

Managing the Multi-Generation Business with A Team Approach

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Management is a much talked about occupation - yet in many ways not a well-understood activity. We hear of people getting paid literally millions for it, and we hear of many getting replaced because of the lack of it. University professors teach about it, best-selling authors do very well writing about it, and hockey coaches are replaced because of the lack of it. Some say that it can't be taught while others spend their lifetime teaching it.

Giles and Stansfield, two British writers, have this to say about farm management:

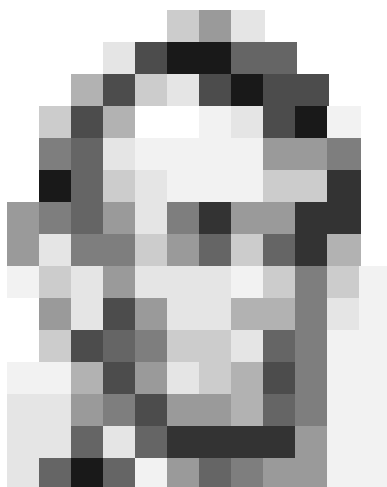
"Farm management is a task performed only by managers of farms. It is not undertaken by those, who write about it, teach it, or give advice on it."

Therefore I want everyone here today to realize that you are managers, and indeed most farms here have been well managed through some very tough times including the past 20 years or so. So don't beat yourself up when thinking about management. On the other hand many family businesses will do well taking some time to think about and plan their management, especially as a second family enters or employees are hired and the human resource part of management becomes more important.

In the few minutes you will have the opportunity to think about and hopefully get set to do a review of the management of your business when you return after this conference since your management methods have a large bearing on your employer - employee relations. To get started we need to understand a few things about management, people and entrepreneurs. Like Giles and Stansfield, another management professor, Henry Mintzberg a world renowned professor and writer from McGill University in Montreal notes when it comes to business there are only two kinds of people in the world, 'lumpers' and 'splitters.' These terms don't seem to be very scientific, but that is part of Mintzberg's greatness, his ability to take difficult ideas and concepts and put them in everyday language.

“Lumpers,” are the entrepreneurs in the audience, those who enjoy taking many pieces and putting them together to make a business. These are the business managers. “Splitters” on the other hand are those who like taking a business and splitting it into its many and varied parts to see what makes it tick. These are the business analysts. Neither one is more important nor better than the other, but they are very different. The problem comes when the farm manager does not realize which they are and try being the other.

The following diagram is one that I think illustrates these two roles very well¹.



Spend a few moments examining this “picture,” squint your eyes almost shut. It may help to remove your glasses. What do you see? It is only when the individual shaded boxes blend together do we see Abraham Lincoln. So too in farm businesses it is when each of the separate parts starts to blend together and complement each other that the true picture of a successful agriculture venture starts to take shape. On the other hand it does take each of the shaded boxes to make the whole. If for instance the medium shaded ones were missing, the diagram would not be complete and the picture would be missed. So too, if the employee relations aspect of your business is missing, then the farm may not be a complete business as it could!

By recognizing your management strengths, as well as those areas which could be strengthened, your farm business will be a more complete picture for everyone including the employer and employees.

For this talk I will concentrate on the people in your business. It is people who will manage and conduct the business and ultimately make it successful. To

¹ AT&T Bell Laboratories.

have a successful business you must have successful people. So what is it that makes people successful? I always come back to a quotation you have probably heard before but one which says it all for me, from George Bernard Shaw:

