

# RIGHT RISK™

## R I G H T R I S K N E W S

### Communication Leads to Better Transitions

**A**lmost everyone agrees that good communication is essential for success in today's multi-generational farms and ranches. However, many people involved in agriculture are not familiar with what communication looks like. Sometimes families don't know how to start the conversation; they may feel overwhelmed, may fear conflict or are terrified of losing control.

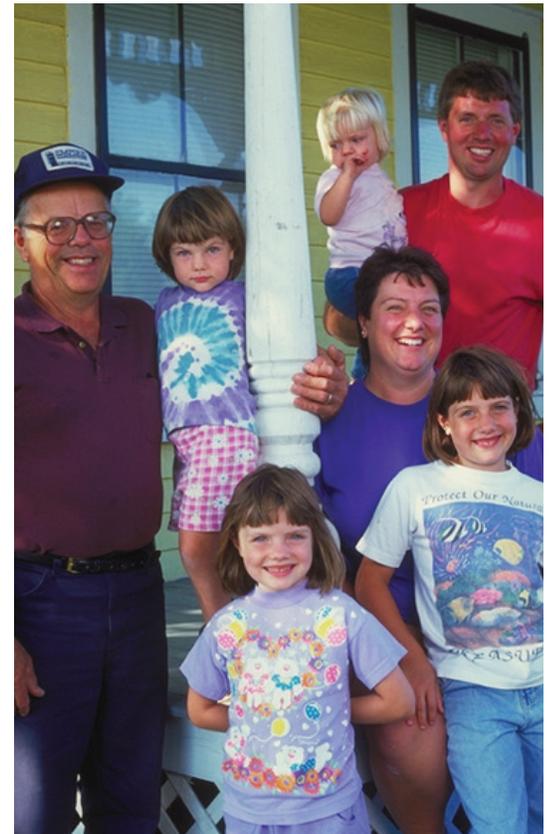
The lack of effective communication among family members is often the root cause of family business failure. Managing interpersonal issues is critical for succession planning in family businesses. The good and not so good aspects of relationships within the family spill over into the business decisions.

#### Communication in Agriculture

Communication is an extra challenge on a farm, in part, because when family members work together they often relate to each other as family members rather than business associates. It can be difficult to differentiate when a brother is being a brother and when he is acting as a colleague.

Formal business meetings can help overcome ineffective communication by keeping the family's personal life separate from business issues. There is a tendency to say a meeting is not needed because, after all, family members already talk at dinner or at basketball games. Unfortunately, conversation in these contexts likely do not involve all the players who should be present and generally do not allow for in depth discussions. The family can avoid the "You talk to him but not me" scenarios, as well as accusations of favoritism by holding regular and more formal meetings.

Three important tools, useful when communicating about the family farm/ranch business, include: 1) family council meetings, 2) family business meetings, and 3) a code of conduct. There may be benefits to using an outside expert to facilitate family business meetings or at least to help get them started. A facilitator can help make meetings run smoothly, allow everyone the opportunity to express opinions and perspectives, as well as resolve conflicts.



**Family Council Meetings** provide a communication forum to keep the broader family informed of what is going on in the family business, as well as discuss the current and anticipated role of the family in the business. These meetings are typically comprised of the broader family, including spouses, in-laws, children, grandparents and grandchildren, whether those family members are active or inactive in the family business. It is important that these meetings be held in a neutral, non-family home setting to keep family roles from becoming commingled with business roles. In addition, ample time should be scheduled to allow everyone an opportunity to share their thoughts.

**Family Business Meetings** are strategic in nature and offer dedicated time for family members who are working together in the business to address the interactions between the family and the business. The agenda for the meetings can be primarily business issues, primarily family issues or both. Only family members who work in the business attend these meetings. Family business meetings are not intended to replace regular business or management meetings.



A **Code of Conduct** provides a set of rules to guide family members in their personal, business and family relationships. The Code offers a well-developed set of rules and policies that can reduce the chances of conflict that can challenge personal and business relationships. A Code of Conduct should include policies which describe employment criteria, compensation, distribution of profits, allowances for vacation time, as well as conflict resolution.

## **Communication Skills**

Questioning, listening and providing feedback are three key skills to ensure open communications within the family and business. Asking the right questions is at the heart of effective communication and information exchange. Individuals can achieve many desired results by simply asking the right questions for a particular situation. For example, the person can gather more information, learn things he/she didn't know, build stronger relationships, manage people more effectively and help others to discover their own answers.

Listening is one of the most important communication skills. Listening is the ability to accurately receive messages in the communication process. Without the ability to listen effectively messages can be easily misunderstood, communication breaks down and the sender of the message can easily become frustrated or irritated. Good listeners discipline themselves to focus on the conversation and tune out distractions. Active listening requires the listener check in with the message sender to make sure that what they heard is what was intended.

