Enterprising Rural Families™

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TIP OF THE MONTH:

TEN REASONS BUINESSES SUCCEED

- The experience and skills of the top managers.
- The energy, persistence and resourcefulness (the will to make the business succeed) of the top managers.
- A product that is at least a cut above the competition and service that doesn't get in the way of people buying.
- The ability to create a "buzz" around the product with aggressive and strategic marketing.
- Deal-making skills to sell the product at the highest possible price given your market.
- The ability to keep developing new products to retain and build a customer base.
- Deal-making skills to work with resource suppliers to keep costs low.
- The maturity to treat employees, suppliers and partners fairly and respectfully.
- Superior location and/or promotion creating a connection between your product and where it can be obtained.
- A steady source of business during both good economic times and downturns.

CYCLES WITHIN CYCLES

edited by
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A family business has cycles that affect its operation. There are three cycles: the business cycle, the family cycle, and individual cycles. These cycles change over time and how they interact can create times of tension and times of harmony.

Family businesses change. Families in these businesses change. Individuals within these families in these businesses change. Businesses, families, and individuals go through predictable cycles. They are born, grow through childhood and adolescence and hopefully reach maturity. Some die. Others evolve and move on to a new phase in development.

While each business grows in an individual way, each goes through certain definable stages. Different leadership styles and management techniques are needed at different stages as the business develops. For example, if Mom or Dad operates the business on their own, they will use different management styles than they will use 10 years down the road when they may have 10 employees.

The Individual Life Cycle

As family members work together in business, it is important for them to keep in mind that individuals go through stages of development. Our identity, our sense of who we are, changes as we mature. Each of these stages presents challenges and how well one meets these challenges will determine the particular course that a person's life takes.

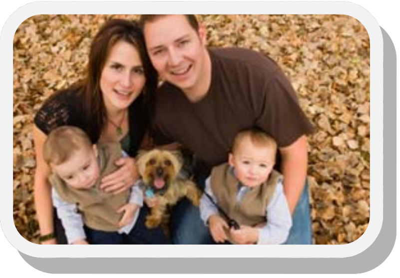
No two people go through these stages the same way and it's very unlikely that two people from different generations will be at the same stage in the life cycle. The following is a listing of individual stages. The age attached to each stage is general. Not every person goes through the stages as identified and unique situations may cause different challenges and life tasks.

Life Stages and Associated Challenges

Age	Stage	Challenge	Life Task
18-24	Transition to adulthood	Establish psychological distance from family	Establish autonomy; develop identity
25-30	Commencing adulthood	Explore occupational and interpersonal roles	Seek success and mastery
31-35	Settling in	Deepen commitment to chosen occupational and social roles. Establish own family and home	Attain competency, recognition, advance-ment and security
36-42	Mid-life transition	Consider long term goals. Productivity: children, work, friends, and marriage	Find balance between dreams and reality
43-59	Middle adulthood	More tranquil; more emphasis on reason in handling situations. Create the legacy	Sustain mental and physical health while aging. Reorder priorities
Age 60 and beyond	Late adulthood	Deal with approaching retirement; seek meaningful activities. Find integrity in one's life	Come to terms with life; pass on authority

(Strong etal., 2001)

The Family Life Cycle



Families change over time both in terms of the people who are members of the family and in the roles they play. The key factor in the family life cycle is the presence of children. The family organizes itself around its child-rearing responsibilities.

Not only is the family performing various tasks during its life cycle, but also each family member takes on various developmental tasks during each stage of the life cycle. For example, the task for families with adolescents is to give their children greater autonomy and independence. While the family is coping with this task, an adolescent daughter has her own individual task of developing an identity. Meanwhile, her older brother is developing intimate relationships, her parents may be caring for their parents and children at the same time, and her grandparents are confronting mortality.

The following are the stages in the family life cycle and challenges associated with each:

Stage 1: Leaving Home: Single Young Adults
(Key principle: Accepting emotional and financial self-responsibility)

- separating self from family of origin
- developing financial independence
- developing intimate relations

Stage 2: The New Couple
(Key principle: Commitment to a new partnership)

- forming a new marriage partnership
- establishing relations with extended families and spouse's friends
- establishing a household
- developing financial skills

Stage 3: Families with Young Children
(Key principle: Accepting new members into the system)
- adjusting the system to make space for child(ren)
- establishing childrearing, household, and financial tasks
- establishing new relations with extended family (parenting and grand parenting)

Stage 4: Families with Adolescents
(Key principle: Increasing flexibility in family boundaries)
- shifting parent-child relationships with adolescents
- refocus of midlife marital and career issues
- beginning joint caring for older generation
- household expenses peak

Stage 5: Launching Children
(Key principle: Accepting exits from and entries into the family system)
- developing adult to adult relationships
- • realigning relationships to include in-laws and grandchildren
refocus of marital system as couples
- dealing with disabilities and death of parents
- eliminate debts and prepare for retirement income

Stage 6: Families in Later Life
(Key principle: Accepting the shifting of generational roles)
- supporting a more prominent role of adult children
- maintaining couple functioning in face of physical decline
- dealing with loss of spouse, siblings and peers
- life review and integration

(Carter & McGoldrick, 1988)

Points about the family life cycle and family businesses:
1. When two or more families from different generations are involved in a business, each family's goals and needs may be different.
2. The families of siblings can also be at different stages in the life cycle.
3. Variations in family dynamics: divorce and remarriage, income level, cultural diversity, disability, and other variations impact the stages and developmental tasks of the family.
4. Financial family needs at various stages may adversely impact the family business.
5. Time management demands for family tasks can impact attention given to the family business.

