Chapter 2

You Matter



Henry Ford

OPEN COMMUNICATION

Your thoughts and desires about the farm business are important.

everal years ago, a highly respected family agribusiness owner named Dave told me, "Communication is the heartbeat of family business."

Back then, Dave's operations covered several Western states. The business involved his father as financier, one brother who ran the day-to-day operations and another brother who managed the shop. Dave was a hardworking "agripreneur." As the founder of the business, he invested 90-hour weeks, building a multimillion-dollar enterprise.

The middle brother was a hard worker, also willing to invest extra hours and dedicated to a "service first" attitude. Dave's youngest brother lacked the same work ethic and level of dedication. He came to the family business from a corporate job where eight-hour days

and five-day weeks were sufficient to generate a paycheck. He clocked in at 8 a.m., rarely worked past 5 p.m. and his weekends were always free. He was good at his craft, but he wasn't committed to creating the vision Dave thought they shared.

The day I met with Dave was coincidentally the same day he filed for bankruptcy. As we sat over coffee discussing the pillars of good business, he just shook his head. Dave relayed how he had failed to communicate the importance of teamwork. He had assumed that everyone saw the same vision, felt the same weight of responsibility and worked toward the same goals. Dave thought that each active family member was committed to success, no matter how difficult the task or insurmountable the challenge.



In the end, it became apparent that there was a communication breakdown. The operation suffered from false assumptions and faulty expectations. Dave's youngest brother was an indicator of a bigger problem but not necessarily the cause. He was the symptom of an acute lack of open, honest, two-way communication. A business can thrive only in an environment of healthy, open communication and will suffocate and die where communication is blocked, impaired or otherwise constrained.

COMPREHENSIVE COMMUNICATION. If unfettered communication is critical to success, how does a business ensure a healthy dialogue? Take a few moments to compare and contrast the communication systems of a big business structure with the workings of a typical family operation. In the corporate world, we expect well-defined avenues of communication. When a person starts a new job or receives a promotion, there is a comprehensive dialogue regarding job descriptions, responsibilities, accountabilities, wages, benefits, perks and other opportunities.

In a family operation, hiring is often based on "We'll find a place for you..." Then we fall into familial roles and patterns of behavior where Dad is the authority and sons and daughters are obedient children. The communication link in a family business often breaks down in the roles we play and the comfort zone of family relationships—the zone where the father is always Dad and the children are always kids.

BIGGER THAN SELF. If the goal is to expand the business, the solution involves acting like a larger business. Assign new roles and responsibilities. Use job descriptions and employee handbooks. Create salary schedules and offer benefits. If parents and their children co-own the operation, they must act like business

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partners. Base authority on ownership percentages or managerial roles.

Just as in Dave's family, the success or failure of a plan is always determined by the quality and the quantity of two-way communication within the family. A family with good communication channels can accomplish the seemingly unachievable, whereas a family with poor communication will find almost any challenge impossible to overcome. In your family, is there a success-ready environment, with a continuous exchange of ideas, desires and candid discussion?

A good planning environment is based on mutual trust and respect. If you have that, you have a situation ripe for planning and implementation. If you do not, we recommend a crash course in communication.

FIVE KEYS TO GOOD COMMUNICATION

Clearly define your objectives or the intent of each interaction. Before you engage in a conversation, write an e-mail or make a phone call to clarify the purpose. Conflict often occurs because of misunderstandings and unintended conversational tangents.

2. Seek first to understand the other person's point of view. It is easier to grasp an opposing opinion when you start from a point of commonality. When two people stand side by side, they look in the same direction; from there, it is easier to explore what's different about their perspectives.

There are many roads that lead into town; be open to alternative routes. Discussions are more productive—and fun—when we remember that there is no single right way to do anything. A simple example: There are many different ways to tie shoes.

Acknowledge that it takes complementary qualities to create a successful operation that can stand the test of time. Misunderstanding may be based on motivations, abili-

ties, skills or vision, all of which may serve as the balancing characteristics necessary to build a business bigger than self.

5. Know that it is OK to disagree. If two people agree on everything, one of them is unnecessary. This little quip is often said, yet rarely understood.

Using the five keys to good communication, you should construct a consistent communication strategy. We recommend regular family meetings scheduled at a time that is convenient for most of the participants. Meet in a location that is not home turf for anyone. Create and distribute an agenda in advance, encouraging each participant to offer modifications, suggestions and additional concerns. Establish ground rules; *Robert's Rules of Order* may be a little stiff, but mutual respect, common courtesy and avoiding personal attacks may help keep everyone on task. Always conclude with some form of action and agreement for follow-up.

Regular family meetings can help each family member consider and then share their succession goals and aspirations.

A Snapshot of Business Transition

For current owners of most farm operations, the decision of how best to pass their ownership interest to the subsequent generation is an ongoing concern. Past experience tells us that among first-generation operations:

70% will fail to transition to a second generation

90% of those remaining will fail to pass to a third generation

96% of the remainder will never reach a fourth generation

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CHAPTER 2 EXERCISE CONVERSATION STARTERS

Your success at transitioning the business to the next generation depends on the quality and the frequency of communication within the family. Distribute the following conversation starters before the initial succession planning discussion to help family members consider and then share their goals and aspirations for the family business.

1. Are you interested in participating in the family operation? (Yes or No) If yes, in what capacity?
2. Are you prepared to assume that role/responsibility? (Yes or No) If no, what will it take to prepare for that role/responsibility?
3. Should family members not active in the operation attain/retain an ownership interest in the operation? (Yes or No) If no, how should business assets/ownership interests be distributed?
4. If you want to be included in the operation, are you willing to personally invest in the business? (Yes or No)
5. What is your biggest question or unanswered concern regarding your family's succession intentions?
6. Are there other succession-related topics/questions you would like to add to the agenda for your family meeting?

You can also find this tool at www.FarmJournalLegacyProject.com.