Feedback makes communication meaningful. It is the end-result of a message and makes communication mutual. The way in which feedback is provided can either enhance understanding and reinforce relationships or destroy trust and create barriers. Be aware that feedback is both verbal and non-verbal. Facial expressions and body language make strong statements about what a speaker is thinking and feeling about the message. The ability to understand and use body language is a powerful tool that can help connect with others, express what is really meant and build better relationships.

## Conflict

There will be conflict regardless of the family or the individuals within it. Conflict is a natural part of any ongoing relationship. Differences of opinion and rivalries are natural parts of life. The primary way to prevent and resolve problems is to allow family members to address the underlying issues, rather than displaying aggression, passing judgment or avoiding conflict. Although most people are unlikely interested in looking for conflict, experiencing one can provide the family with new ideas and opportunities.



Conflicts in management succession often arise when the founder—individuals who own and/or has created the business—begins to transition management functions to others, who are successors or the next generation managers.



Conflicts can become personalized, causing individuals to blame one another for the problem rather than discovering the root cause. Common sources of conflict during transition of a family farm/ranch business include: control over the performance and direction of the business, different expectations of job roles and responsibilities, different ideas about gender roles, generational priorities and values and tension rooted in family relationships.

The chances of success for any family business can be improved by learning and using good communication skills. This is especially true during times of transition. It is much easier to create an environment

that facilitates open communication than to fix poor communication habits once they have become entrenched. Effective communication will reduce conflict, better utilize resources and increase the likelihood of sustained success. In the end, it increases the likelihood that all family members will enjoy a lasting legacy.

## ~ OTHER RIGHTRISK NEWS ~

### NEWS RELEASE - MAY 2 | RIGHTRISK

#### Livestock Risk Protection Changes Effective for the 2023 and Succeeding Crop Years

The Federal Crop Insurance Corporation's Board of Directors (Board) approved revisions to the Livestock Risk Protection (LRP) plans of insurance, under section 508(h) of the Federal Crop Insurance Act, on August 25, 2021, November 19, 2021, and February 17, 2022. The revisions are applicable for the 2023 and succeeding crop years . . .



### NEWS RELEASE - MAY 20 | RIGHTRISK

#### Credit Conditions Remain Strong, but Outlook Softens

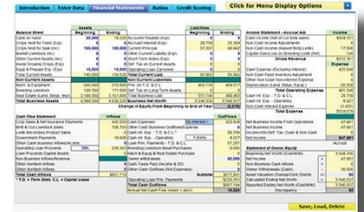
Farm real estate values continued to climb and agricultural credit conditions remain strong. Agricultural credit conditions improved in the first quarter, and farm real estate values continued to increase alongside strength in the U.S. farm economy . . .



For more see: [RightRisk.org\News](https://www.RightRisk.org/News)

## HIGHLIGHTED TOOL: *RD FINANCIAL*

*RD Financial* was developed to evaluate big picture adjustments in the financial management of an entire operation. Users enter basic information about their crop and livestock enterprises to get started. *RD Financial* then presents the five basic financial statements: beginning and ending balance sheets, cash flow statement, accrual income statement, and statement of owner's equity. In addition, it calculates sixteen financial ratios/indexes, covering the 5 areas of financial performance: liquidity, solvency, profitability, repayment capacity, and financial efficiency. The tool also offers credit scoring for operating and term debt. *RD Financial* presents a series of tools (sliders and adjusters), allowing the user to propose alternative management adjustments and instantly evaluate the results through changes in the on-screen measures of financial performance.



To access RD Financial see: [RightRisk.org/Analytics](http://RightRisk.org/Analytics) > RDFinancial

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|  | <b>May 3   Social Media Post</b><br><i>Basic Financial Statements</i>                |  | <b>May 19   Social Media Post</b><br><i>Risk Navigator   RightRisk</i>   |
|  | <b>May 5   Social Media Post</b><br><i>Recorded Presentations from RightRisk.org</i> |  | <b>May 24   Social Media Post</b><br><i>Limited Partnership</i>  |
|  | <b>May 10   Social Media Post</b><br><i>Policies and Employee Handbooks</i>          |  | <b>May 26   Social Media Post</b><br><i>Ag Survivor   RightRisk</i>  |
|  | <b>May 12   Social Media Post</b><br><i>Estimating Your Cost of Production</i>       |  | <b>Check our newest series - a post every Wednesday covering ag labor management from ~</b><br><br><b>AG HELP WANTED: Guidelines for Managing Agricultural Labor</b> |
|  | <b>May 17   Social Media Post</b><br><i>Enterprise Risk Analysis</i>                 |  |  |

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