



Effects of succession planning on stress, life satisfaction, and self-esteem in two-generation farm families

by Evelyn Louise Widhalm

A thesis submitted in partial fulfillment of the requirements for the degree of Master of Science in Home Economics

Montana State University

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Abstract:

This research examined the effects of succession planning on the stress, life satisfaction, and self-esteem levels of Montana two-generation farm families. This was a quantitative, descriptive study that utilized individualized four-family member surveys which were mailed out in 1985 (175 respondents) and again in 1987 (137 respondents). The dependent variables—stress, life satisfaction, and self-esteem—were measured with the Perceived Stress Scale (PSS) for general stress, the Farm Family Stress Scale (FFSS), and the Life Satisfaction Scale (LSS) which included a self-esteem measure. The independent variables were method of transfer (with or without a plan) and family position (father, mother, son, and daughter-in-law).

Mothers generally had higher stress scores when there was a succession plan, and sons and daughters-in-law generally reported higher stress without a plan. Anova main effects showed that stress is more strongly related to family position than to succession planning. It also showed that the method of plan affects stress and self-esteem levels and that family position affects stress and life satisfaction levels.

Anova results indicated a significant interaction for the 1985 data set between family position and method of transfer in affecting Lack of Equal Status stress scores, with a t-test showing stress to be significantly greater for the son without a plan. For the 1987 data set, a t-test found significant differences for sons and daughters-in-law for the Independent vs Dependent stress measure with scores being higher without a plan, and for Self-Esteem with scores being lower without a plan.

Fathers all reported having a plan for farm transfer.

A chi-square analysis showed a significant difference in the proportion of family members reporting that there was a plan and those reporting that there was not a plan. This implies a lack of communication and a difference in perception of "the plan" among family members.

Many writers have suggested that families with businesses make a plan for succession to relieve family stress, but few families follow their advice. This study supports previous research suggesting that the older generation may experience more stress when they have a succession plan because of a variety of perceived losses.

If the cost of developing a succession plan is perceived as greater than the reward, the older generation may resist a change in the family and business system by avoiding the succession issue. Professionals and families need to become aware of the reasons for this lack of communication and resistance by the older generation before they will be able to utilize planning skills for the successful future of the family and the business.

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of a thesis submitted by
Evelyn Louise Widhalm

This thesis has been read by each member of the thesis committee and has been found to be satisfactory regarding content, English usage, format, citations, bibliographic style, and consistency, and is ready for submission to the College of Graduate Studies.

8/23/90
Date

Ramona Mauck-Bader
Chairperson,
Graduate Committee

Approved for the Major Department

10/1/90
Date

[Signature]
Head,
Major Department

Approved for the College of Graduate Studies

10/2/90
Date

Henry L. Parsons
Graduate Dean

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Evelyn Louise Widholm

Date

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To my parents, Andrew and Mary Louise Widhalm, for responding to my process of studying farm succession by making a formal plan of transfer for our family farm in Valier, Montana:

Thanks.

VITA

Evelyn Louise Widhalm was born on March 18, 1952 in Conrad, Montana to Andrew August Widhalm and Mary Louise Habets. She grew up in the north central farming community of Valier, Montana, graduating from Valier High School in 1970. In 1974 she graduated from Montana State University with a Bachelor of Science degree in Home Economics Education with an emphasis in Family Life Science. Evelyn taught junior high and high school Home Economics in Columbia Falls, Montana for six years then returned to Montana State University in 1985 to pursue a Master's degree in Marriage and Family Therapy. In November of 1989, she presented her thesis at the National Conference of Family Relations annual meeting in New Orleans, Louisiana.

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ABSTRACT

This research examined the effects of succession planning on the stress, life satisfaction, and self-esteem levels of Montana two-generation farm families. This was a quantitative, descriptive study that utilized individualized four-family member surveys which were mailed out in 1985 (175 respondents) and again in 1987 (137 respondents). The dependent variables--stress, life satisfaction, and self-esteem--were measured with the Perceived Stress Scale (PSS) for general stress, the Farm Family Stress Scale (FFSS), and the Life Satisfaction Scale (LSS) which included a self-esteem measure. The independent variables were method of transfer (with or without a plan) and family position (father, mother, son, and daughter-in-law).

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CHAPTER ONE
INTRODUCTION

"Frequently, the biggest hurdle in family owned businesses is getting the founder to recognize that he's not immortal. Failure to identify, train, and install a successor is almost a sure prescription for future chaos" (Benson, 1987, p. 181). The family and the business are two systems intertwined in a complicated interaction of individual, family, and business needs. The farm family has a unique lifestyle and character because the agriculture business is so directly related to generativity (a desire for an immortal contribution) and living off the land. The family and business goals are not always compatible, and transferring the family business to the next generation becomes a very complex process. What are the reasons for a failure to pass the farm on? Are the reasons mostly financial, or are there other influential factors?

During the 1980's the media focused national attention on the stressful financial plight of a number of American farm families. Some academics, however, suggest that an equally important reason for the demise of the American family farm is the failure of the older generation to successfully transfer the family business to the younger

generation (Anderson & Rosenblatt, 1985; Birley, 1986; Cates & Sussman, 1982; Friedberger, 1983; Harl, 1972; Keating & Munro, 1987; Marotz-Baden, 1988b).

Although the succession survival rate of family farms appears to be higher than for other types of businesses (Leband & Lenz, 1983, cited by Keating and Munro, 1987), the rate is still low enough to be considered a serious problem (Marotz-Baden, 1988a). The succession process is particularly stressful in situations involving family farms because roles and needs in the family and business settings so frequently overlap and conflict. Even when there is agreement regarding a plan for the transfer of the farm business, the transition means changes in roles of family members as authority and ownership is transferred (Bratton & Berkowitz, 1976).

Statement of the Problem

This study examines the extent to which the existence of a plan for succession is correlated with stress, life satisfaction, and self-esteem levels of family members in two-generation farm/ranch families.

Objectives or General Hypothesis

The major objective of this study is to determine if having a plan for succession affects the stress, life satisfaction, and self-esteem levels of the four key members

in farm/ranch families: fathers, mothers, sons, and daughters-in-law.

