

# New Frontiers of Family Business

**O**wners of family farms and ranches often have a long and storied business history. When the land was first acquired, or when a family set out to homestead or move to a different location, that purchase or physical move represented a new frontier for the family. It was the initiation of a new direction. It represented a new strategy. It involved changing where they were or what they did in hope of a better future.

Similar to those defining points of family business history, there are choices today that represent new frontiers for the company. These frontiers represent changes to your business and to your thinking. Consider the following ideas as you contemplate the future.

**Diversification.** The idea of business diversification is not new, and when I mention the idea, the common argument I hear is, “Stay with what you know.” I remind the family members, however, that what they know stretches far beyond simply farming and ranching in their particular geography. Land management, real estate analysis, crop production, animal care and nutrition, organizing people and equipment, financial acumen and risk management are all skills that can be utilized beyond your current application.

For example, some families have purchased farms or ranches in other geographic areas to mitigate weather risk, while others do so to utilize the skills of great employees, keeping them committed to the family. Some have used their negotiation skills to purchase or develop commercial or residential real estate. Other families have started or bought a business they know something about because of a long vendor relationship, like a grain elevator, seed dealership, tire shop, sprinkler business, construction company or input supplier.

Through diversification, these families have generated a new stream of business income, provided an opportunity to bring a family member back to the operation or lessened their concentration of risk in a particular place or commodity. And, they often started with a small purchase or small investment, something they could afford to lose if it didn't work out.



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**Non-Family Ownership.** As fewer family members return to the farm, passing the farm to the next generation becomes more challenging. Even when there are family members present, they are not always qualified to lead the company.

In response, some families begin exploring the involvement of non-family members as owners in, and successors to, the traditional family-owned business. Non-family members might buy into the operating company, purchase equipment in the business or lease land from the family. In some cases, non-family employees have been sold company shares at a discount, or they have earned ownership through sweat equity. These family-owned businesses have realized that continuing their legacy involves people beyond their immediate family.

**Merging Operations.** Finally, as agriculture industry consolidation continues, and farms become larger, the smaller farms producing a commodity crop find it harder to compete for labor and to manage rising costs. Instead of selling out, however, some smaller and medium-sized farms are merging with larger operations or combining with other similar-sized farms to achieve greater efficiencies and scale. By combining, an exiting farm can often better manage the income tax implications of a transition, while receiving value for their established base of rented ground. It takes planning with qualified professionals, but the value to both sides of a merger can be significant.

The concept of a frontier, when applied to family business, can represent new geographies as well as new ways of doing business. Consider whether your next frontier might include diversifying your asset base, bringing non-family members into ownership or even merging your operation with a like-minded company. In doing so, your legacy might last longer than you think. ///



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