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# Family Business Fundamentals

Planning and communication remain key for family businesses to weather industry storms.

by *Kindra Gordon*, field editor

**A**s a frequent speaker to farm and ranch families on the topic of family business and succession planning, Carl Sohn with Northwest Farm Credit Services likes to ask groups to compare their business to a barn.

He points out, “Barns are really cool because they are a physical representation of agriculture, and often they make us think about the history and legacy of a farm.”

Sohn also likes to point out to his audiences that a lot of barns start to lean.

“What causes that?” he asks, and often gets comments from the crowd citing age, wind and weather, lack of maintenance or a weak foundation.

Such comments help illustrate the point Sohn is aiming to make with farm and ranch families.

“A barn is exactly like a family business,” he says. “It (the business) will also start to lean if it is not cared for over time.”

He continues, “Many things batter the

business and try to push it over. You’ve got to invest [in the business] or stuff outside will knock you over.”

## No time like the present

With the current ag economy struggling, Sohn says right now is a critical time for farm and ranch families to be planning, communicating and setting strategy for the future success of their business.

“In agriculture, we’ve got to roll with the punches, and right now where we are in the market cycle, positioning for success is more important than ever. It’s about coming up with a strategy, sticking to it and staying focused,” explains Sohn. He also notes, “There will be more opportunities in the next 30 years of agriculture than there were in the past 60 years — but there will also be more risk.”

As families set forth on this journey of positioning their business to weather the storms and successfully transition from

one generation to the next, Sohn suggests pondering three important questions:

- ▶ What makes being in a family business great?
- ▶ Could it be better?
- ▶ Are you committed to making it better?

Of that last question about “being committed to making it better,” Sohn says, “That’s the ultimate question before you embark on transition planning.”

## Getting on the bus

For another perspective, Sohn suggests families frame their future business planning using a bus analogy. He asks them to consider: What seats — or opportunities — are available? Who are the players needed in those seats? Do we know where we want the bus to go? What’s the protocol if the bus gets a flat tire?

Regarding the flat-tire scenario, Sohn says in real life if we get a flat, we stop and fix it because we don’t want to ruin the tire or the rim. Conversely, in a family business, he says, “all too often we ignore the thump, thump, thump, when something is wrong.”

To this he adds, “Things build up and compound over time and make a big mess.

A lot of us let that happen because we don't have the courage or time to deal with the 'thumps' as they come up."

As examples of conflicts, Sohn points out that different family members may have different destinations, or goals, in mind for the family business, or family members might agree on the destination, but be taking different routes to get there.

He says, "Conflicts come up. Family business is complicated."

He points out that family members wear many hats: owner, manager, employee, family member — each of which provides a different viewpoint. As examples of this, the owner is traditionally focused on business success. Those in a family member role are focused on enjoying life and fairness and balance. Those in an employee role tend to be focused on their job benefits, such as salary, bonuses or vacation time.

He shares, "If you enter a conversation from the viewpoint of the owner while the other person takes the viewpoint of a family member, you must realize the two different perspectives."

### Communication key

To ensure that the family is addressing conflicts — and all are boarding the same bus heading for the same destination, Sohn emphasizes communication. He says, "Communication is the only way to get this done and understand where everyone's coming from. If we can't communicate, the business is not going to get anywhere and has almost no chance of seizing on opportunities."

Sohn says there are several strategies to enhance family communication. One is to put yourself in the other person's shoes.

"Try to understand the other person's perspective and what is important to them," says Sohn. He notes taking that approach can help build mutual respect and, ultimately, mutual purpose.

Sohn recommends family members and employees take the DiSC Personality Assessment, which helps identify individuals into four categories — dominance, influence, conscientiousness, or steadiness. (Available online for a fee at [www.discprofile.com/products](http://www.discprofile.com/products).)

Sohn says, "The more we understand how we communicate and recognize how others do, we can begin to more effectively gain perspective on how to facilitate constructive conversations."

Those strategies can help lay a foundation for better communication. However, Sohn recognizes there will always be difficult conversations that families must address. In those instances, he offers some guidelines. Foremost he says is that the objective should

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## More ideas to assist family communication and planning

Business advisor Carl Sohn offers these additional ideas for assisting family communication and strategic planning.

**Pick an appropriate place for important conversations.** Sohn notes that around the tailgate of the pickup or at the holiday dinner table is not the place for business conversations.

"Those are great places to celebrate success, and reminisce about legacy and history of the family operation, but they are not the place for debate," he says, noting that planning in advance is important for critical conversations so that all involved can prepare and give thought to the discussion at hand.