This study's specific objectives are as follows:

1. To compare differences in the levels of stress reported by each family member in two-generation farm/ranch families between those families who have a plan for succession and those who do not have a plan for succession.
2. To compare differences in the levels of life satisfaction reported by each family member in two generation farm/ranch families between those families who have a plan for succession and those who do not have a plan for succession.
3. To compare differences in the levels of self-esteem reported by each family member in two-generation farm/ranch families between those families who have a plan for succession and those who do not have a plan for succession.

Assumptions

This research is based on two assumptions. It is generally agreed in the literature that having a plan for succession, especially a formal plan, increases the probability of the survival of the business into the next generation. It is also generally assumed that there are inherent stressors involved in the process of developing a formal plan for succession and that these stressors will

affect the life satisfaction and self-esteem levels of both the older and the younger generation.

Limitations

The sample is limited to Montana two-generation intact families who own farms or ranches ranging between 200 to 2000 acres. Because of the problems encountered in generating a list of the population, the sample is small (176). In addition, the sample is not random. Although we are talking about intact, four-member families, not all four members of each family responded. This study includes all respondents. Therefore, there are unequal numbers of fathers, mothers, sons, and daughters-in-law represented. These limitations affect the generalizations which can be made from this study.

Definitions

Boundary Ambiguity: Not knowing who is in the system and who is not, and a lack of clarity of roles and responsibilities. This term includes both physical and psychological absence or presence (Boss, 1988).

Life Satisfaction: Subjective evaluation of the quality of life and a feeling of well-being.

Resistance: A person's persistence in maintaining the status quo of an individual or system.

Strategic Plan: Long-term management which involves a step-by-step approach to planning for the future of a business.

Succession: Establishing a successor to manage the continuance of a business and the process of transferring the business from one manager to another.

Two-Generation Farm/Ranch Family: An older generation and a younger generation farming together, that is, sharing at least some land, facilities, machinery, and/or labor. For the purpose of this study the family members are the father, the mother, the son, and the daughter-in-law.

CHAPTER TWO

LITERATURE REVIEW

This literature review focuses on farms as a subset of family owned businesses and how inheritance practices affect planning for the continuance of the family business.

Because a large proportion of this review is not about farm businesses specifically, but rather about family businesses in general, the terms farm and firm are used interchangeably throughout this document. Strategic planning is discussed in relationship to increasing the chances of successful transfers of family businesses. Systems theory is defined and presented to explain how the family and business systems are interrelated. The difficulties of establishing a successor to manage the continuance of a business, particularly resistance to succession, are explained. The family life stages, family rules, and patterns of interaction which complicate the implementation of a succession plan are mentioned.

Social exchange theory will be discussed as well as the process of planning for succession. How a plan for succession may affect the stress, life satisfaction, and self-esteem levels of the family members of both generations is also discussed.

Continuance of Family Businesses

Most owners report that they want to pass the family business on to their children (Bratton & Berkowitz, 1976; Ward, 1987). However, according to Beckhard and Dyer (1983b), only 30% of family-owned businesses in America survive into the second generation. The researchers find that approximately 70% of all family firms are either sold or liquidated after the death or retirement of their founders, suggesting that most owners do not plan for the succession of their business. In a study of 200 successful family businesses in existence between 1924 and 1984, Ward (1987) found that 35% of all companies sold cited lack of management depth and/or lack of successors as the key reasons the business was sold rather than transferred.

Lack of succession planning has been identified as one of the most important reasons why many first-generation family firms do not survive their founders (Lansberg, 1988). The most important reason given by researchers for the low survival rate is intergenerational family dynamics (Dyer, 1986; Rosenblatt et al., 1985; Ward, 1987). In a family business, the family and the business are so inextricably interwoven that the transfer of the operations from the older generation to the next generation is often fraught with emotion and problems (Birley, 1986).

Research reveals significant differences in stress levels by generation when two families are farming together

and suggests that the stress experienced by the two-generation farm family may be more highly correlated with family interaction than with economics. In addition, the fact that the younger generation reports higher levels of stress than the older generation suggests that family interaction may be an important variable affecting the stress levels of the family members (Marotz-Baden, 1988b; Weigel & Weigel, 1987).

On the basis of social choice theory (see section on social exchange theory), Marotz-Baden (1988b) hypothesizes that the younger generation will be willing to postpone pleasures and make more sacrifices if they know they have a future in the farm business. The members of the older generation may resist making a plan because they perceive experiencing many personal losses in the process of succession. This resistance to change by the owner(s) is a primary reason that the succession issue is so difficult. These changes include confronting retirement, death, and potential family conflict arising from the process of making such a plan (Handler & Kram, 1988; Lansberg, 1988; Levinson, 1971; Ward, 1987). In summary, the personal and family dynamics involved in the continuance of the family business cause it to be much more complex than it may at first appear.

Inheritance Practices

Although the U.S. inheritance system is rooted in testamentary freedom to pass property on to whomever one chooses, many times traditional unwritten rules such as primogeniture (passing property on to the oldest son) are still practiced. Tower (cited in Cates & Sussman, 1982) found that in 1952, 75% of the family farms were transferred to a son. Recent figures could not be found.

Friedburger (1983), in his historical study of farms from 1870 to 1950, found that approximately one-third of the families studied had some sort of a plan worked out to pass on their land to their children and that there were three key objectives of the inheritance settlement: (1) to pass on the farm to family members; (2) to treat all heirs reasonably fairly in the settlement; and (3) at the same time, to provide sustenance to the widowed spouse, such as a Bond of Maintenance Agreement.

