



Ag Sustainability

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SUSTAINABLE FAMILY BUSINESSES

In the area of agriculture sustainability, many disciplines are important to help family businesses improve profitability. Some of those areas include production techniques, marketing, environmental practices, business skills, and applications in technology.

One of the most overlooked areas is in relationships and communication skills. As beginning farmers and existing businesses identify and develop a strategic plan, a family business should address how a family will interact in that setting.

Challenges that a family farming enterprise or any other business experience is the separation of family life from the business environment. Often, there are times a family problem develops into a crisis and affects the business. Many decisions related to sound business operation requires an open mind and objective evaluation. It is important that the family establish a period of time to discuss business issues, and a separate time to address family concerns.

An extension educator colleague told me the story of a visit to his native homeland of New Zealand. While he was there, on a stretch of newly formed wet clay road that was a mess of deep ruts, and there was a sign. It read: "Choose your rut carefully — you'll be in it for the next five miles." This contrasting illustration can best be applied to a family business. The "rut" in the business road that is complicated by a family issue can distract sensible resolutions to tribulations as they occur.

The underlying quandary in many family businesses is poor communication skills. Communication in a marriage has several sets of important objectives for addressing personal relationships, spiritual, family, and home issues. Time should always be set aside to discuss or address these important matters.

Married couples should arrange to get away for a day or weekend if possible to work through difficulties. This helps to focus on the issue without distractions. Trying to debate or address a personal issue during business hours or feeding or milking time never involves the undivided attention of one or both of the people engaged in that discussion.

Sometimes grudges and hard feelings are fostered in a stressful environment. Depending on how important or stressful the subject is, this may interfere with performance of an important task and potentially injure the relationship.

There is some evidence that farm accidents can result from stress related to anger or unfocused attention to work detail. Family businesses must keep personal problems separate from the work environment.

On the other hand, a business requires attention to important particulars such as planning, organizing, directing, controlling, marketing, supervising, and labor

management. The family and relationship side a family business require good communication skills such as listening and having respect for the other individual or persons in the family. In a family agriculture enterprise, sometimes the business and family concerns will collide. Often the attitude or mindset influences how problems or issues are addressed. In most instances, you have two prevalent mindsets: living to farm and farming to five.

The first mindset is ordinary to many farming businesses, as well as many other family enterprises. In this category, farming or business is the main focus regardless if there is a profit or not. Another similar characteristic is purchasing equipment or personal items without consulting a spouse or other family members involved in the business.

This group looks over the fence of the farm lane or storefront window to watch the neighbors pull their camper to go off on a vacation and look at each other and say, "Where do you wish you went this year?" Vacations and recreation time are thought of as frivolous activities that are an expensive excuse to get away from work. This mindset has a favorite radio station — WIFM "What's In It For Me." Conflicts are usually swept under the rug, and the assumption that the injured family member will "get over it." Busy husbands usually excuse themselves from children's church or school activities because of the demanding business or farming schedules.

Even though farming or business operations are important and have peak seasonal demands, the business is everything. With Sunday's being an important day off for spiritual reflection and fellowship with friends and family, you can always bet that you will find individuals with similar interests seeking each other out at social activities to discuss markets, money, or other business-related concerns. These few examples are not inclusive to everyone that lives in this mindset; however, similar behavior and other numerous examples are not uncommon.

The second mindset is also normal in family agriculture and other businesses. This group relates to the family business as a means to accomplish the objectives that help the family survive. Like the previous mindset, a profitable business or financially challenged enterprises may exist in this structure as well.

Emphasis is placed on the family needs. Family vacations add to personal growth and enhance relationships. Other family members are included in making decisions such as major purchases of equipment or other inputs. Business activities are generally kept separate from family and relationship issues. Communication skills are generally good, but some improvements in several areas are still needed.

The home and the family are central. Social interaction includes diverse interests not related to business. This business fam-

ily will be involved in many activities. In some instances, this can go to extremes with too much emphasis on activities that can increase stress levels. However, this mindset lives for the family, while the business or farm is the method used to achieve the lifestyle.

Both mindsets have positive and negative implications on either the family or the business. The process of evaluating the areas that can be improved in either category can apply self-help skills to make adjustments and initiate change. One such tool is SWOT analysis.

SWOT analysis helps an individual evaluate Strengths, Weaknesses, Opportunities, and Threats. In business this is an effective vehicle to resolve several decisionmaking areas as a manager. This system also has some value when applied to people and relationships in the family business.

Strengths are identified as positive aspects that are perceived or experienced internally. **Weaknesses** are negative aspects that are also internal in character.

Opportunities are positives that are experienced externally. **Threats** are external feelings that are perceived as negative.

A business or family can develop a series of short lists and identify at least three or four items in each category. Some people will have many more issues or items to list in different categories. Other family members may not be able to list anything in one or two of the categories. This process is important since this will help each person understand the diversity within the family and the business. It is recommended that separate lists be made for the family and the business. This is an effective exercise that is used throughout major companies around the world.

This process accomplishes several important principles:

- Initiates personal reflection
- Stimulates thinking and communication
- Identifies areas that an individual realizes changes are needed
- Creates a teamwork approach in business and family
- Helps family or business resolve conflicts
- Contributes to improved business objectives and family relationship.

The list should identify the four categories and generally be short but descriptive of any issues indicating strengths, weaknesses, opportunities, and threats. The main purpose of this exercise is to isolate what really is important. This effort facilitates a strategic approach to key issues. The key issues should then be written in an elaborative fashion to be offered in a discussion. If an issue is not listed or elaborated in writing, it should not come to the discussion phase. This is self-defeating of developing a SWOT list and distracts the discussion phase.

