

Fine-tune your management engine

Better skills can help farms continue into the next generation

DICK WITTMAN is the managing partner in a 19,000-acre operation with dryland crops, range cattle and timber in northern Idaho. The family business is in its third generation and has four family partners as its principals. That can be a recipe for disaster, he says.

Wittman Farms started out like many others. A father and two uncles laid the foundation for the operation decades ago. By the 1970s, the family had 25 first cousins who were potential successors. The operation had eight transitions in 28 years.

Family-owned businesses go through three stages, according to author John Ward, who Wittman attributes. The first is owner-managed; the second, sibling partnership; and the third, cousin collaboration. Thirty years ago, 5% to 10% were run by siblings; now it's 50%. "About half of all family-owned businesses fail to make it to the second generation," says Wittman, who owns Wittman Consulting Services and works with farming operations across the U.S. besides being CEO of his farm.

"I've had the privilege of being in agriculture from many different perspectives, as a farmer, as a consultant, as a former lender, as a setter of policy. People are in our industry primarily because they like to grow things. In order to excel at it, we need to be equally skilled in managing," he says.

"As we've grown in the technology of our industry and gotten more sophisticated in our production practices, we can't excel unless we grow our governance processes, our ways of managing finance, our human resource management functions. All those things have to be hitting on all cylinders."

Family businesses that excel, he says,



Rancher and consultant Dick Wittman (right) talks with Jackie Loewer, rice farmer from Branch, La.


see the value of sitting as a group and formalizing structures, and putting in writing their mission, vision and values.

"They clearly define the duties and responsibilities that people hold in the business. People clearly have segments of the business that they know they manage so they can acquire the right skills and do the right kind of development to do well at that," he notes.

Successful family businesses sit as a group and define the policies and standard operating procedures they intend to follow so there is consistency and fairness in the way they operate. They have good measurement systems where they look at financial performance on a regular basis, and they share that information.

"Their communication culture is clearly defined, and they set high standards of

professionalism where people are expected to treat each other with integrity and respect," he says. "It's the whole system, and that's your management engine. When you look at all those pieces, and you sum them up, it's no different than an engine in your combine or your truck. And any one of those pieces that is not operating at perfection will cause that engine to self-destruct."

What has Wittman learned after 36 years of working with farm businesses? "My No. 1 conclusion is that you never make a decision until you put it on paper," he says. "Everything — mission statements, job descriptions, succession plans, profit-sharing — all needs to be written down on paper." 

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