

COVERSTORY

SMOOTH TRANSITIONS

When his son *and* daughter came home to farm after college, Mike Hirsch became both business partner and teacher; 6 take-home tips for multi-generation farm businesses

By Mike Wilson

Emily Hirsch has a simple trick to separate family and business when she's talking to other business partners in her community.

"When I'm in business mode, I call them Mike, Bev and Jacob," says the 23-year-old, referring to her dad, mom and brother. "It's very minor, but we try to have separation between our business and personal relationships. When I'm talking to lenders or landowners, I call my parents Mike and Bev. When we're home as a family, I need my mom to listen to me like I'm her daughter."

Separation between business and personal matters is just one of the snags faced by multi-generation farms, where the joys and challenges of working with family surface on a daily basis.

Emily's brother, Jacob, 24, had always planned to return to the Fort Branch, Ind., family farm after college. Emily reached that conclusion after flirting with a career in physical therapy, deciding instead to major in agribusiness at Purdue University, and then graduate in just three years.

After graduating in 2011, both switched from classroom to "real world" learning. Jacob manages production and technology, while Emily focuses on finance, marketing and leadership tasks. Mike oversees their growth as managers.

We asked the family members to share how the transition has worked so far. Their candid insights can help other multi-gen operations navigate what can be some tricky waters.

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—Mike Hirsch

1: MAKE ADJUSTMENTS

Like many senior managers, Mike Hirsch was overjoyed to learn both his son and daughter would be returning to the family farm. Then he discovered he had to make a tough adjustment: become not just a business partner, but also a mentor, trainer and teacher.

"When Emily and Jacob joined the business, there's no doubt that was a real mental shift for me," says Mike. "You're

trying to teach, and that's really exhausting. When you're doing the work, it's also hard to be taking the time to also be training.

"My focus was still on the responsibilities that I had focused on for years, and I let the need for increased communication amongst the team slip," says the 52-year-old. "I then realized I wasn't communicating in a business way, but rather more as a parent. That was a struggle."

Even so, the kids were empathetic. "I've really admired him for the way he's handled that adjustment," says Emily. "Everyone struggles with change, but you have to look at the big picture. It takes a lot of time and energy to teach two people coming into the business. We've got education, talent and ability, yet there's so much teaching that has to go into farming — how Mike has done things in the past, and how we can build upon his experiences and make it better going forward."

Mike tried to adapt some of the things that his own father taught him when he joined the farm — namely, that work should be enjoyable. But that usually meant doing things together, like in the old days when he and his dad worked hogs. Today, business partners often find themselves off doing separate tasks; there's added isolation where one partner may be in the office, while another is meeting a lender and a third is on a tractor.



Mike Hirsch, along with son Jacob and daughter Emily, work together as business partners on the family's Fort Branch, Ind., grain farm.

"It's a new challenge compared to traditional farming operations," says Mike. "Family businesses in other industries have adapted better than we have in agriculture. We've learned we have to communicate differently than we did on the farm in the old days."

2: ALWAYS COMMUNICATE

Family businesses will fail without good communication. Over several years of research, *Farm Futures* has documented that the key to success in multi-gen operations is both teaching *and* communicating. Problems arise when the younger generation

refuses to listen to or learn from the elder generation's experiences; or conversely, Mom or Dad won't open up and share with the younger generation.

Mike admits that after Emily and Jacob came home from college, it was initially difficult to know how to bring them in on decision-making because he was used to carrying all of that weight himself.

"It was my default comfort zone," he recalls, "but it was not allowing any communicating or teaching time for Jake and Emily. It took us some time to pinpoint where we were going wrong and how we needed to address the situation.

"I underestimated the mental energy and time it took to do this," Mike adds. "When I started communicating, the children began to feel less like kids and more like business partners. They became more confident in bringing new ideas to the table, and that's made a big difference."

The lesson? As difficult as it may be sometimes, talk it out.

"We have talked through how to handle situations, and one thing we're about is communication — because we see the importance of it," says Emily. "Whenever family is involved in a business, issues can sometimes keep building over time. The sooner you bring business issues to the table, the better. A lot of problems come down to communication, listening, understanding and realizing we're on the same team.

"Let's say Jacob sees a way to improve the planting operation to make it more efficient; it's his responsibility as a member of our team to bring that to Mike's attention. It's Mike's responsibility to give honest feedback — why it didn't work 10 years ago, or we've never tried it, or why it may be a good idea to try next year."

