



Woodbury: Farm Family Business

It's Lonely at the Top

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This winter I was talking with a business owner as he was describing his management succession plan. When he finished, he asked, "Do you think I'm on the right track?" He was looking for confirmation that the way he had gone about the process -- and the result it created -- seemed logical. I told him it appeared reasonable, but if he wanted real insight, he ought to float his plan by some of his peers. Perhaps we could have a meeting with a couple of other business owners he respected? Almost before I finished my sentence, he jumped on the idea and started discussing the participants and logistics of just such a meeting.

When it comes to business strategies, estate or succession plans, many business owners are looking for confirmation from people they esteem. Sometimes those folks are consultants like me, but more often they are industry peers or other business owners, people who are uniquely positioned to comment from their own experience. They have "been there, done that," and can mention the benefits and consequences and offer guidance from a personal perspective.

In more and more cases, this search for confirmation of ideas and strategies leads to the creation of an advisory board, where a business owner engages several perspectives at once. An advisory board is a group of people whose central purpose is to understand, support and challenge you in your business, composed both of professionals who work for you and independent outside experts. They are a non-voting body convened for the purpose of helping you improve your organization. Having facilitated the formation and ongoing meetings of several such advisory boards in recent years, I thought I would offer some additional rationale and a few tips for launching one.

IT'S LONELY AT THE TOP (AND MAYBE EVEN SCARY)

As farms and ranches grow in size and competition escalates for land and labor, it becomes harder for business owners to share their deeper concerns and ideas locally. What might have been a casual conversation at the coffee shop 30 years ago can now have ramifications for your employees, your landowners and other family members. It seems the small-town rumor mill is always in full swing and sharing too much with your neighbors might add some grist!

Furthermore, as we head into a period of what appears to be tighter margins, agricultural business owners are looking for a trusted network of peers with whom they can discern trends, identify opportunities and discuss strategies. The wider they can cast the net, the more likely they are to find people who have approached similar problems with a different set of lenses. While agriculture has always had its local practices, climate, topography and regional flavor, the fact is that certain business issues, such as succession, responses to volatility and risk, employee engagement, lender negotiation and landowner relationships are common no matter where you live.

VALUE OUTSIDERS

When initially considering an advisory board, certain roles often emerge at the top of the potential participant list. Your CPA, lender, attorney or other professional service provider seems to be a logical choice to help guide you. After all, they know your business, have perhaps been working with you a generation or more, and see how other local businesses deal with change.

The problem is that they are also financially interested in you. They may not agree with your strategy yet they may be hesitant to argue against your wishes if it has the potential to upset the economic relationship. While those of us being paid like to claim we are independent, the reality is we want your business, and at times we may couch our comments or frame our arguments in ways that don't risk upsetting you.

The antidote to this dilemma is to include business owners or respected professionals who will say what they truly think, who aren't beholden to a significant financial relationship with you. This might be a local, non-agricultural business owner, or a farmer or rancher from another state. It might be a university professor or the thoughtful leader of a successful not-for-profit. In short, it is someone who will come at problems a little differently than you, who will challenge you to identify risks and consider solutions you might not think of otherwise, and who isn't dependent on an ongoing economic relationship. You should certainly pay them for their time or expertise, but ideally they are experts that are not dependent on a payment for participating in a meeting.

You should still consider having your professional advisers or lender at the table, just make sure you seek a balance on the advisory board between interested, insider perspectives and outsider perspectives. Most advisory boards have one, two or three outside members at the meeting. I also encourage business owners to replace board members every three to four years to keep the perspectives fresh.

STRUCTURE YOURSELF TO SUCCEED

Once you have the right people selected for the advisory board, structuring the meeting becomes important. Many boards I facilitate meet two or three times per year. We've found that quarterly seems too often, and that once a year requires a lot of catching up. Most meetings last between a half-day and full day. If board members are in town the night before, a casual dinner may be appropriate.

I also encourage business owners to pay their advisory board members either annually or per meeting. The rate usually ranges from \$1,000 to \$2,500 per meeting. Again, the amount isn't enough to sway the opinion of a respected outside board member, but is a way to recognize their expertise. Some board members won't take payment; in that case the money is often donated to a charity in their name.

Good interaction at the advisory board meeting is a priority. The meeting should not be too heavily focused on reporting by the business, but instead should lean toward getting board members' reactions to business results and strategies. A dialogue is critical to everyone gaining from the experience.

For example, there may be some financial reporting and updates on business strategies, but then we spend time talking about ideas for the owner, or perhaps reacting to proposals to implement management initiatives or change the ownership structure. In one case we spent a lot of time on the host's bonus plan, in another we debated the value of participating at different levels in the cattle supply chain. In another meeting we had the advisers react to family and key employee professional development plans (the preparation for succession planning), and in yet another we talked through the goals of a new financial reporting system. The point is, we spent time talking as a group, not just giving the advisers an update, and the topics cover a wide range of business issues.

Finally, make sure to get feedback from participants at the end of the meeting or soon after. Many advisory boards are in the early stages of development and tweaking the format or structure is important to make the experience better the next time.

CONCLUSION

Perhaps the most important ingredient in an advisory board meeting is your open mind. Having a group of people you respect and trust focused solely on your family business for a few hours or for a day is a real gift. The best way to honor that gift is to listen to the wisdom of your peers. They will confirm some of your strategies and will help you improve on others. The cost in time and money will pale in comparison to the benefits you receive.

Editor's Note: Lance Woodbury is a Garden City, Kan., author, consultant and professional mediator specializing in agriculture and closely-held businesses. Over a 20-year career, he has guided many families through inter-generational farm transfers as well as mentored successors. Email questions for this column to lance@lancewoodbury.com.

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