Friedburger (1983) lists four types of inheritance practices which have different effects on the transfer of the farm:

1. "Inter vivo" transfer. In this type of transfer, the property is transferred before the death of the owner. A study in Wisconsin cited by Friedberger (1983) suggests that this is the most satisfactory way of ensuring that the farm remains in the family and that the farm operations are

not disrupted by extended probate court proceedings when a change of ownership takes place;

2. Testate Settlement. The owner draws up a will and the property is transferred after the death of the testator according to his/her wishes, with an executor guiding the settlement through probate. The executor is usually a spouse, child, relative, neighbor, or banker;

3. Intestate Settlement. There is no will and the probate court administers the transfer of the estate according to the law of intestate succession. Many states give one-third to the spouse and two-thirds divided among the children. Such an arrangement often means the successor must buy out the others, which is sometimes impossible. In their study of farm transfers, Anderson and Rosenblatt (1985) found that all of the farms that were sold to non-family members were sold following the illness or death of the husband/father. Harl (1972) also states that estate settlement costs and death taxes (federal estate and state inheritance) can cause a severe loss of equity capital. Even if a will exists (testate), there is a risk of intestacy or disqualification of the existing will if other family members choose to contest it;

4. Liquidation of property by the family with no intergenerational transfer. This usually happens when there is disorganization or disagreement among the family members

about the division of property, and they prefer that the court enter the decision-making process (Friedburger, 1983). If the family members can come to an agreement, then the court does not have to get involved.

In researching farm transfers, Anderson and Rosenblatt (1985) found that typically there was no explicit planning and no overt decision process, yet frequently one offspring seemed to have been selected indirectly. These authors suggest that this kind of covert planning does not work as well as formal, explicit planning with communication. In such cases where intentions are only inferred, people may lack confidence about their identity, their future, and their place in the family and the farm.

Anderson and Rosenblatt (1985) found that many times there was tension among offspring about issues of fairness, about who wanted to farm, about who was competent, and about when and how the transfer was to take place. They recommend early planning of farm transfer and open communication to avoid these problems.

In review of the four options of inheritance, it appears that the most successful farm transfer necessitates a plan. The inheritance practices of farm families have not been studied extensively (Friedberger, 1983), but researchers have begun to study the intergenerational dynamics of the retirement planning process (Anderson & Rosenblatt, 1985; Marotz-Baden, 1986; 1987; 1988a; 1988b; 1989).

Gradual Transfer

Farm transfer is generally much more gradual than other kinds of business transfers. The farm transfer/retirement process may extend from the time the older farmer is in his early fifties to the time of his death. Friedberger (1983) describes this process as "Transitional Tenure." This is a period of farming together between the surrender of active management by one owner and the assumption of active management by a second owner. The timing of this transfer is related to the interrelated family and business cycles of farm families (Keating & Munro, 1987; Keating & Munro, 1989). This cycle begins with farmers being tenants of their parents' farms when they are in their early to middle years and continues into the stage of becoming owners/operators when their parents die; finally, these tenant farmers step into their parents' earlier role of landlords to begin the cycle all over again. This process may appear deceptively simple (Uchtmann & Carpenter, 1980), but because of the overlap of the generations and the different developmental life stages within each, the process can be a continual struggle for adjustment.

Moving out of the family business involves three main factors: 1) withdrawal from work; 2) withdrawal from management; and 3) withdrawal from ownership (Atchley, 1983, cited in Keating & Munro, 1987). These three stages all happen very gradually, and the timing is directly related to

the life cycle of the business, which also includes three stages: 1) entry or establishment (high labor capital inputs); 2) growth and survival (building the business); and 3) exit or disinvestment (reduce operation and management control) (Boehlje, 1973, cited in Keating & Munro, 1987). According to this definition, some farmers never retire; however, the family conflict is not so much about whether a farmer is actually retired as it is about how the families manage the retirement process.

A gradual transfer of power is reasonable for training the successor, but most farmers delay the transfer of property. Farmers appear to be able to reduce their work load and transfer moveable assets, such as livestock, with little resistance, because these do not necessarily require a reduction in control (Keating & Munro, 1987). On the basis of their research, Keating and Munro (1989) suggest that the sequence of retirement for farmers is as follows:

1. reduction in work
2. reduction in livestock holdings
3. reduction in control over production
4. reduction in control over marketing
5. reduction in control over financial decisions
6. reduction in land
7. reduction in equipment

Keating and Munro (1987) found that the most costly reductions to the farmer were those that represented

control, such as land and financial decisions. The researchers also found that generally the beginning stages of withdrawal from work began when the farmer was in his early fifties but that he didn't decrease management until his late sixties. "They appear to be happy to pass along the work to their children but want to maintain the power to the end" (Keating & Munro, 1987, p. 11).

For the self-employed, retirement is a lengthy process requiring a complex set of decisions concerning work, ownership, and management of the business. Retirement is not looked at as an event as much as an ongoing process of continuous planning and adaptation (Keating & Marshall, 1980). The movement of ownership from one generation to the next has been cited as one of the most agonizing experiences in any business, especially those businesses that are family owned and operated (Barnes & Hershon, 1976).

Strategic Planning

Planning for the future of the family and the farm is something farmers think about but do not actually do very often. Anderson and Rosenblatt (1985) found that there is a general tendency in families not to plan ahead or to communicate about major decisions that all family members could anticipate. Families seem especially reluctant to interact about issues connected to death, the end of current involvements, or the allocations of resources that may be impossible to allocate fairly. Family members often act as

though the legal and financial business issues are the only issues surrounding succession. That can leave a family poorly prepared to cope with subsequent family tensions and resentments (Anderson & Rosenblatt, 1985).

Although this transition is fraught with emotion and stress resulting from the interplay of the two systems of the business and the family, a plan appears to be necessary for the successful transfer of the farm business. Most of the literature on the relationship between planning and performance suggests that the process of rational planning leads to more success (Beckhard & Dyer, 1983; Below et al., 1987; Dyer, 1986; Etzioni, 1964; Liebtag, 1986; Thune & House, 1970; Ward, 1988). Strategic planning, also described as long-term management, has been cited as the single most important function of key decision-makers in any organization (Liebtag, 1986; Ward, 1988). Organizations of all sizes recognize the need to plan and manage so that both long-term and short-term results can be achieved on a consistent basis (Below et al., 1987).

Ward (1987) states that good planning is necessary for a business to succeed and that planning involves more than just thinking ahead; it is a comprehensive, step-by-step approach. In spite of this evidence, Liebtag (1986) found that only 34% of business owners he polled said they had a written strategic plan. According to an American Express national survey, the majority of small business owners said they were too busy to plan properly for long-term growth,

which includes planning for the continuity of the business (Small Business, 1987).

