

# Set Your Farm Up For Long-Term Success

**W**hen we consider success in family farms and ranches, we tend to focus on certain financial outcomes such as profitability or growth in one's net worth. Or, we might identify benchmarks that suggest success, like the amount of land farmed or owned, the size of the business, the number of livestock or the number of employees.

Whatever metric you pick, however, doesn't offer much insight into the approach, structure, culture or principles that led to success. If you are at the early stages of your farming or ranching career, you use what you know or have observed, you learn through trial and error, you talk to neighbors and advisers, all in a long-term effort to build a successful business.

After consulting for decades with family farms and ranches, I've identified 10 areas to consider when "setting up" for long-term business success. We'll cover the first five this month.

**Know your own definition of success.** Measuring success in acres, dollars or head count is not the same as feeling successful. I know financially successful business owners who are unhappy, unsatisfied and unhealthy. The business is successful, but the family is failing. Consider metrics beyond money when identifying what success looks like. Consider your relationships, your health, your opportunities to learn and grow, your passion for the work, your experiences off the farm, the community in which you live and your spiritual growth.

**Know where you want to take the business.** Vision and goals help pull you into the future and offer a sense of direction. It also helps to know if you want to become a "professional" business, where systems, policies and processes are integral. As your business grows, you do less of the work and more of the management. However, very few people get into farming or ranching to manage people or navigate the bureaucracy of a larger business. Learning to manage is different than

learning to farm or ranch, so be intentional about your desire to operate at the next level.

**Know your ownership and management principles.**

Identify the key ideas that guide your strategies. For example, in a family business, should in-laws be included in discussions? Will adult children who left the farm inherit the business? Do your children have to work somewhere else before returning or achieve a certain level of education? What are the enduring principles that guide your management of land? What is most important when dealing with employees? Knowing your principles will help you navigate the many options and opportunities that arise over the course of decades in business.

**Be strategic with your entity structure.** There are several different kinds of entities you can use to operate your business. General partnerships, limited-liability companies and different types of corporations are just a few, but each has implications regarding liability protection, taxes, flexibility, Farm Service Agency programs and estate planning.

**Be deliberate in your decision-making process.**

Benefits of a family business are speed and flexibility in making decisions. You know and trust your family members. You can communicate informally and make assumptions about how people will react to decisions. But, as the business grows and adds in-laws, adult children, siblings or key employees, it is important to slow down, have more meetings and present information so that others are "bought in" to your approach. Make time for meetings where people understand the information and decisions important to the business.

An old proverb says, "Methods are many, principles are few. Methods always change, principles never do." Knowing the foundational elements of your approach to business will serve you well. Be sure to read this column next month for a few more suggestions. ///



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