The Business Life Cycle

The following describes, in general terms, the stages that businesses typically go through. This cycle does not necessarily proceed smoothly. Major setbacks or sudden leaps forward can occur.

Stage 1: Founding or Birth of the Business
At this stage, the business owner is concerned with simply trying to survive from day-to-day. Business founders are forced to cut corners. They're constantly shaving their margins to keep their prices afloat in a competitive market. They don't make many friends, especially among competitors. Issues such as whether or not family members should be hired may not be considered carefully. If family members are available and able, the expectation may be that they will help. Often the business makes it on nothing but hard work and perseverance. Survival is the foremost concern.

Stage 2: Growth and Development
As the business grows, founders must cope with a different set of circumstances. In the early years, they may have been able to do most of the major tasks themselves and able to make decisions "by the seat of their pants." With a growing business, they must delegate responsibility and start to share some of their decision-making power. More employees are hired and issues such as training and passing on the business' values become important. At this stage, decisions must be made about how family members will be treated and if any will be considered for future leadership roles.

Stage 3: Maturation
At this stage, the business has undergone growth and is now mature and stabilized. Often, by this time, second generation family members will be old enough to participate fully in the operation. Now a business needs to create formalized management procedures and processes. The business faces questions of long-term viability. Will the business stay in the family? Is there a successor or a team of successors willing and able to take over? Is the founder ready to relinquish control and step down?

Stage 4: Decline or Renewal
There comes a time in every business where changes will be required. Any operation that refuses to change will erode and degenerate. By this stage the founders may be tired and reluctant to change or take chances. Renewal is needed. Renewal often occurs when the business is passed to the next generation, or, if the business is not to remain in the family, passed to outside ownership and management. Even if the business remains in the family, outside management may be introduced if there are not enough competent, or interested, family members to run the business. If the business is not renewed, it will likely wither and die.

Identifying Lives Across Time
The playing field is quite different for individuals who grow up in different generations. The point where you and your friends came in on your culture's history has influenced your choices, decisions, and attitudes. That distinctive generational culture affects each stage of life and the passing between them, profoundly influencing which tasks of development you accomplish, how early, which you postpone, and which you may never complete.

Impact of Generational Differences on the Family Business
Given the different business, family, and individual cycles that are operating in any family business, the potential for conflict between individual members of a family and between generations is easy to see. In a family business situation, problems are most likely to arise during three periods: 1) the successor's entry into the business; 2) succession planning; 3) retirement of the parent. These problems also occur during specific life stages of each generation, heightening the struggle.

Ways Different Generations Interact

Age of older generation	Age of next generation	Interaction
40-50	early 20s	Problematic Period
50-60	24-33	Harmonious period
60s	34-40	Problematic period

A problematic period: The son in his late teens and early 20s is full of dreams and ambitions. The father is approaching his mid-life transition. The son may be interested in taking new risks while dad has had a life of risk-taking and is ready to consolidate what he has gained. The two may not see eye-to-eye on how to run the business.

A harmonious period: A decade later, the son will have reached maturity and settled down both in his family and business aspirations. By now dad will have worked through his mid-life transition and be happy to act as a mentor and coach as his son becomes an integral part of the business. The relationship between the two at this stage is likely to be supportive.

Another problematic period: Another decade passes and tension may rise again. By now, the son is approaching middle age. If he hasn't taken over control of the business, frustration may be occurring. He is beginning to doubt that his dreams will be achieved. At the same time, dad is going through a difficult transition. He must pass on the business and find a new outlet in life. For many founders this is not an easy time of life.

The Overlap of the Three Cycles

The way that the individual, family, and business cycles overlap may create times of harmony and times of conflict. Businesses typically go through a period of set-up, a time of growth, a leveling off as maturity is reached, and then into decline or renewal, depending on choices management makes. If dad is the founder, his life cycle may flow well with the business cycle for the first stages of his adult life. He has his dream; he sets up the business and gets it operating well. At mid-life, he is ready to reap the benefits of his years of hard work. At this point, however, the business needs to be renewed or it will likely decline. If a son or daughter has come into the business, his or her personal aspirations will be on the rise at the time the business needs to be renewed. This could work well, but taking the risks that renewal entails may not be what dad wants. Conflicts could occur. But, if the generations understand where they're at and are willing to work on what is required, the two generations can succeed.

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Edited from *Life Cycles: Business, Family, and Individual*, a reading document from the Enterprising Rural Families online library.