

BACK TO THE RANCH

To mix family and farming successfully, you first have to take care of business

By PAM COLE HENDERSON

The ranch headquarters sits at 3,400' with a stunning view of Idaho's Clearwater Valley. Dick Wittman often pauses from the rigors of the family business to breathe in the surrounding beauty. These quiet moments serve as a gentle reminder of all that's good about farm life.

Lifestyle may have drawn him back to the ranch, but Wittman knows it is the business side that lets him remain there. When he returned to Culesac, Ida., in 1980, he entered a diversified family operation that involved his father, two uncles, a brother and a cousin. It was a family facing one of the most treacherous rites of passage: transferring the farm to the next generation.

More than a decade later, Wittman can attest to the fact that life is never static. Two partners have successfully retired, another is close to it, a younger cousin is working into the business, and the farm has had to adjust to the debilitating illness of a vital partner.

The fact that Wittman Farms, Inc., has continued to thrive through the storms of transition and succession attests to the family's willingness to plan and accept change. "Most farmers spend all their time and energy building the business," says Wittman. "They mistakenly view taking the needed steps to transfer the farm as an end to their dreams. But it's really just providing for the continuity of what they worked for all those years."

Wittman has seen nearly every business and relationship problem that can occur on a family operation. Before returning to the ranch, he spent eight years with the Farm Credit Administration. Now, besides managing his family's grain, cattle and timber

operations, he also does consulting on farm management and credit.

Problems arise when families fail to adapt to keep pace with growth and change, he says. Communications can break down and relationships become strained when partners are unsure what direction the business is taking.

Usually, the root cause is a simple failure to run the farm like a business, Wittman believes. "Too often, decisions are based on family considerations and emotions rather than sound business principles," he says.

His first rule for farms with multiple-family coworkers: Divide responsibilities based on skills, abilities and interest. Then hold each individual accountable for the performance of that enterprise or operation.

All of the Wittman partners have detailed, written job descriptions. Dick, the general manager, oversees finance and marketing. Cousin Bob is in charge of crops. Uncle Dan handles machinery and repairs.

Cattle operations are currently being handled by hired help under Dick's supervision. Dick's brother Dave was the cowboy of the group, but is disabled from multiple sclerosis. He has learned to run a computer and now provides valuable computer data entry and analysis.

More than a mere piece of paper, each job description serves as an outline of each area of responsibility and defines the decisions each partner is expected to make or initiate during the year. Duties are divided into primary and secondary levels of importance, with the popular and less desirable tasks divvied up.

"We're lucky that each partner seems to fit into

a specific job area, and we don't have a lot of overlap," says Wittman. "Major conflicts occur on farms where two or more people want the same job or have competing goals."

Wittman Farms faced this situation head on when Dick first began thinking about giving up his business suit and Washington, D.C., office for a red plaid Woolrich shirt and dusty Ford pickup. At home, his soon-to-be partners were already entrenched in the business and could have easily seen his entry as a threat. "I wouldn't have considered it unless I could work into a unique role that wouldn't conflict with the interests of the other partners," he recalls. "I wanted everyone fully supportive."

Honest talk about interests, needs and goals helped the farming members uncover an identity for each person and define how that role would be unique. They also had to build a consensus on how decisions would be made and who would have the final say when partners deadlock on an issue.

The question of who will be in charge can be sticky, but it needs to be resolved. Wittman thinks it took a lot of maturity on the part of his partners to pass that leadership role to him. "In the end, the others admitted it wasn't a job they felt comfortable with. It seemed to fit with my interests and previous experience," he says.

Each partner has clear-cut decision-making authority for the area he oversees. Coordination is necessary, and the partners may seek one another's advice, but ultimately, they know where the responsibility lies.

"When I pitch in and help with the crops, Bob is the chief and I'm the hired

Stepping toward success

Wittman recommends these steps to putting your family farm on a businesslike footing:

1. Decide who will make what decisions.
2. Define and document operating policies.
3. Follow a good planning process—both short and long range.
4. Allow those who will carry out the plan to have input into it.
5. Monitor the operation's progress with good communications and record systems.
6. Make adjustments to the plan when performance misses targets or you veer too far off course.