The reasons that business founders delay and even resist making a succession plan are psychological as well as pragmatic. These issues will be discussed in further detail in the section on resistance.

The Systemic Approach

One approach to understanding the potential problems of family businesses and business families is to use a systems perspective (Below et al., 1987; Etzioni, 1964; Hollander & Elman, 1988; Rosenblatt et al., 1985; Ward, 1988). Systems theory has been described as the whole being greater than the sum of the parts. Individuals are a part of a larger interdependent social system; therefore, a change in one part will affect the whole system. Systems also develop established patterns of behavior, potentially making change difficult (Broderick, 1986; Kantor & Lehr, 1975; Nichols & Everett, 1986).

There has been a recent change in the attitude of corporate business management toward the systemic approach to planning. This change suggests that the conventional approach to planning, which does not take the environmental structure (larger system) into account, is unlikely to succeed because it does not treat the organization as a system. Etzioni (1964) and Below et al. (1987) agree that no part of the planning process can be developed in

isolation from the other parts. If planning is to work in any organization, the first step is to identify the various components and determine how they all fit together. Instead of reactively adapting to a changing environment, the managers of the business consciously seek to redesign significant parts of future environments, taking into consideration all of the systems involved. In family businesses such as farms and ranches, this reassessment means that the influence of the family system on the business system must be considered.

In regard to systemic thinking, Etzioni (1964), an organizational theorist, states that a succession crisis is very common in all organizations because the change affects the whole system. If there was only a plan and a commitment to the position of succession, the transfer would be easy, but there is generally a commitment to the person by the family, non-family employees, clients and other business contacts. There is a loss to be adjusted to, and this need for adjustment almost invariably leads to a period of instability for the business. All organizations are subject to this kind of crisis from which the people and the business have to recover.

Rosenblatt et al. (1985) suggests that in family business, however, the transition is more stressful because the transfer is often quite blurred, compared to a business transfer between non-relatives. The latter transfer is typically neat and well-defined, many times down to the

minute of the actual transfer. In the family business, a successful transition imposes many significant systemic changes on the family business, family relationships, traditional patterns, and management and ownership structures (Lansberg, 1988).

Marotz-Baden (1987) suggests that in the two-generation farm family there are two systems: the extended family which usually has rather clear boundaries, and the family business which may have less clear boundaries because the family members inappropriately act in the same patterned interactions and roles in the two different settings. Family members tend to relate similarly to each other in the farm business system as well as the family system. The farm business system and the family system are separate but connected systems, and they will inevitably compete at times for resources such as time, energy, and money. Because of this overlap of the family and business systems, family members may resist change in either one because of the interactive impact. Change in one will affect the other (Marotz-Baden, 1988b).

In preparing a succession plan for family farms, a systemic approach may more effectively provide for the future needs of the family and the business. This approach will be discussed and applied in the following sections.

Succession

Succession is more complicated in family-owned businesses. Lansberg (1988) defines succession planning for family businesses as making the preparations necessary to ensure the harmony of the family and the continuity of the enterprise through the next generation, taking into consideration the future needs of both the business and the family. Family owned businesses are very complex in that they include the interaction of the subsystems of family and firm, each having separate identities and cultures often with competing needs and values. The business is a performance-based system, but the family is a relationship-based system.

Family businesses have problems largely because they combine the operations of two overlapping but competing systems, each with its own goals and priorities. Both family and business vie for human energy, money, time and other resources. Family members can feel inwardly torn and divided from one another by competing pressures to meet personal goals such as togetherness, love and mutual support, and business goals, such as profit, growth and rational management of resources. (Rosenblatt, 1985, p. 56)

Leaders of family businesses have a difficult task in managing the continuity of the family business because they have to deal with this complex set of relationships (Anderson & Rosenblatt, 1985; Beckhard & Dyer, 1983; Birley, 1986; Bratton & Berkowitz, 1976; Handler & Kram, 1988; Keating & Munro, 1987; Lansberg, 1988; Rosenblatt, 1985; Salamon, 1986; Ward, 1987).

Beckhard and Dyer (1983) list the following family factors that influence the family business and succession planning: family cultural pattern (a close family as opposed to very individualistic family members); family members' independence, dependence, and interdependence; financial conditions of family members; other primary relationships; sibling cooperation or competition; and spouse's status in the business. Latent family issues surface again; old sibling rivalries recur, and in-laws find themselves in curious roles. Issues may emerge and cause strains; oldest son preference, style difference between founder and successor, who wants to or is expected to go into the business, grandchildren, divided loyalties, in-laws, and competent non-family members all may cause tension and stress.

Resistance to Succession Planning

In spite of recommendations and suggested strategies for succession planning by professionals, family business succession is resisted (Etzioni, 1964; Handler & Kram, 1988; Hollander, & Elman, 1988; Lansberg, 1988; Levinson, 1971; Ward, 1987). Because succession usually means change and growth, it disturbs the collective perpetuation of established patterns of behavior and is generally resisted rather than perceived as an opportunity (Lansberg, 1988). Systems theory defines this resistance to change as

homeostasis, where the members of the system try to maintain the status quo in order to retain stability.

There are two opposing forces in every system, one for change and one for homeostasis. When an external or internal stimulus pushes for change in the system, these two forces are in conflict with each other, and basically, the stronger one wins (Broderick, 1986; Kantor & Lehr, 1975; Nichols & Everett, 1986). Therefore, in the situation of the farm family, there is an interplay of tension and conflict among the different members in their interaction with each other, and it further appears that the father/owner has the strongest desire to maintain homeostasis in the family and the farm business. The owner's resistance to making a succession plan is an attempt to prevent change, at least in his lifetime.

Handler and Kram (1988) define resistance as persistence in maintaining the status quo of an individual or system. They describe resistance as a complex phenomenon that involves many influential factors, including the individual, the group (family), the organization (business), and the environmental levels. There can be a mutual resistance to planning for succession from these different forces in a person's life (Lansberg (1988)). The more these many systems or areas of a person's life are connected, the more difficult it is to change, because change in one system will affect all the others (Birley, 1986). In farm families, business, social lives, and leisure can be

intertwined, thereby causing change to be much more difficult and complicated.