Keep these rules:

- If it is an important issue to discuss, then it must be listed and elaborated in writing.
- Limit issues to three or four of the most important.
- Focus conflict resolution on repeating issues listed by other family members as weaknesses or threats when applied to the family unit.
- Do not criticize. Be objective.
- Use the positive indicators such as strengths and opportunities to overcome the negatives listed in weaknesses and threats.

What should you write down under each category? Under strengths, you should answer the following questions:

Penn State Offers Dairy SOP Workshops

UNIVERSITY PARK (Centre Co.) — "I can't seem to get everyone pulling in the same direction around here!"

"If you want it done right, you've got to do it yourself!"

"You can't get good help these days!"

"I'd like to take a few days off, but who's going to do the work?"

"We seem to take one step forward and two steps back every time we try something new, what's the point?"

If you can identify with any of these statements above, then you need to attend a Dairy Alliance Standard Operating Procedure (SOP) workshop. You will learn

- What are your advantages?
- What do you do well?

You should be considering these questions from your point of view of the family members you are working with. Don't be modest, but be realistic and honest. (If you find this difficult, try listing your characteristics. Hopefully these will be strengths.)

Weaknesses:

- What can you improve?
- What is done badly?
- What should be avoided?
- (Family) What behavior or habit can be changed?

Remember that this area should be listed from internal and external perspective. Do others perceive a weakness that you do not realize? By being realistic and honest with this category, it may help an individual face unpleasant truth about them. This is really important since this category will possibly result as strength.

Opportunities:

- Where are good changes facing you?
- What are the interesting trends?

A beneficial opportunity can be identified as changes in marketing, technology, social standing, lifestyle, or local events. You will not always recognize every opportunity when they first appear. In some instances, you can heighten your awareness to recognize opportunities to capture a greater share of them as they occur.

Threats:

- What personal obstacles do you face?
- What or who is your competition?
- Is your position or responsibilities changing? Is your market or production changing? Is the weather a major factor? Is changing technology a factor?
- Do you have bad credit? Cash flow problems?
- (Family) You can probably list anything you perceive as a threat to you personally.

By developing lists and analyzing your individual strengths, weaknesses, opportunities, and threats privately, a narrative paragraph is ready to be developed. After everyone in the family business completes a narrative paragraph, the discussion phase is ready to proceed. It is very important to adopt rules to keep discussions on targeted issues. Take turns and identify the big picture. The most important emphasized rule should never allow an issue that is not written in the narrative to be introduced at the discussion phase.

When a family business adopts useful management tools such as SWOT, you increase communication skills and remain on target in your enterprise. When you recognize that sustainability begins with the family, then businesses grow and remain profitable.

how to write, implement, and manage standard operating procedures using the SOP Process. The SOP Process is a powerful set of management practices that has the potential to transform a dairy business. It's more than just writing down a set of how-to instructions on a piece of paper.

Dairy Alliance's SOP Process is a step-by-step method that begins with goal-setting, proceeds through development and writing of best practices, moves on to monitoring techniques, and concludes with strategies for continual improvement. The process works throughout to draw in all of the stakeholders relevant to each procedure. At the end of the workshop, participants walk away with a draft of one or more procedures that they can quickly bring to completion and put into practice. More importantly, they leave with a blueprint for using the SOP Process to dramatically improve their dairy's management and profitability.

If you are a dairy manager and you want to take your skills to the next level, contact Tammy Perkins at Dairy Alliance (888) 373-PADA to register for the workshops nearest you. If you are a progressive agribusiness representative, contact a few of your clients and bring them with you to the workshop. You can add SOP development to your services and help your clients achieve success.

For more information about content of the SOP Workshop, contact Richard Stup at (814) 652-6430 or RichStup@psu.edu. Scheduled workshops include:

- Jan. 29: Bart Firehall, Rt. 896, Georgetown — 9:30 a.m. to 3:15 p.m.
- Jan. 30: Weaver's Markets banquet facilities, Rt. 272, Adamstown — 9:30 a.m. to 3:15 p.m.
- Feb. 21: Clarion County Park, Rt. 66, Shippenville — 9:30 a.m. to 3:15 p.m.
- Feb. 27: Blair County — 9:30 a.m. to 3:15 p.m.
- March 20: Lighthouse Restaurant, Rt. 11, Chambersburg — 9:30 a.m. to 3:15 p.m.

Renewable Energy Forum Set

GETTYSBURG (Adams Co.) — The Southcentral Region of the Pennsylvania Young Farmers Association has announced a one-day seminar on "Renewable Energy and Alternative Uses For Crops" slated for Jan. 17 at the Adams County cooperative extension office.

Speakers include Scott Welsh, York County ag economic development specialist, with a presentation titled "Are We Ready For an Ethanol Plant?" and Ed Herrmann, regional ag sustainability agent presenting "Important Products From Ag Commodities."

Rep. Steve Maitland and Sen. Terry Punt will present a "Bio-fuels Legislation Update." Bio-fuel topics involving soybean diesel and ethanol will be addressed by Rick Handley, director of the Northeast Regional Biomass Program.

Adams County agent Lynn Kime will speak on the importance of crop insurance and Welsh, Herrmann, and Handley will also lead a biofuels panel discussion.

For more information, contact Tim Brown at (717) 359-5084.