Mike admits it's not always easy to provide good feedback to Emily's and Jacob's ideas. "They are bringing things to the table — better ways to do things — and that's another mindset shift for me, because it takes time to go over those ideas and implement them," he says.

One way to ensure knowledge transfer is to write it down. Each spring Mike has a plan for what field gets planted first, what fertilizer to apply, or what weed problems to watch for. The problem? It's all in his head. So this past spring he sat down with Jacob and Emily and wrote out the plan for planting.

"We went into spring with a complete operation plan, and even though things changed due to weather and agronomics,

we now have a way to tap into Mike's knowledge," says Emily. "After the season is over, they sit down with this teachable tool to get that knowledge from Mike to Jacob."

3: USE CORE VALUES TO RESOLVE CONFLICTS

Each business partner must have the same goal and vision for the business. Those core values need to be agreed upon by principal owners and managers. Successful businesses of all sizes use core values and a vision statement as a guiding force to help things run smoothly.

"We feel that one key element to our

business' success is to bring the best ideas to the table and listen to one another," says Emily. "It's not clockwork all the time. Of course, there are times when things don't go smoothly, or someone feels they shouldn't say something. But you try to bring it back to center and stay on path. If we weren't all on board with our vision and core values, there would be stress in the business."

Jacob agrees, adding: "It helps our family to talk about our vision. We've been back on the farm two years and we're seeing familiar things. We see maybe where there was a flaw or something new to try. We can better understand this vision now."

Yet, this area can be a trap for senior management. "At first I wasn't always communicating that vision like I should have been," Mike admits.

Likewise, you need quality time to really talk through business decisions.

"At first we were so preoccupied with putting out fires, we weren't giving ourselves time to discuss things in a thoughtful manner," says Emily. "It was always 9:30 at night, when everyone was tired. It's easier then to get into arguments and not have your thinking cap on straight."

To resolve the problem, the partners initiated Tuesday morning management team meetings. Each partner brings up issues that need to be resolved. Often they simply discuss plans for the week.

"It's great because we're all fresh and ready to discuss things," says Emily. "We know that is a time we can talk and that everybody is mentally prepared, and you're not catching people off guard."

Farming: Not just for the boys anymore

If I had been born 20 years ago, I would be pursuing a different career because the skill set I have was not as needed in a row crop operation," says Emily Hirsch, 23, as she hops into the cab of a pickup truck and heads to a nearby field on her family's farm near Fort Branch, Ind.

True enough. Back then farming was more about muscle — not marketing, labor management or business development, all things Emily knows something about as a recent agribusiness grad at Purdue University.

"The way production agriculture has evolved into what it is today gives someone like me an opportunity to work in this industry," she says.

Emily is a young person with leadership skills — someone who can think strategically. The fact that she is a woman, in today's sophisticated farm operations, is, well, beside the point.

"All organizations need leadership," she says. "I see myself as someone who can help come up with the right vision for the business, set goals to reach that vision and carry out our mission. I can create action plans, get the right foundational resources and financial stability in place, and make sure we're friendly to the environment. I can make sure our services meet the needs of each individual landlord."

"I can help orchestrate the dance of bringing each of those pieces to the puzzle and fitting them in to our business as needed," she adds.

Emily, like brother Jacob, has a long-term vision for the family operation. After just two years in the business, her decision to come back to the farm looks even better than she first imagined.

"What's been a pleasant surprise is how

awesome it is to be able to work with your family, and how much your relationship deepens when you are in business together," she says. "It never sunk in for me when I was in school, how you're always learning every day. My college experience taught me how to learn, and now that I'm in the work world, I'm learning every day. I didn't graduate college being prepared for the job I'm doing, but just the fact I'm learning from my parents and other experts in the industry has been a revelation to me.

"Learning continues on, in a great way."



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4: DEFINE YOUR ROLE IN THE NEW REGIME

In year one of the new partnership, the Hirsches felt it was important for Emily and Jacob to experience every facet of the business — even tasks they did not enjoy.

"I dove into a lot of aspects of the business, such as FSA, human resources, grain marketing, budgeting, as well as being out in the field and seeing how all of it works," says Emily. "Now I'm finding out what I like and don't like to do, and what I'm most passionate about."

"Fortunately, my brother and I have complementary interests; we don't like to do the same things," she adds. "My dad always said if you're exactly alike, you probably will butt heads and shouldn't be in business together."

In previous generations, one farmer did everything. With the complexity of farming today, it's harder for one person to do everything right. So the Hirsches are defining different areas of expertise and putting people in those roles.