Lansberg (1988) suggests four critical forces in the owner/father that interfere with succession planning in family firms and suggests that an awareness of the reasons for ambivalence about and resistance to change is the first step toward mobilizing the planning process. Other research is cited to support these four points.

1. Reluctance to face his own mortality. For a founder to plan succession, he must come to grips with his own death. There is a grieving process that must take place. The founder has to deal with changes and loss in his personal life as well as in his business (Handler & Kram, 1988; Hollander & Elman, 1988; Lansberg, 1988; Levinson, 1971; Ward, 1987). Family transitions and company transitions can occur separately and at different times. However, they usually occur together, for example, when retirement and succession occur at the same time. To ensure a healthy transition, the "old man" must face the decision of helping the company live even though he must die (Barnes, 1976). Dyer (1986) suggests that there are predictable patterns of changes in family firms and that many problems can be avoided and/or managed successfully if the leader understands the changes he will encounter as the business and the family evolve.

2. Letting go of his power. The owner/founder tends to have a strong need for power and centrality (Liebtag, 1986; Levinson, 1971) and can experience this power through his ability to influence the business and the family. Founders many times make themselves indispensable to the business and, therefore, others also believe retirement would be disastrous.

3. Fear of losing his identity. His organization defines his place in the world and forms an integral part of his sense of self. The thought of separating from it is disturbing and painful (Levinson, 1971) and he feels like he is losing an important part of his identity.

4. Feelings of rivalry and jealousy toward the potential successor. Even when a founder agrees to plan for succession, he will enact self-defeating behaviors to undermine or sabotage the successor in order to remain in control (Lansberg, 1988; Levinson, 1971).

Because of all of these powerful psychological meanings the father/owner attaches to the business, he may give conflicting messages to his son. The business represents an extension of himself, a medium of his personal gratification and achievement; therefore, he has great difficulty surrendering its control. He consciously wishes to pass his business on to his son, but unconsciously he doesn't want his son to displace him. The father's contradictory

behavior is frustrating and confusing to the son (Lansberg, 1988).

The son naturally seeks more responsibility and the freedom to act responsibly on his own as he matures. He resents being kept in an infantile role, dependent on his father, but sometimes, he feels unconscious guilt about pressing for a plan which will cause the exit of his father from the business. The son may, as well, be denying his father's immortality. The son finds it very difficult to come to terms with the conflict of loyalties he experiences around the issue of taking over his father's business.

The mother has many of the same resistance issues as the father, specifically in facing retirement and the "empty nest," but traditionally, the mother's role and power base has been related to her position of nurturer and peacemaker. As a result, she tends to be helpful as a mediator in influencing movement toward planning because her future happiness is influenced by her children's future happiness (Lansberg, 1988). The father is also concerned about these issues, but his role identity is different.

Parents may also have fears of family disruption caused by unavoidable conflict among heirs and concern about the possibility of a forced sale of the business in an estate settlement (Levinson, 1971; Lansberg, 1988). "Many families abandon the effort at succession because they feel it will destroy the family" (Ward, 1987, p. 10) and in so doing, they may lose their business.

There are also external resistances by the managers, owners, and clients because of their emotional and business ties to the founder that contribute to the avoidance of the succession issue. Barnes and Hershon (1976) show that the transfer of power from the first to the second generation rarely takes place while the founder/father is alive and on the scene, and many times the business dies with that founder because he has failed to provide for the continuity of the organization (Handler & Kram, 1988).

Rosenblatt (1985) found planning for succession quite uncommon. In most cases there was no arrangement for an orderly change of responsibility, no consideration of how to minimize the tax and legal costs of a transition, no formal training for the successor, and no preparation by the boss for his life in retirement. Lack of planning contributes to personal problems during succession and can put the business at serious economic risk. As Lansberg (1988:141) says, "...it is very unlikely that a first generation family firm can mobilize itself for succession planning unless the founder is willing. He retains the power to perpetuate or destroy his life creation."

Developmental Crisis

In looking at the succession crisis from a developmental perspective, Hollander and Elman (1988) suggest that change can be viewed as normal and predictable rather than pathological; therefore, change can be treated

as an opportunity rather than a defeat. According to Hollander and Elman (1988), a pathology or dysfunction occurs when the family gets stuck in one stage and fails to negotiate the transitions. When this happens, a successor may get stalled behind an aging parent uninterested in relinquishing control. It is usually too late for the successor to start a new career, and it may be too late to realize his full potential (Ward, 1987).

A transfer of a business within a family is often blurred. Even when ownership changes hands, there is a tendency for parents to continue to parent and for their adult offspring to let them do so. The boundaries between the two systems, family and business, are ambiguous. This role confusion resulting from the inherent ambiguity of the overlapping roles causes stress in the family system (Rosenblatt et al., 1985). Problems arise when one family member invades somebody else's territory or when there is ambiguity about who is supposed to do what. This dilemma is most frequent in parent-offspring relationships. It is difficult to break the normal parenting and offspring patterns of behavior, and so families will experience some role carryover (Rosenblatt, 1985). Rosenblatt et al. (1985) conclude that the patterns of the family system, which include roles, rules, and interactions, are inappropriately carried over to the business system, frequently causing problems.

Boundary Ambiguity

Many families in business believe that if they are getting along as they should, there is no need to define clear roles. Rosenblatt (1985) suggests that a clear division of labor seems to be much less stressful than presuming everyone knows who is to do what (Rosenblatt, 1985). Marotz-Baden (1987) found that sons with no role ambiguity had lower stress scores for some types of stressors than sons with role ambiguity. Marotz-Baden (1987) suggests that part of this role ambiguity is a result of the son's and daughter-in-law's lack of knowledge about the ways in which the older generation is passing or not passing the farm/ranch on to them. This lack of clarity causes confusion and tension. Weigel and Weigel (1989) found that the greatest stressor for members of the younger generation was that they were not on their own. A decision about who will be included in the business system and the appropriate roles and responsibilities for these family members will help eliminate some of this boundary ambiguity. A plan may help alleviate some of this tension because it provides definition of roles and boundaries (Marotz-Baden, 1988b).