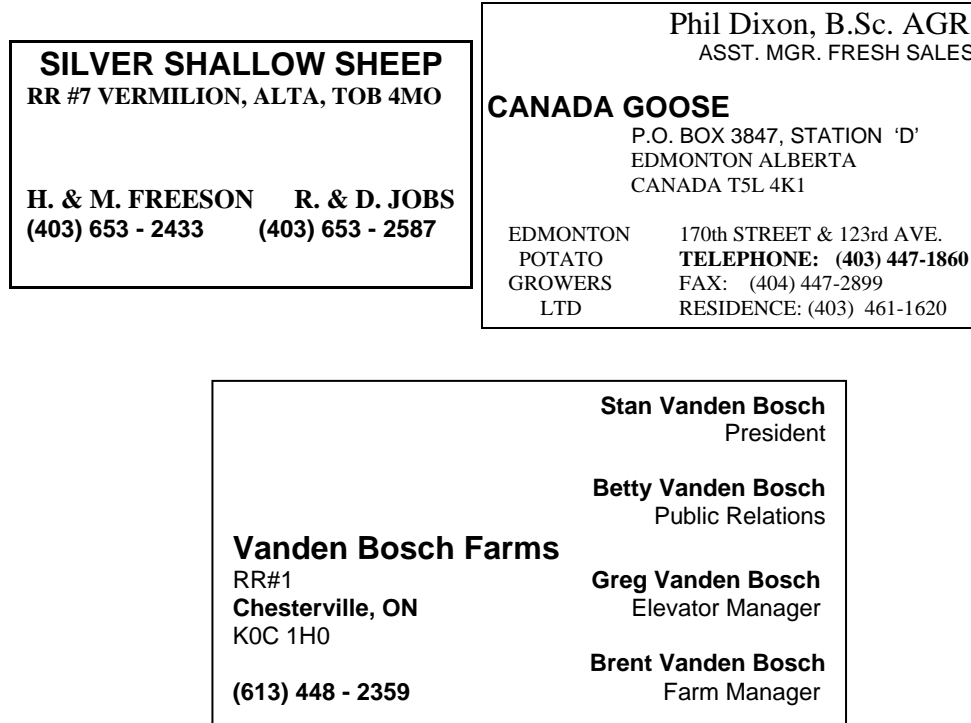
“This is the true joy in life, the being used for a purpose recognized by yourself as a mighty one . . . the being a force of nature instead of a feverish, selfish little clod of ailments and grievances complaining that the world will not devote itself to making you happy.”

That is quite a mouth full! It means that we are really happy when we are doing things that we see as important, not those things that dad, mother, spouse or children think are important, but those things that WE feel are important. In a family business that means each of the four or five people have to feel this way and not just the head honcho. Oh, we all have to do things daily that we don't much like to do, but that is okay if overall we are doing those things that give us the true joy. I believe that is why farmers put up with what they do. Difficult weather, sometimes confusing government policies, less than ideal prices at times etc. are overlooked because most are doing what they really enjoy. And they feel that they are making a difference, as they feed a hungry world population.

So, if everyone, both employers and employees, are going to feel like a force of nature within your family business, one of the ways that will happen is for everyone to know their roles and realize their responsibilities. When these roles are matched against the management tasks required then you can see if there are any blocks missing and be able to train someone to cover them off or hire outside professionals to fill them.

In order to get started let's look at a couple of business cards that I have collected and see if we can point out a few differences between the farm business card and non-farm business card (Figure 1).

While both indicate the business's name, the people's names (the farm however only by initials), their address and phone numbers, the non-farm business provides one other piece of important information the farm card does not, the position of the person. In fact over the past 10 or more years I have collected only one farm business card that did tell me the people's roles (Figure 1, last card).

Figure 1. Sample Business Cards

All other farm business cards that I have collected told me what the business was, where it was located and how to contact them but never what role the person had that I was talking to. I think it is time that farms recognized the tremendous job that their people do and brag them up a little. This identification of roles and responsibilities would help not only those outside the farm needing to know who to talk to, but it might just help those inside the business to recognize the roles and responsibilities of others.

So what are the possible roles? I will now become a "splitter" and help you recognize the different management jobs that there are within your businesses, and then I believe you can start putting names beside these various roles. Remember, each person needs the opportunity to be doing something so that they can become a force of nature.

To start this process I will split your business into three main parts:

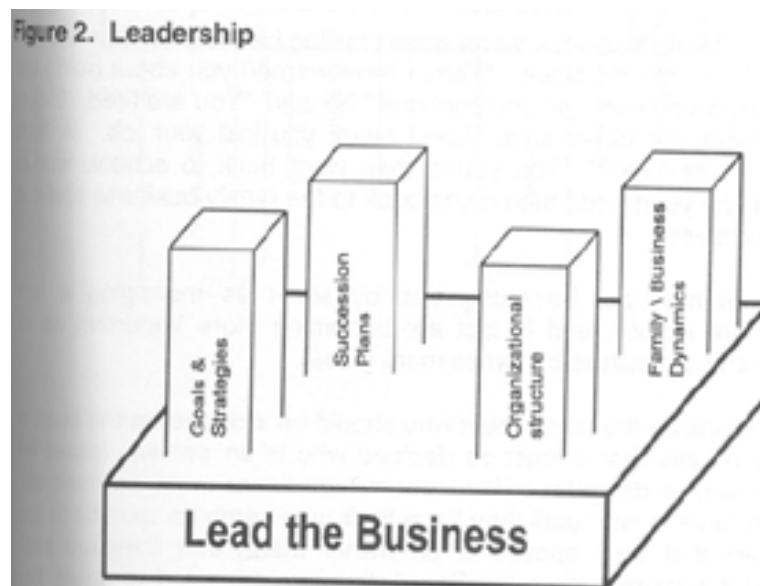
Lead	A	Owners set direction
Manage	A	Managers direct activities
Operate	A	Operators carry out the work

▪ Leadership or Ownership

This is the activity that gives long term direction to the business. It does not get involved in day-to-day management or operations but is able to provide stability developing strategies to meet the future. In large businesses the owners or shareholders are represented by a board of directors. While in most family businesses, having a board would seem weird or unnecessary, I believe it is one of the best things that can be established to help solve the dilemma of the two generations. The dilemma of mother and dad, who have spend all of their life in the business and who often have a great deal of their life savings still in the business, letting the next generation start to manage without just walking away and hoping for the best! I will discuss three main issues about Leadership:

Firstly, what are the jobs of these owners or the board? Figure 2 illustrates these activities.

Figure 2. Leadership



Long term goals and strategies that will help ensure the business is ready to meet the demands of the future and remain a dynamic force while continuing to provide a good standard of living and a rewarding career for the family members is of paramount importance to the board or owners.

Developing and carrying out our **succession plans** is a second responsibility. This involves being fair to all of the children whether they remain in the business or not, while ensuring that those who want to take over the business have a reasonable chance to do so. This does not mean they have to be handed a complete business on a silver platter. Giving them the skills and entrepreneurial drive is also key to a successful transfer.

Setting up the proper **organizational or business structure** is another area. This involves being aware of the benefits of a corporation or joint venture for the existing business as well as deciding whether the next generation should enter this existing business or develop their own and work together through a partnership or some other form of arrangement. Deciding whether a new or diversified business should be developed to take advantages of future opportunities as well as to enable the next generation to develop their own business is a part of ownership.

And the last area of ensuring good **family business dynamics** is central to the duties and responsibilities of the owners. Most families want the business to continue but not at the expense of losing the family. Also, working out business roles as separate from family roles is important. How does one person be a dad to someone while also being their general manager?

For example, In a family business a son wasn't pulling his weight. One evening the father called him into his office. "Tom, I have warned you about being late to work and leaving early and yet you continue," he said. "You are fired." Before his son could react, the father said, "Son I heard you lost your job. Is there anything I can do to help?" The young man went back to school, worked elsewhere for a few years, and then came back to the family business and was a tremendous success.

While these jobs may not be recognized by some as managing a farm business, they are indeed, and in fact are becoming more important as the future changes and agriculture becomes more global.

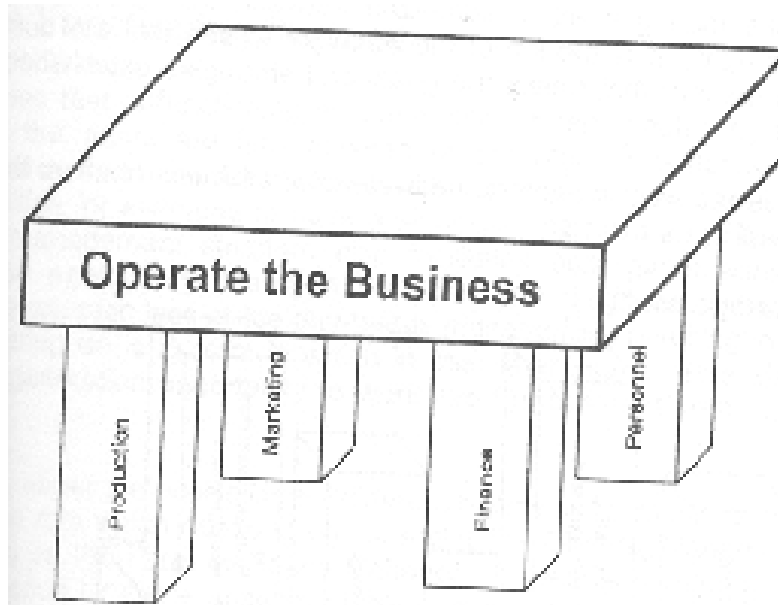
Secondly, this brings up the point about who should be included on the board of directors. This means that it must be decided who is an owner! Issues like when does the son or daughter-in-law become an owner must be dealt with. Does she or he have to wait until they have their own name on the title to land or does the fact that their spouse is an owner mean that they are also? Remember that if someone is on the Board, they are expected to speak their mind and vote.