**Play a game of "what if."** Scenario planning entails asking the question "what if" this happened to our business and then discussing what would be done in those situations. From changes in market prices, to drought or disasters and even a death in the family, scenario planning can help generate thought before a crisis strikes. One activity to consider is to put all family member's names in the center of a table and draw one name from the pile. The discussion then centers on how the business would continue if the person whose name was drawn suddenly died.

**Big idea challenge.** Another activity to generate discussion and new ideas is to ask each family member to present a new idea that would improve farm profits — without spending any additional money. This forces creative thinking and may add efficiency to the business.



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be to have a conversation and make a decision about the issue at hand, not to fight and win.

In preparation for such conversations, Sohn suggests:

- ▶ Think about what you want/need;
- ▶ Think about what the other party wants/needs;
- ▶ Pick a time and place for the conversation; and
- ▶ Prepare for a constructive dialogue.

When it comes time for this difficult conversation, Sohn says, “Remember you can only control you, and it takes two to tango. If you don’t escalate (get mad), when the other person escalates, that diffuses 90% of tough conversations.”

He continues, “Seek to be constructive. First, seek to understand their perspective. Then seek to be understood. That’s different than: ‘I’ll tell you my piece, then you tell me yours.’ Identify the next steps that you can both agree to, and commit to take action.”

Most importantly, he suggests to put the agreed-upon action on paper.

“Putting it in writing forces us to be clear about what we’re agreeing to. It creates alignment,” says Sohn.

During difficult conversations, he also underscores, “Don’t equate different styles or different opinions with being wrong. Put your relationship first and find solutions — compromises — that keep that relationship a priority.”

### Know your mutual purpose

From his experiences working with farm and ranch families, Sohn says those who communicate and work together best have established mutual respect and a mutual purpose.

He explains that a “mutual purpose” is that understanding that everyone in the business is on the bus together, has a role to play and is heading to the same destination — and taking the same route to get there.

This entails identifying the business vision and the core values that the family shares in the business.

“Family businesses must establish a foundation, a plan and then execute — and in that order, but we often get stuck in execution because everything is always on fire,” says Sohn of the busy schedules farm and ranch families keep.

He reiterates, “Family businesses need to build a strong foundation — an aligned foundation with everyone on the team.”

Sohn emphasizes that everyone needs a

voice in the process. He encourages that the senior generation be willing to listen to the junior generation’s ideas, and that the junior generation realize that sometimes their ideas may — or may not — be accepted, but that’s OK.

He points out that taking the approach of asking, “How will this help us accomplish our vision?” can be beneficial in helping everyone evaluate and select decisions.

In establishing the business vision and goals (the foundation), Sohn says, “This is not a rocket-science activity, but it is messy and tough.” He suggests each person should work independently and write their thoughts down. Then share and discuss.

He notes, “People are usually closer on their vision for the business than you think, and when differences exist, it provides an opportunity to discuss.”

During this process, Sohn also advises that individuals spend time reflecting on personal goals, values and vision, and seeing how that fits with the business vision.

In situations when there is not a lot of overlap — either with an individual’s vision for the business or their personal goals and the business, Sohn notes that it may be a red flag that being in the family business isn’t the best fit for that person.

### SWOT planning

Once the visionary foundation has been agreed upon for the business, Sohn says, brainstorming different planning ideas comes next. He advises creating a list of “all the things the business could do” and then prioritizing the to-do items based on the vision that has been set.

He likes to frame brainstorming around

the process called SWOT Analysis, which involves identifying strengths, weaknesses, opportunities and threats. Sohn notes that identifying new opportunities doesn’t usually easily come to mind. These might include expanding into specialty markets, adding diversity to the operation, general expansion, or working with younger producers.

Identifying threats facing the business is often a much quicker list to generate — from markets, politics, labor and costs to urban encroachment and inflated land prices.

Sohn points out, “We tend to focus on the threats, and you’ve got to do that to survive, but you also have to position offensively and think of and look for opportunities.”

Additionally, he says the SWOT analysis is something that should be repeated regularly — at least annually, and seeking input from trusted advisors might provide valuable insights.

During this brainstorming process, Sohn emphasizes it is important to remember the over-arching business vision, and pursue strategies that the family agrees are in the best interest of that vision.

He closes with another comparison, suggesting, “Think about being in a raft together as a family vs. being solo in a kayak.”

Sohn notes that being solo in a kayak is a lot of work — and can be dangerous at times. Whereas, in a raft there is still some complexity in coordinating the navigation action, but everyone must do equal work, people get to do things together, and they have some fun along the way as they work toward a common goal and destination.

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**Editor’s Note:** Kindra Gordon is a freelance writer and cattlegirl from Whitewood, S.D.



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