How To Become A More Professional Business

People who farm and ranch generally enjoy hands-on work with livestock and crops. Providing food and feed for others, caring for animals, raising crops or produce, running equipment and improving the land offer a deep sense of satisfaction.

These good feelings are at times in conflict with the requirements of running an ever-growing business. Managing people, keeping detailed financial records, developing policies and procedures, leading meetings, dealing with vendors—these are generally not the reasons people get into agriculture.

The business, as it grows, needs to become evermore professional in its approach. That means the work you enjoy doing needs to be done by someone else, and you need to manage that person. Instead of simply doing the job, you have meetings to talk about the jobs needing done. Your business becomes less flexible and more structured. It can feel uncomfortable, inefficient and bureaucratic.

All growing businesses, in every industry, face the challenge of becoming more professional. Here are several aspects of that journey:

Vision for the future. As a group of family members and owners, what do you want for the future of the business? As more opportunities come your way, having a clear definition of success five or 10 years out will help you focus on the right kinds of activities.

Ownership structure. Do the people working in the business receive the rewards and bear the risks of their efforts? Many families transfer ownership equally to the next generation, but not everyone may have returned to the business. It is frustrating for on-farm owners to build the equity of off-farm owners only to have to buy them out later.

Role definition and work expectations. For those working in the business, are there clear job descriptions and standards of what good performance looks like? This includes basic standards such as work hours, safety practices and vacation time, as well as more sensitive expectations about the age at which kids can operate equipment, how much time is devoted to outside business ventures and how confidential information is treated.

Compensation structure. Is there a process to arrive at fair compensation amounts, a motivating bonus structure and an understanding of the value of fringe benefits? Many family agriculture businesses pay below-market rates knowing that equity is being built. Or, they pay family members the same regardless of their contribution. A market-based structure helps prevent future conflict.

Financial review and controls. As a business evolves, the accounting and recordkeeping demands can exceed family members' time or skills. Hiring a qualified bookkeeper or fractional chief financial officer can provide a big lift, as the business may also need better financial statements and budgets, and more forethought around capital expenses. Plus, the approaches to marketing, risk management and tax planning all need to become more sophisticated.

Governance (decision-making) structure. How will you, as a group, make important decisions? Do individuals have a level of spending authority based on what they manage, or do the people with the most ownership call the shots? Do you vote, use consensus or defer to generational authority? Talking through big decisions, such as equipment or land purchases, banking decisions or job offers, is a critical component of keeping everyone on the same page.

Communication. Sometimes the biggest challenge in a growing family business is simply keeping everyone informed. It can feel inefficient, but gathering people around the table or on the phone or video conference together is key to becoming more professional.

Agriculture is a consolidating industry, and if you plan to stay involved, you will undoubtedly begin crossing the bridge to a more professional business. The topics I describe here will help you navigate the journey. ///



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