

Take a Chance On Change

Adjustments to business plans should be made sooner rather than later.

Farmers and ranchers are risk-takers. Their

livelihood depends on acts of faith and uncertainty. The economic results of planting a crop or raising an animal are heavily contingent on factors outside of their control: commodity prices, weather and government policies. Las Vegas pales in comparison to the gambling that goes on daily in production agriculture.

But, when it comes to making the necessary changes in the “family” part of their businesses, farmers and ranchers aren’t nearly risky enough. Adjustments are not made early or quickly to help the family and the business perform or survive. We put up with uncertainty, conflict, disrespectful behavior and poor financial performance for years, often to the detriment of the organization. Consider these changes that should be made sooner rather than later:

BUSINESS ROLES

We often assume that a particular role needs to be filled by a family member, that certain tasks need to be done by “one of us” for reasons of control or privacy. But, what happens when a family member is not good at or doesn’t enjoy his or her role? What if the family member bookkeeper doesn’t really understand accounting? What if the family member who supervises others doesn’t know how to manage people? What if the family member responsible for risk management is terrible at marketing? Instead of taking a risk on putting the right non-family people in the right roles, the business limps along with subpar performance.

FAMILY RELATIONSHIPS

Conflict exists in any workplace, but conflict between family members creates a toxic environment for everyone. Why are bad relationships tolerated in the family business? One reason is that we often confuse being in the business with being in the family. Unless everyone is in the business, the family won’t function. But, it often works the other way: Because everyone is



Write Lance Woodbury at Family Business Matters, 2204 Lakeshore Dr., Suite 415, Birmingham, AL 35209, or email lance@agprogress.com.

in the business, the family doesn’t function. Instead of taking a risk on getting family members out of business together, the family members continue to fight or avoid each other, leaving feelings of disappointment and resentment about the family not getting along.

PLANNING PROCESSES

Many family business members wish they had started sooner in their communication and planning efforts. If they had discussed “the future” at an earlier time, they might have avoided much pain and difficulty in the family and the business. This is especially true when it comes to how the business or assets will be divided in the future. Family members end up as partners or are left with equal ownership in nonliquid assets (like land or partnership interests) when the right process years prior could have avoided the capital and relational turmoil that comes with “undoing” the parents’ estate plan. Instead of taking a risk on openly discussing the future, assumptions flourish and plans get made that ultimately put assets and relationships at even greater risk.



GETTY IMAGES

FINANCIAL PERFORMANCE

Is production agriculture a business, or is it a lifestyle? For many, it is both. However,

not understanding the critical financial components of a farm or ranch threatens future generations’ ability to experience the family legacy. Not knowing concepts and not using tools around budgeting, accrual accounting, income tax strategy, estate planning, debt structure and working capital can spell the end of the family business. Instead of taking a risk on implementing more discipline or hiring the right advisers, equity begins to erode until the family farm or ranch can no longer survive.

Farmers and ranchers are remarkably adept at changing their business practices when weather, markets or policies force the change. If you apply that same survival instinct to the communication and planning needs of your farm or ranch, future generations will applaud the changes. ///