When there is boundary ambiguity, power becomes an underlying issue as familial and business roles and statuses are blurred (Rosenblatt et al., 1985). Walker and Walker (1987) found that a major stressor that farmers experience is a lack of personal power, which is defined as the

inability to feel in control of one's environment. Farmers who have less personal power or less control over their environment (e.g. younger farmers, and females) have higher levels of stress and stress symptoms. Farmers in general experience stress related to lack of control over things such as the weather and the price of commodities. The sons and daughters-in-law also feel an internal lack of power in the two-generation farm business for such reasons as less responsibility and less decision making power. The daughters-in-law appear to experience the greatest amount of stress; this may be because they also experience the least amount of power. The farm "financial crisis" has also contributed to a feeling of less organizational power, e.g., political power in market conditions and government policies (Walker & Walker, 1987).

Social Exchange Theory

In studying farm families, Marotz-Baden (1986) applied social choice theory to suggest that differential costs and rewards for each generation would create tension, at least at the timing of the transfer. Social exchange theory, a contributor to social choice theory (Nye, 1982), states that people seek to obtain rewards and attempt to avoid costs. Thus, human behavior is not random, but purposive and goal directed. The pursuit of these goals brings people into interdependence with one another. A person perceives an exchange as fair or unfair. If an interaction seems fair

(profitable), positive sentiments build up and the relationship between the two people continues to grow and develop. If the exchange is costly, the sentiment tends to be negative and the relationship slows down or terminates (Bowen, 1988).

Research on two-generation farm families indicates a significant difference in stress level by generation when two families are farming together. Marotz-Baden (1988a) found that sons experience the highest stress levels and fathers the lowest. However, recent research indicates that the older generation experiences increased levels of stress in their life when they reach the point of planning and transferring the family farm or business (Barnes & Hershon, 1976; Beckhard & Dyer, 1983; Birley, 1986; Handler & Kram, 1988; Hollander & Elman, 1988; Keating & Munro, 1987; Lansberg, 1988; Levinson, 1971; Rosenblatt et al., 1985; Ward, 1988). According to social exchange theory, the older generation will feel that the exchange is unfair and that the costs are greater than the rewards. Marotz-Baden (1987) suggests that the younger generation may experience less stress when a plan of succession is put into effect because they have future security. They feel the exchange is profitable to them.

To illustrate the application of social exchange theory to the succession process, a schema was developed to depict positive and negative consequences for families with a succession plan and for families without a succession plan

(Figure 1). This schema was then presented in relationship to stress and life satisfaction. A minus sign (-) was used to distinguish between variables that contribute to stress, a cost, and a plus sign (+) was used to designate variables that contribute to life satisfaction, a profit. These variables are listed under older generation or younger generation in relationship to having or not having a succession plan. The overall stress of not having a plan appears to be less than the overall stress caused by having one, because of the increased psychological stress related specifically to loss of power and control. The younger generation, represented on the right, has more minuses (stress) with no plan and more pluses (life satisfaction) with a plan. The literature suggests that sons and their wives feel more power and control when they know their part in the future of the farm. This difference in power and control between the generations will be discussed in more detail in the following sections on stress and life satisfaction.

Stress

Studies by Marotz-Baden (1986, 1987, 1988a, 1988b, 1989) have focused on how the process of transferring the farm from one generation to the next can be stress-producing for both generations. Two stressors for the younger farmer are lack of financial power and lack of decision-making power (Marotz-Baden, 1987). According to social exchange

Figure 1. Social Exchange Theory Applied to Succession Planning in Relationship to Stress and Life Satisfaction in Two-Generation Farm Families

OLDER GENERATION		YOUNGER GENERATION	
Without a Plan	With a Plan	Without a Plan	With a Plan
+ keep power	- change	- no financial power	+ change
+ keep identity	- family conflict	- no personal power	+ gain power
+ keep self worth	- face mortality	- no status	+ gain status
+ keep authority	- face retirement	- no decision-making power	+ gain control
+ financial control	- lose power	- dependent	+ independence
+ decision-making power	- lose control	- no security-continuity	+ responsibility
+ status	- lose identity	- lower self worth	+ self worth
+ responsibility	- lose status	- role ambiguity	+ continuity
+ independent	- lose decision-making power	- inheritance problems later	+ prevent problems
+ avoid grief of losses	- dependent		+ clarify roles
- more responsibility	- lower self-worth	+ taken care of by parents	
- more work	- grieve losses	+ no financial risk	- financial risk
- less freedom		+ less responsibility	- responsibility
	+ continuity of farm	+ more freedom	- more work
	+ prevent inheritance	+ less work	- less freedom
	fair to all members		- provide for parents
	provide for spouse		
	+ clarify roles		
	+ smother transfer		
	+ less work		
	+ more freedom		
	+ less responsibility		

+ = life satisfaction (profit)
 - = stress (cost)

Schema depicting the positive and the negative consequences for families with a plan for the transfer of the farm and families without a plan for the transfer of the farm

theory, the economic and emotional power of the older generation would decrease in a transfer. Therefore, they prefer to delay the transfer. The younger generation, however, prefers an earlier transfer for the same reasons (Marotz-Baden, 1987). The transfer is a stressor for both families, but in the process, the overall stress of members of the younger generation should decrease as they experience more power and control in their lives. The overall stress of the older generation, however, should increase for the opposite reason: they will experience a loss of power and control.

Financial concern has been shown to be related to stress for families in both generations (Marotz-Baden, 1988b). One of the economic stressors of succession in farm families is that the farm must then provide for two households at an acceptable level for both families. However, income satisfaction seems less important for fathers for whom it is very important that the farm be passed on to their offspring than for fathers for whom it is less important (Marotz-Baden, 1988b).

