

Quotable Quotes

Over my years of travel, teaching, and sharing numerous encounters with various types of people, I have learned a great deal. In fact, I continue to learn from meetings at the kitchen table, in the grandest of board rooms, and many places in between. Along the way, several quotes have emerged; some about business and others about life and living. In the like, some are recommendations while others are warnings. As the long days of summer are upon us, let's look at some of these quotes that can so ably provide perspective in challenging times.

The undisciplined pursuit of more...

One lender in a recent lending school summed up this point succinctly, "I watch customers during the top part of the cycle to see if they get caught up in the undisciplined pursuit of more." Of course, this could range from business growth to the frills of lavish trips or expensive toys. Anticipation of enduring good times tempts the purchase of that extra quarter of land, additional cows, or the smell of new equipment. However, without a "but what if" analysis, these types of expenditures could be a recipe for financial disaster both in the business and personally.

Family living expense is like concrete.

There is an old saying by Clark Garland, Professor Emeritus, at University of Tennessee, "Family living is like mixing concrete. Once it sets up it's difficult to change." Recently, I asked both webcast participants, and lending school students to rank today's most stressful financial factors. For nearly all of the respondents, family living ranked in the top three. Family living withdrawals doubled from 2008 to 2014 and clipped along at an 8 percent annual increase. Now, family living withdrawals in the farm sector have seen some reduction but not enough, given the cash flow. The implications for farm businesses have been refinancing of operating money, skyrocketing credit card debt, open accounts, and other unpaid bills. To put some downward pressure on family living needs, one must start with a monthly budget that is monitored just like the business cash flow. The commingling of business and personal expenses is like a crack in the foundation, making room for a possible collapse.

Projected cash flow is a waste of time.

One board member made this statement at a recent strategic planning meeting. Backing up his assertion, this board member cited unpredictable markets and today's economic environment. Well, economic uncertainty is precisely why different scenarios

need to be run. With different price and production assumptions, one can almost see into the future, at least well enough to formulate a plan for various outcomes. These projections should be carefully monitored monthly or quarterly in order to tweak the business model as conditions change. The future will hold tight windows of marketing opportunities, which makes knowing how to handle different scenarios very useful. If farm marketing was a baseball game, its goal would be a series of good base hits, not the home run.

If you got the dirt, you can't get hurt!

Yes, owning land that is debt-free gives the business some resiliency. However, it can also falsely foster a sense of complacency or dissuade urgency. Cash flow and profits pay the bills, service the debt, and provide for growth. Without profits and cash flow one can quickly jeopardize the dirt, which could result in a flooding of the land market. A balanced approach to credit including cash flow, profits, and liquidity guaranteed by collateral (which is often land), can be critical for a sustainable business model.

Your network of people equates to your net worth.

The most important variable in a successful business is people. Whether it is family members, employees, peers, suppliers, or lenders successful business people know how to assemble talent into a system with an enriched culture. Those with which you surround your business and yourself bear significant impact in several ways. A good network enhances creativity, shares and critiques ideas, and offers counsel for the business or personally. These intangible benefits can sway the balance of the ledger from a negative to a positive experience.

That's the way we've always done it.

This quote, and in particular, this attitude could be the subject of an article all on its own. And, this mindset can be both valuable and destructive. Yes, experience and institutional memory are essential to avoiding the pitfalls, and positioning for opportunity. However, in recent times the younger generation described this approach as an "energy zapper" that effectively kills any new or improved practices, or opportunities. Thus, what is needed is balance. A mixture of experienced wisdom and the paradigm shifts of the future are vital to success in a rapidly changing economic environment and consumer marketplace. Whether it is adopting no-till, grass fed beef, robotic milkers, or educational seminars, proactively taking action is empowerment in today's economic environment. In other words, make the effort to accommodate the best traits from both generations to position the business for success.

The three generation rule

Most likely familiar, the three generation rule says the first generation makes it, the second generation maintains it, and the third generation loses it. Well, this is sometimes the case not only in agriculture, but also in other family businesses; especially, in wealth management. Often, in agriculture, the first and second generations are able to transfer a good skill set for production, but neglect the skill sets needed for business management like financials or marketing. To counter this trend, more producers are allowing the younger generation to manage an enterprise, or segment of the business on their own. This, of course, includes developing a production plan, budgets, cash flows, and timely payment of expenses and debt service requirements. This is not only helpful for the younger generation, but boosts the chances of a successful, sustainable business. One of my former students actually failed when given a segment of the family business to manage. Learning from his mistakes, he regrouped and sold his business two decades later for over \$100 Million.

Perhaps the longer days of summer will afford you time in the office or the tractor to reflect on some of your favorite quotes. Sometimes these phrases mirror goals, and other times they highlight a particular pitfall to avoid. Regardless of the specific quote, your favorites often become valuable pieces of business and personal success.

Management Tip:

In coming articles, we will explore the new Gen X that will rock and shock the Millennials. As usual, don't underestimate this next generation or the change it will bring. More to come!