Thirdly, who is Chairman of the Board? Think back to your business cards. Whose card will have board chairman on it and thus the responsibility for seeing that these ownership issues are attended to? Usually this belongs to the parents. It provides them with long term security and control while freeing them from the day to day management.

▪ Operation of the Business

Part of some smooth running ship results from all of the work being done in an orderly and efficient manner. Everyone knows their tasks and carries them out in a harmonious fashion with all of the rest, so too in a family farm business. Figure 3 illustrates these operational responsibilities.

Figure 3. Operations



The modern farm business should have someone to do the necessary tasks in each of the four areas of production, marketing, finance and personnel. While it is most likely that the production jobs are understood and assigned, it might be that the tasks of marketing, finance and personnel need some consideration. Who actually goes to the bank with the necessary paperwork done to negotiate the loans? Is someone able to make the necessary phone calls or send the proper fax messages to handle the marketing? And who ensures that the personnel issues such as holidays, job descriptions for employees and profit sharing arrangements are carried out? It may well be that some of these jobs are contracted out.

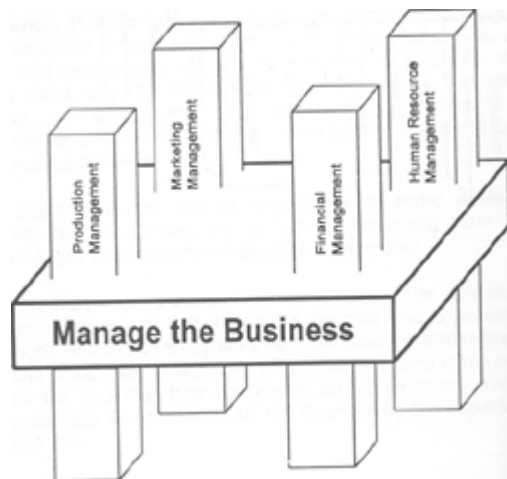
These operational tasks need to be carried out in a timely and efficient manner but that is different from the role of management.

▪ **Managing the Business**

If it seems like management is squeezed between the operators and the owners that is right. It is the job of the manager to see that the business is operated in a manner that meets the goals and strategies established by the owners.

Management is required in each of the areas of production, finance, marketing and personnel (Figure 4).