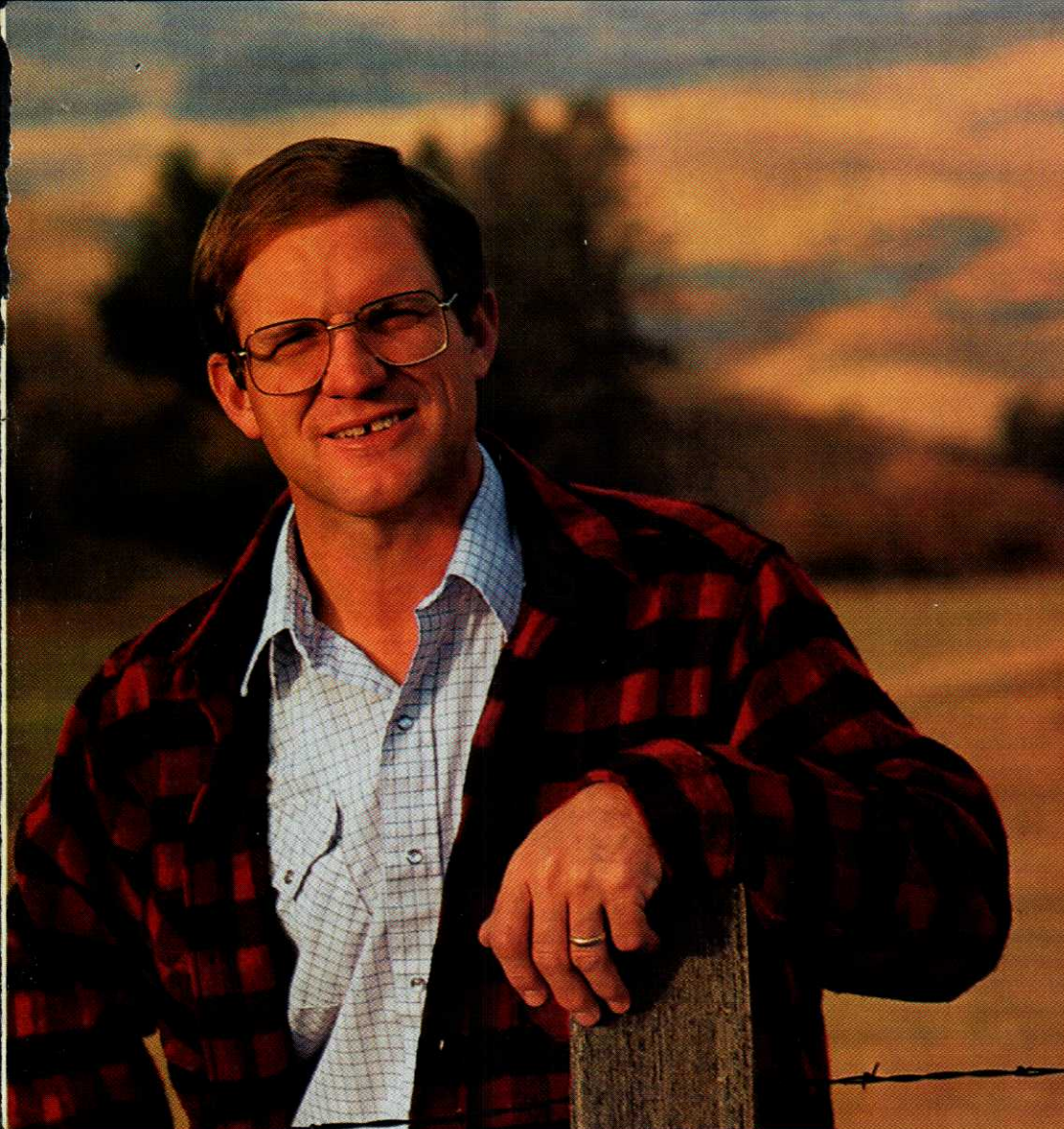


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hand," says Wittman. "The worst thing I can do is undermine his authority. Management is not making decisions. It's making sure decisions are made."

Wittman relies on each enterprise manager to provide him with sufficient data to do enterprise accounting and make informed sales decisions. When bills come in, they are first reviewed by the person making the charges and then forwarded to Wittman for payment.

Regular informal meetings let the partners plan and coordinate schedules, projects and priorities. The partners receive a complete set of computerized financial records every month. A formal annual meeting provides a chance for key business principals and their spouses to see how the farm is faring.

"Each partner sees every check that has been written. Monthly and year-to-date information tells them where money is coming from and where it's going. Situations where the person paying the bills is the only one who knows what's going on are a time bomb," he says.

"There is no problem that can't be solved through a well-understood com-

pany policy structure," says Wittman. "Farmers often think farm policy is confining or not needed among family members. But it really offers freedom from uncertainties and inequities."

Wittman suggests putting rules concerning the following issues in writing: housing, company vehicle use, wages, bonuses and fringe benefits, work hours, holidays, vacations, medical benefits, capital withdrawals, retirement plans, business buyouts and allowable family living benefits.

Every family business needs to design its own set of policies. Wittman Farms, for example, is corporate in structure and prefers to have the business provide as many nontaxable benefits to employees as the IRS allows. The corporate policy statement stipulates everything from a daily meal allowance for lunches eaten on the farm to the obligations the business has to a farm partner in the event of death, disability or separation from the business.

"Devastating issues such as death or disability are often not planned for,"

"WE'RE LUCKY THAT each partner seems to fit naturally into a specific job area, and we don't have a lot of overlap," says Dick Wittman. The family has successfully transferred the operation to the next generation.

says Wittman. "It's better to address them when everyone is healthy and can think rationally about ways to make sure key people, their families and the farm are protected. If you wait until disaster strikes, the options are more limited."

On ranches, it's easy to forget the value of "free beef" and other benefits. To remind everyone, the Wittmans periodically compile a summary showing the value of all cash and non-cash benefits.

Setting goals is a prerequisite to planning for this ranching family. Once the goals are set and the budgets com-

pleted, the Wittmans continually monitor marketing and financial targets. But they also like to step back and evaluate each enterprise yearly. "Records and analysis help us take the emotion out of decisions," says Wittman.

They also put a high priority on long-range planning—including estate planning, retirement plans, business expansion, major improvements and shifts to new enterprises.

"People tend to treat family business members without the same respect they would others because they assume they can't be fired. That's dangerous," adds Wittman. "Around here, we try to focus on goals and keep in mind the positive aspects of working together. We think those benefits are worth the small sacrifices we must all make to get along and prosper.

"When it comes to making tough decisions, we try to treat one another as if we were unrelated—the guy with the best argument should win. It doesn't always happen, but we keep trying."

For more information, contact Dick Wittman at 208-843-5595. ◀