

Why is management of an Ag Legacy so difficult?

By Caleb Carter, consultant to the Department of Agricultural and Applied Economics in the University of Wyoming College of Agriculture and Natural Resources

Richard had spent many years working to expand the family ranch, increasing hay production, adding a trucking company, and then a feedlot. It had always been his dream to pass it on to his son, Carl. However, just two short years after Richard passed, Carl was struggling to manage it all.

Carl was excited about the success, his heart was set on ranching: just him and his horse, moving cows, checking fence, and doctoring calves. Trying to keep up managing all the enterprises was greatly reducing his time on the ranch, and, though he didn't want to admit it, it was also affecting his mental health. With Richard gone, he was really feeling the weight of the whole business on his shoulders.

Carl had always felt his sister, Charlotte, was much better suited to the management role. After studying ag business in college, she returned home to work at the bank. She had

also kept the books for the operation for the last couple years. But his father had been so set on his son taking over that he never considered passing on the management responsibilities to her.

Carl fears admitting how he feels would be letting his father down. How can Carl express his feelings and find his place in the operation?



Management challenges in an Ag Legacy

It is common for families to look to the eldest son to take the reins as the older generation steps back or, more often, becomes unable to continue in a leadership role. Although this may be the best fit, there might also be times when that individual is either unable, uninterested, or is actually a poor choice to continue the family's Ag Legacy.

Good management is key to any business, and family-owned businesses are no exception. According to Indeed.com, a manager's duties should include hiring new staff, conducting office meetings, and coming up with proactive strategies to improve



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productivity and employee morale (Indeed, 2022). Of course, this list is typically much larger, especially in a family-owned business where individuals often perform multiple roles.

As the operation grows, it may also become more important to delegate and divide responsibilities among family members. It is also an option to hire outside of the family, especially if special talent or experience is necessary. As the business grows and new positions are created it becomes even more important to find the best candidate for each position.

Assigning Roles

It can be all too easy to fall into the trap of keeping things casual when assigning roles and responsibilities within a family business. This can lead to tasks not being completed or, more often, just one or two people doing everything. If management is that important, then the process for selecting the right manager is one of the most important steps in forming, or passing on, a family business, and should not be taken lightly. It can determine the future success in preserving the family's Ag Legacy, as well as the direction the business will take. The same is true for other leadership positions within the business.

Here are some important steps to develop a successful family business management model:

- Hire for the position, not the person: families often try to fill positions with people that don't have the desire, qualifications, or interest in performing.
- Set clear expectations: communicate job expectations at the beginning of employment. All employees, regardless of relationship, should understand what is expected and face consequences for not meeting expectations.
- Provide a detailed job description: This should include not only detailed job duties, but also reporting relationships and the purpose of the position.
- Orientation to the organization: don't assume because an employee is a family member that they understand the office/business dynamics. An orientation about the culture, unwritten rules, etc. can be very helpful.
- Create a process to manage employees: develop an objective method for evaluating employees, including family members. Use objective data to take the personal relationship out of the equation. If possible, have a non-family member employee manage other family members.
- Make the tough call: Sometimes the right call is to place business objectives over family relationships. Holding onto unproductive

Tips to effectively include family members

- Hire a family member in an entry-level position and have them work their way up the ladder.
- Use non-family members to oversee family members, thus creating a barrier between them and the business owners.
- Don't assume that a family member has a working knowledge of how the business is run and its culture.
- Encourage new family members to spend time in each department/operation to gain a better understanding of how each operates.
- Don't be afraid to bring in outside help, such as a coach, mentor, or non-family employees to improve performance.

(Lotich, 2019)



family members only serves to drag down the morale of the whole organization. It also inhibits the individual's opportunity to move on.

(Lotich, 2019)

Individuals have preferences depending on interests, past experiences, or skills. Considering these factors when choosing management roles and other positions in the organization is important too. This can help individuals feel heard, included, and feel more likely to want to contribute to the family business.

Management Styles

It is also important to consider which management style fits your family business best. The most common style for many businesses, including family businesses, is the unitary model where one person takes on the leadership role. However, in some cases,

a team approach can also work, where individuals are tasked to lead different parts of the business, and work together. While both can work with the right understanding and communication, the most dominant model is the unitary leadership model (Davis, 2014).

This is not to say that the model should exclude the roles of other family members. Family members should continue to be included in decision making. They can do this by having regular business meetings and family councils. Business meetings should include all those involved in management and day to day operations. Family councils should involve all individuals with an interest in the success of the farm or ranch. Building a relationship with other family members and sharing responsibility and power can help to strengthen the leadership role.

For more on holding family business meetings and family councils, see the Ag Legacy Newsletter titled "How are you communicating with the next generation?" at AgLegacy.org under Modules.

Common mistakes

When a new manager takes over, or family members return to the farm or ranch, it can seem appropriate to add new enterprises or outputs. If the new family members bring new experience or talents, it can be a successful strategy. However, use caution before jumping on the expanding business bandwagon. Here are some common mistakes made when trying to increase revenues:

- Growth of sales: Managers often bring out additional products, believing that their overhead will not be affected. While more often, cutting products, or outputs, is actually the best way to increasing returns.
- Inadequate product-cost analysis blinds managers to the losses incurred by adding new products willy-nilly. Usually, there are one or more products or product lines that should be dropped.
- Gearing operations to the income statement,

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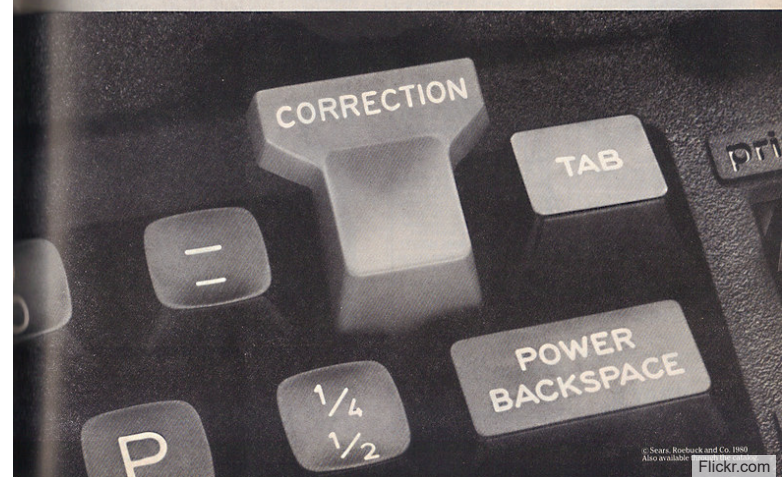
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while ignoring the balance sheet, is all too common. Lack of concern with cash flow and the productivity of capital employed can be fatal. Many managers tend to seek new funds instead of making better use of those they already have.

(Woodward, 1976)

Families who live and work together, as so many agriculture families do, build a legacy, founded on rich traditions. But when it comes to passing on this legacy to the next generation there can be many obstacles. Being intentional in choosing who will take over management and other leadership roles is very important. Assigning roles based on interests and skills can go a long way to helping alleviate some of these challenges.

Resources

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