear that Marshall and Larue saw family relationships and individual growth of family members as the real assets of the business.** The land and cattle could withstand a few mistakes. Human feelings and trust are much harder to heal if seriously injured.

Again, the key to preventing that and conserving the critical assets of relationships is regular communications. In fact, this has gotten better as the years have gone by and family members have become involved in various activities off the ranches. They now meet monthly without fail to discuss the critical aspects of the business. Also, a yearly planning meeting is also scheduled for planning longer term strategic goals and financial decisions.

Another critical part of the family succession and wealth conservation involves working with professionals in the field who keep up with the constant legal changes that could negatively effect any business that ignores them. Perhaps that is why such things as "inheritance taxes" are often called voluntary taxes. If you don't want to do the work and spend the money to figure out how to deal with successional planning, you are basically volunteering to have those taxes paid by the estate at some point.

Probably this point had become even more important in their thinking because Marshall had been admitted to the hospital late

last year for a more or less routine procedure. However, because of complications, that routine procedure turned into a 60 day stay at the hospital and ongoing treatment! Luckily, he is home and gaining strength daily.

When I asked him about that, in the context of our interview, he told me a story about a neighbor who would not let his 40 year old son go to town and buy a 10 pound box of staples without the fathers' approval. The father passed away unexpectedly and two weeks later the son was found behind the barn and had committed suicide because he did not know how to handle all the responsibility suddenly thrust at him. Obviously, this is the extreme, but it makes the point.

From his point of view, Mark echoed many of the things that his father had told me. He recalled that Marshall gave them responsibilities a little bit at a time and beginning at an early age. He always trusted that they would do their best to carry them out as well as they could. He does not recall his father ever telling him that something he wanted to try could not work. Obviously all the things that were tried did not always work. But, because it was never said in the first place, the comeback never had to be; "I told you so".

Mark also talks about the importance of regular communication, family involvement, and individual freedoms towards developing quality of life goals that vary for everyone. Not having a need to control every aspect of the business and having broader interests in organizations and enjoyable hobbies are also key points he has gleaned from his family and incorporated into his own life.

So, what are the main principles we can gather from this in regards to successional planning? I don't want to steal the Thunder from the James Family who are up in just a moment – but Kay James told me to read this book – Family Wealth, by James E Hughes Jr.

I did so. They will go into details about it, but the principles involved in the Frasier family are much the same as those you will hear about with the James family:

1. Recognize first and foremost that People are the assets – not the ranch or the money.
2. Understand that people don't "buy into" someone else's goals. They need to be involved in a process that creates them, so that they can have ownership and shared values.
3. Communication needs to involve future plans and long-term thinking in both the human, financial, and land resources of the operation. The process called Holistic Management is the best way I have seen to help people do this.
4. Use professionals and continuing education to hone your skills and keep the plans current. As the old saying goes, "if you think education is expensive – try ignorance!"