Financial stress is only part of the overall stress that both generations experience. Stress experienced by the two-generation farm family is thought to be highly correlated with family interaction as well as economics (Marotz-Baden, 1988b). Farm couples in one study by Marotz-Baden (1988b) reported financial and business strains as their primary stressor, followed by intra-family strains,

with work-family transitions and strains the third largest source of stressors. Marotz-Baden (1988b) suggests that the stress experienced by farm families is related to a complex interaction of economic and other social factors including occupational stressors, and it is difficult to differentiate among them.

Communication between the generations about their expectations is assumed to affect the stress and life satisfaction levels of the family members. On the basis of her research, Marotz-Baden (1989) suggests that when there is a lack of a clear distinction in roles between the father and the son, there is somewhat more stress reported by the son than by the father. Sons who reported that their parents were going to transfer at least part of the enterprise to them had higher total economic satisfaction scores than did sons who reported that their parents were either undecided or did not know how or if the business would be transferred to the next generation (Marotz-Baden, 1987).

Holloway (1988) and Marotz-Baden (1988b) also found that although sons had the highest stress levels and fathers the lowest, the overall stress levels of both fathers and sons was not high. Most of the sons were satisfied with the extent to which they had been incorporated into their parents' farm/ranch operation (Marotz-Baden, 1989). One reason for this may be that most of the sons owned or rented land in addition to the land they shared with their parents.

Therefore a feeling of control over their own resources might account for their general satisfaction with the amount of control they had in the farm business. In neither of these studies were the stress levels tested against having a succession plan. The low stress reported by the sons and fathers is also suggestive of the development of successful stress management skills.

Life Satisfaction

Life satisfaction is an elusive concept. It has been described in many ways: quality of life, well-being, happiness, and satisfaction of life experience. It seems to be related more to values and expectations than to material goods (Campbell et al., 1976). Recent theories suggest that life satisfaction needs to be individually value-based (Bowen, 1988). This is explained below.

Traditionally, social scientists have had a view of cultural homogenization, which assumes that through socialization we all share the same values and perceptions and that there is one desirable way for families to function (Bowen, 1988). In contrast to that view, the rich diversity of family values and processes is increasingly recognized by researchers. Traditional models of measuring life satisfaction measured the objective conditions of life rather than the subjective experiences of life. These models seemed reasonable, but it wasn't known how well these traditional models measured the psychological states or

quality of life experience. Evaluating people's lives in terms of their material possessions is so common that people sometimes forget that satisfaction is a psychological experience (Campbell et al., 1976). Some researchers have found, for example, that an individual's estimate of resources, measured in terms of personal satisfaction, was a better predictor of well-being than objective material resources alone (Campbell et al., 1976; Wilson & Peterson, 1987).

Although not used in this study, Bowen's (1988) Value-Behavior Congruency (VBC) Model of Family Life Satisfaction is an excellent example of a model that is based on this individually value-based view, because it assesses the family from its own value base. This model contrasts with static definitions of family life satisfaction which utilize a fixed set of interactions and feelings. By applying social exchange theory to his model, Bowen (1988) places an individual value on interactions or feelings. Values are seen as a contingent variable. The relative value that is attached to specific actions influences the amount of profit perceived by the individual. A direct relationship between profit and life satisfaction is assumed. An individually value-based measuring instrument for life satisfaction is considered to be more responsive to the fluidity and diversity of family life patterns and process but it is more of a challenge to test and assess results because the

individual value must also be assigned to each item (Bowen, 1988).

Thus it appears that in assessing the quality of life experience for an individual, it is necessary to get a description of the individual's evaluation of the importance of the items used in measuring life satisfaction. The subjectivity of perceptions, expectations, feelings, and values produces problems of definition and measurement. One way to measure the quality of life is to use an individually value-based measuring instrument for life satisfaction. The Life Satisfaction Scale (Wilson, 1987) used in this study allows for an individually value-based approach in that the response varies from very satisfied to very dissatisfied, depending upon how much the person values the content of each individual item.

Summary of the Literature Review

In summary, the literature suggests that there are special problems and challenges involved in a two-generation farm family transfer. It is suggested that having a plan for the succession of a family business will increase the chances of a successful transfer (Anderson & Rosenblatt, 1985; Birley, 1986; Cates & Sussman, 1982; Friedberger, 1983; Harl, 1972; Keating & Munro, 1987; Marotz-Baden, 1988b). But there are numerous blocks to providing a plan. In family owned businesses, there are added complications because of the overlapping demands of the interrelated

systems of the family and the business (Marotz-Baden, 1987). In farm and ranch family businesses, the boundaries between the family and business systems are even more ambiguous because the family's social, leisure, and business life seems to be intertwined (Birley, 1986). While there are inherent stressors related to succession planning, the younger generation appears to experience greater overall stress, while the older generation experiences less. The older generation perceives passing on the farm as symbolic of death, retirement, or losing their identity, purpose, power and status (Lansberg, 1988). Financial stress is reported to be primary, but in studies of the succession process, resistance to planning by the owner is equally influenced by a fear of a loss of power and control in one's life (Handler & Kram, 1988; Lansberg, 1988). At the same time, a succession plan increases the feelings of power and control for the younger generation, which in turn decreases their overall stress (Rosenblatt et al., 1985).

Life satisfaction has recently been perceived as a subjective experience. Power and control over one's life are strongly related to life satisfaction. According to social exchange theory, when people feel more power and control, they will experience more rewards or profit (Bowen, 1988); therefore, the younger generation would experience greater life satisfaction with a plan and the older generation less with a plan.

Based on literature about the succession process in the family business and the complexities of the two-generation farm family, one can hypothesize that in spite of the increased stress from not having a plan for the older generation, a plan for succession will increase their general stress level even more and decrease their general life satisfaction level. At the same time, in spite of the increased stress inherent in making a succession plan, the general stress of members of the younger generation will decrease and their life satisfaction will increase with a plan.

Finally, social exchange and family systems theories were described and applied as a framework to support the researcher's hypotheses about the effects of a succession plan on the stress, life satisfaction, and self-esteem of two-generation farm families. The proposed study builds upon previous research which supports the assumption that family dynamics have a substantial influence on planning for succession, and that planning for succession has an effect on family dynamics, specifically in relationship to stress, life satisfaction, and self-esteem.