Figure 4. Management



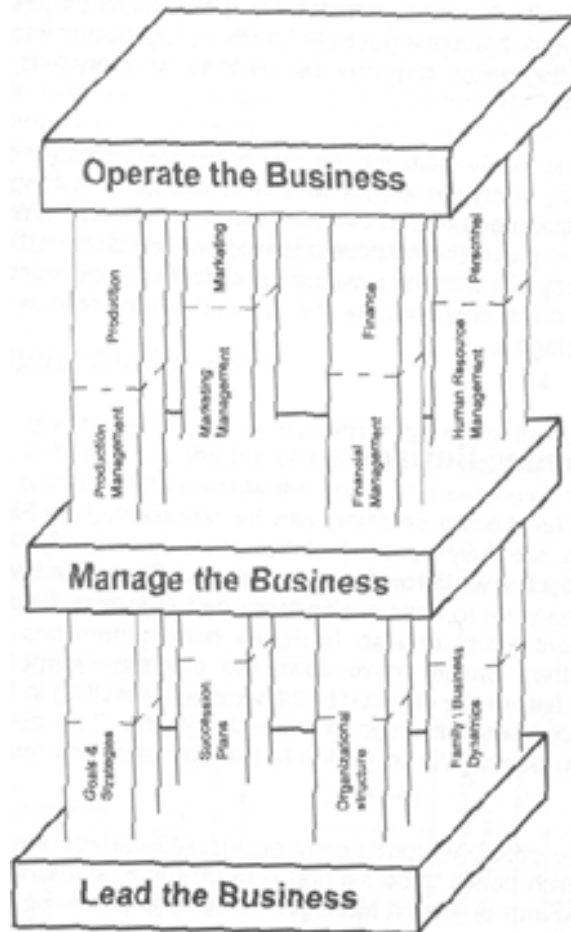
While it is unlikely that many farms will have someone assigned to each of the four areas, they all must be managed. If the senior generation sees the new family as 'management trainees' and is interested in planning an organized way for them to learn some management skills and at the same time have a meaningful role within the business it may be that they could be assigned one of the areas to manage. It may be possible for the new generation to take over an area like marketing which may not be an area of interest to the older generation.

It is important that the family establish the role of general manager early in the process. In this way everyone knows who is in charge of putting all of the aspect of the business together and to whom the other managers report. Just because someone is given the responsibility for finance does not mean that they do whatever they like with the revenues and debts. They must develop a financial plan and once approved by the general manager it is then their responsibility to manage it.

▪ **The Functioning Business**

A business that is functioning smoothly can be represented by Figure 5. All three of the areas are fully covered of but more importantly they are all integrated so that each area fits well with the others. There are usually ample opportunities for everyone to have a significant part in such a business. This type of management structure also facilitates both generations. As each generation ages, they usually move down the diagram, doing less of the physical work then less of the day-to-day management resulting in their activity concentrating on long term direction in their later years. This also gives the younger generation opportunity to work into the business with more planning and order.

Lets think about the possibility for different business cards in this management area. One role which needs to be set first is the General Manager or possibly referred to as the Farm or Ranch Manager. If there is someone in charge of the production or some aspects of it you may want to identify them as Herd Manager or Crops manager or Machinery Manager. If they are indeed managing the area then they should know their responsibilities and be allowed to carry it out with minimal supervision. It may be that someone will take over the marketing but on the other hand the Cattle Manager may have this responsibility as well. If that is the case make sure they and the others know that, including people outside of the business. If their business card says Cattle Production and Marketing, the message will be clear.

Figure 5. The Smoothly Functioning Business

There is lots of room to be creative and customize your management structure to meet the needs of each individual, their families and the business you are operating and heading towards.

To recognize your management strengths and potential it is important that you create a management team with the people you have within your business as well as those working in a consulting capacity. Creating a team is more difficult than most people think. Peter Senge, a management specialist from Michigan Institute of Technology says:

“Most teams operate below the level of the lowest IQ in the group. The result is skilled incompetence in which people grow incredibly efficient at keeping themselves from learning.”

This is not what we want in our farm businesses. We want to be able to tap into everyone’s abilities in order to come out with solutions better than any one member could do on their own. Isn’t that the reason for a team in the first place? To help this happen it is important there is an open and honest atmosphere in which everyone feels free to air a suggestion or question without fear of ridicule or being told it is a stupid idea. In this way all ideas are brought out and others can build on them until the best solution is developed. It is a process which takes time but will pay very good dividends when it is in operation.

As Arie De Geus, who was manager of Royal Dutch Shell when it made its dramatic move to an industry leader, said:

“The ability to learn faster than your competitors may be the only sustainable competitive advantage.”

It is by having every member of your family business feeling that they are being a force of nature, understanding their roles and responsibilities and operating as a united team that you and your business can have that competitive advantage.

My challenge to you is to spend a few dollars and make up business cards for everyone. This will not only enable you to brag up your people, but will provide you with the opportunity to clarify your management roles and in this way Recognize Your Management Strengths.

▪ References

1. Giles, Tony and Malcolm Stansfield. 1980. The Farmer as Manager, George Allen & Unwin Ltd, London.
2. Mintzberg, Henry. 1981. Mintzberg on Management; inside our strange world of organizations. (The Free Press 1989)