

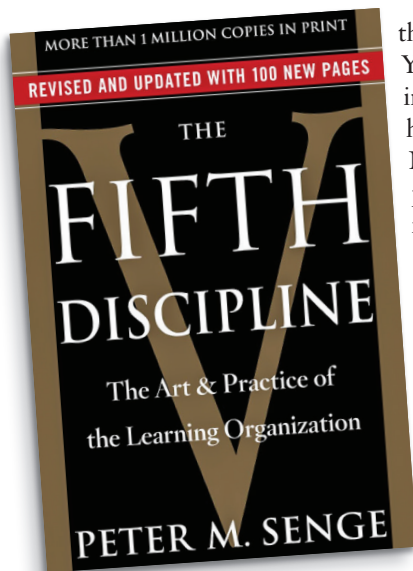
# Family Complicates Farm Decisions

*Follow these four steps to simplify your business choices and gain better results.*

## Owning a family business involves hundreds of decisions.

Seed purchases, equipment trades, land purchases, input pricing, labor strategies and crop marketing are just the tip of the iceberg. Every day, you make dozens of choices that affect the efficiency, profitability and longevity of your farm.

When adding family members to the decision-making process, there are benefits, but there can also be frustrations. On the one hand, family members provide a trusted sounding board. They can see a decision from another angle or raise concerns you might not have considered. They provide support when you are uncertain or can help research options when you need to gather more information.



On the other hand, they can slow the process. You might have to check in with more people who have a financial stake. Not including the right people might result in hurt feelings and awkward meetings. More family members in the mix may mean more questions or criticism. And, sometimes family members don't say anything, so the person making decisions feels like they are surrounded yet all alone.

So, how do you consistently make good

decisions in the family business? A model I've used with many families is adapted from Peter Senge's book "The Fifth Discipline." Consider the following stages in a decision:

## 1 REFLECTION

In this first stage, people individually consider the decision at hand and mentally wrestle with what they think of the issue. Take a tractor purchase: Each person may wonder if a new tractor is needed and whether the business can afford it. He or she may reflect on the length of time since the last tractor



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

purchase or whether the growth of the farm requires more equipment.

## 2 MUTUAL EDUCATION

This second stage is crucial for a family business. This is when each person shares his or her reflections, turning "I" knowledge into "we" knowledge. People are getting on the same page, coming to group conclusions about the nature of the problem or opportunity, and confirming, together, whether the decision requires action. In the tractor example, everyone arrives at a consensus that something needs to be done or that perhaps you can wait another year.

## 3 PLANNING

In this stage, you work through the details of the decision. For the tractor, you talk through whether a new or used tractor might be best, what size and features it should have, and whether you should lease or purchase. You decide how best to carry out the conclusion you reached in the prior stage.

## 4 ACTION

Now, it's time to execute the decision. It's the culmination of all of the thinking, talking and planning. In short, you make the deal, and the tractor is delivered.

This decision-making process applies to any group decision—purchases, hiring, even estate planning—and suggests three major challenges for a family trying to work together. First, families often don't clarify who should actually participate in the decision, so people feel left out. Or, they include everybody, which creates confusion. Second, because family members know each other well and have long histories, they assume or don't listen to one another's perspective, thus shortcutting the "mutual education" stage. Third, meetings to make decisions can feel unnecessary and inefficient relative to the urgency of outdoor farming activities, so they just don't happen. Almost every farm family I know thinks it should do a better job of meeting together to discuss business issues.

Good decision-making in a family business is as much about "how" you make a decision as "what" you decide. Understanding the process and making a deliberate investment of time in thinking and dialogue will produce a long-term, positive return to your family-owned operation. ///