Research Hypotheses

1. The stress levels of the mothers and fathers in two-generation farm/ranch families will be greater if there is a plan for succession than if there is not.
2. The life satisfaction levels of the mothers and fathers in two-generation farm/ranch families will be less if there is a plan for succession than if there is not.
3. The self-esteem levels of the mothers and fathers in two-generation farm/ranch families will be less if there is a plan for succession than if there is not.
4. The stress levels of the sons and their spouses in two-generation farm/ranch families will be less if there is a plan for succession than if there is not.
5. The life satisfaction levels of the sons and their spouses of two-generation farm/ranch families will be greater if there is a plan for succession than if there is not.
6. The self-esteem levels of the sons and their spouses of two-generation farm/ranch families will be greater if there is a plan for succession than if there is not.

CHAPTER 3

METHODS OF INVESTIGATION

The data for this study were taken from a data set which is part of the W-167 Western Regional Agriculture Experimental Station research project. The Montana research specifically examined stressors inherent in intergenerational transfer of farm and ranch assets, including how the transfer takes place and the coping strategies farmers and ranchers utilize to combat these stressors (Marotz-Baden, 1983). This study will utilize a subset of the Montana data.

Sample

The Montana Agriculture Soil and Conservation Service identified a 10% random sample of Montana multi-family farm and ranch operations that farmed/ranched between 200 and 2000 acres in the state of Montana. In 1985, a letter explaining the research project was sent to each of the 400 operations that had been identified as potential participants, and that included, as well, the father and mother and at least one married son and his wife who farmed or ranched together. Of the 253 families (63%) who responded, only seven (2.8%) were unwilling to participate in the project. One hundred seventy-nine of the families

(70.8%) were not eligible because they did not meet the criterion of having an intact older generation and an intact younger generation with sons who were involved in the farm/ranch operation. Daughters were not included because there were so few families with daughters that responded to the original mailing. A total of 68 two-generation families met the criterion of an intact couple of each generation. Individual questionnaires were sent separately to the father, mother, son, and daughter-in-law in these 68 families. A total of 175 people (64.3%) responded. Matching the participants by family resulted in 25 intact four-member families.

A similar follow-up questionnaire was sent to each of the 175 respondents in 1987; 137 responded, including 15 of the original 25 intact four-member families. To utilize the largest possible sample size, this research utilized all respondents from both time periods (1985 and 1987). As a result, there were unequal numbers of the four-family members. In 1985 there were 54 fathers, 48 mothers, 41 sons, and 32 daughters-in-law. After deleting some cases for missing data, the 1987 data set included 21 fathers, 27 mothers, 41 sons, and 37 daughters-in-law.

Procedures

Separate questionnaires for the Montana project were developed for each family member (i.e., father, mother, son, and daughter-in-law). Many questions were identical on each

questionnaire, but some questions were designed specifically for fathers, mothers, sons, or daughters-in-law. The original 1985 questionnaire did not ask the daughters-in-law about method of transfer, but this question was included for all family members in the 1987 survey to allow for comparisons. Therefore, since the 1985 data could not be analyzed including the daughters-in-law, the 1987 data were analyzed once including the daughters-in-law, and once excluding them.

The second questionnaire also contained a life satisfaction scale and a self-esteem scale that were not part of the first questionnaire. This researcher believes that self-esteem is directly related to life satisfaction, specifically concerning personal power related to farm transfer. To determine any changes in stress levels that may have occurred as a result of a change of status in method of transfer, data from the two time periods were also compared.

Measures

The independent variable, a plan for succession, was measured by the following question: "By what method is the farm being transferred?" Because of the small sample size and the wide variety of methods of transfer, the specific types of plans could not be compared. All types of plans were collapsed into the category of "with a plan." Answers were categorized into 1) with a plan, 2) without a plan, and

3) not transferring. "Having a plan for succession" included a broad range of types of plans from an informal and unclear plan, such as just knowing there is a desire to pass the farm on, to a formal, written, strategically-implemented plan for succession. As a result of lack of family communication, members of the same family may have different perceptions of the kind of plan that is in effect.

The dependent variables of stress, life satisfaction, and self-esteem were determined by the total scores of each family member and also by the combined scores of each generation. Stress was assessed with two measures: the Perceived Stress Scale, a general stress scale, and the Farm Family Stress Scale, a two-generation farm family stress scale. These two stress measures were included in both questionnaires (1985 and 1987). The life satisfaction and self-esteem measures were included only in the second questionnaire (1987).

General Perceived Stress. General stress was measured with the Perceived Stress Scale (PSS) devised by Cohen, Kamark, and Mermelstein (1983). This 14-item scale is designed to measure perceived stress resulting from events or situations occurring during the previous month. This scale uses a five-point Likert scale ranging from never (0) to very often (4). Total stress scores for each respondent were obtained by adding together the 14 items for a score range of 0-56, with higher scores indicative of higher perceived stress. Only cases in which two-thirds or more of

the questions were answered were included. To compensate for missing data in cases with less than one-third of the responses missing, the individual's average scale score was assigned to the missing score and added into the final score for that individual in order to provide a more accurate stress score. Coefficient alpha reliability scores for the PSS ranged from .84 to .86. The reliability score for the 1985 data was .83 and .29 for 1987.

Two-Generation Farm Family Stressors. The Farm Family Stress Scale (FFSS) (Weigel, Blundall, & Weigel, 1985) was used to measure stress caused by common stressors of two-generation farm enterprises. The FFSS scale has a reported reliability of .90 for the older generation and .91 for the younger generation (Weigel et al., 1987). The alpha reliability scores for the 1985 data set were .85, with .86 for the older generation and .87 for the younger generation. The 1987 data set showed alpha reliability scores of .93, with .88 for the older generation and .91 for the younger generation. The FFSS measured how disturbing each potential stressor was on a five-point Likert scale ranging from not (1) to extremely (5). A total stress score for each respondent was obtained by adding together the 22 items. The validity of this measure has not been established.

Because the 22 items in this measure represented a variety of stressors, the scale was factor analyzed by Marotz-Baden (1986) using the entire Montana farm/ranch sample data set of 175 respondents to see to what degree

