

# Your Next Financial Leader

*Don't overlook this key management position.*



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## Succession planning in the family business

often focuses on the operational leader—the person directing outside activities or making decisions about logistics, labor, planting or harvesting. The theory is that when something happens to the leader, without an immediate takeover by a competent replacement, the business will struggle with indecision and suffer from mistakes.

While the operational leader undoubtedly plays a key role, an often overlooked person is the one who does the bookkeeping, pays employees and vendors, balances financial accounts and prepares information for the tax plan. The person who knows where the money is—and can keep the money flowing—is just as important as the person calling the shots in the field or pasture. In some cases, that person may be more important than the leader in the field. Following are the reasons why.

## UNIQUE FINANCIAL DYNAMICS

Most farming and ranching operations conduct very similar activities. The timing and tactics of how you farm may vary slightly, but generally speaking, the fieldwork, application of inputs, planting, agronomic analysis and harvesting in a given region are functions that are relatively similar to those around you.

The multitude of competitive renters, farm managers, custom farmers, agronomy consultants and even crop marketing services suggests many functions can be outsourced. And, while it may not produce the exact results you want, engaging the right people can get you through a period of time in the absence of an operational successor.

But, the financial profile of each farm or ranch can vary widely from neighbor to neighbor. Debt levels and equity growth, farm expenses, equipment and infrastructure investments, personal living costs, savings strategies, off-farm investments, support of children or charities, and tax strategies are all unique to your business. And, the person who knows the most about all of those dynamics is the person who enters or reviews your financial transactions. They know where the money goes and are exceptionally important to your organization.



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## LOW MARGIN MANAGEMENT

In times when financial margins are extremely thin, the person in your business who understands where every dollar goes is critical to your survival. That person has the insight to guide your decision-making around purchases of inputs and sales of product.

On today's farm and ranch, financial decisions happen every day, but without a good finance and accounting succession plan, getting someone else up to speed on your books will take time. The absence of good financial information for farm decisions is like flying an airplane through bad weather without instruments—risky and quite possibly fatal.

## TIMELINE IN A CRISIS

The COVID-19 pandemic, state lockdowns and the ensuing financial programs offered by the government came about relatively quickly. As of this writing, many farms that applied for the first round of the Paycheck Protection Program benefited from quick action in filling out and submitting the application, which required calculations of payroll expenses.

In some cases, your competitive advantage and ability to move quickly may be determined by the organization of, and access to, your business information, along with a deep knowledge of the financial structure and intricacies of your business. While you hunt for the details without the help of your finance manager, you may miss out on substantial business opportunities. ///