"It's important to know your role and take ownership of that role," says Emily. "That includes the people who work for us as well. We're writing job descriptions not only for our employees but also for ourselves. We need those job descriptions to keep us focused."

Each generation develops a new skill set to succeed. For the Hirsches, the main skill set is developing a business mentality.

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With two fresh agribusiness graduates, that task has been more difficult for Mike than Emily or Jacob.

“My limiting factor is I like being in the field too much,” Mike says. “It’s a

learning factor for me to become a business manager.”

5: CREATE A PLAN FOR OWNERSHIP

Most young people who plan a return to the farm first try a few years in agribusi-

ness, so they have new skills to bring home later. However, Mike wasn’t pushing that approach with his kids.

“I believe that whatever you want to pursue as a career, try that one first,” he says. “I’m just not a believer in starting a career if it’s not really the one where

Take our quiz: 6 questions for multi-generation farms

By John Otte

Wanting to bring generation two into the farm business is easy. Succeeding in converting a sole proprietorship farm into a multi-generation business is challenging. It takes planning, plus a huge amount of give-and-take among players in both generations. Here’s a quiz you can take to assess if you’re ready.

For answers, go to www.FarmFutures.com and click on **Farm Futures Now!**

Is generation *one* ready for a partner?

- Mom and Dad are expanding. They want someone to manage the new direct-marketing division.
- Mom and Dad want to ease into retirement. They’re willing to turn over both responsibility and authority to make decisions.
- Mom and Dad want somebody to do the work on the farm, while they spend most of their time on cruise ships.

Is generation *two* committed?

- Junior, who is single and a recent business school graduate, wants to expand the farm.
- Junior’s new bride sees Junior’s family farm as having a lot more potential than the farm she grew up on.
- Junior’s new bride sees Junior’s family farm and recent ag prosperity as a way to get rich quick.

What is your future together?

- Mom and Dad, plus Junior and Wife, are discussing who will specialize in doing what functions moving forward.
- Mom and Dad want someone to take over the heavy physical workload.
- Junior and Wife want to push Mom and Dad out of the way as soon as possible so they can run the farm their way.

Is the pie big enough?

- The farm currently generates enough net income to support living expense withdrawals of two families.
- All proposed players are working on an expansion plan to generate enough additional income to service the debt

- needed to expand the operation — plus support two families.
- Junior and Wife expect Mom and Dad to equally split current income with them.

Are people compatible?

- Dad and Junior have been working together since Junior was in grade school. They get along fine.
- Junior’s wife grew up on a neighboring farm. She and Junior’s mother share a common work ethic, along with family, social and religious values.
- Junior’s wife’s parents and siblings always come first when Junior’s wife organizes family activities.

Where do other family members fit in estate plan?

- Mom and Dad are planning ways to leave nonfarm assets to off-farm heirs.
- Mom and Dad plan to leave everything equally to their children and let Junior figure out how to manage it.
- Mom and Dad are devising ways to value Junior’s contribution and factor that into their estate plan.

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you have passion.”

Mike and Bev put together new business entities, including a partnership among the four family members. They sought out advisers because they needed more experienced expertise in generational transfers.

Over the next 15 to 20 years, Emily and Jacob will buy parts of the business and increase their shares as Mike and Bev phase out.

“We set it up so we’re not transitioning the whole business at once,” says Mike. “They can buy into the operating entity with a lot less capital investment because it’s not near the investment cost as, say, the machinery or grain storage.

“We work with an array of consultants, including a close relationship with our attorney, business planners, succession planners and Family Farms Group. As business owners, we’ve got to know where we want to go, and then surround ourselves with team members and advisers who will help us get there.”

“Just like our advisers, our employees are a key part to the success of our business,” says Emily. “They bring a wide array of skills and talents to the table.”

6: GET BETTER BEFORE YOU GET BIGGER

What’s next for the Hirsches? The farm more than doubled acreage from 2008 to 2013, and has goals of continuing to serve more landowners.

“We have more steps to take, and as the business gets more comfortable with management, communication, organization and human resources, those steps become clearer,” Mike says.

“I see this as a stabilizing period for us,” he adds. “We’re trying to get good at what we’re doing now, with recordkeeping, processes and procedures. We are in the process of building our team.”

Has it been worth it? Absolutely. “For anyone going into this transition, you have to be mentally up for it,” says Mike. “Transitioning a family business to another generation is not easy, but it’s important. And sometimes important things are not easy. I’m happy that my children are working with me, and that outweighs the struggles.”

In fact, a good transition plan should make senior management’s role obsolete — eventually. In 10 or 15 years, if the Hirsch transition succeeds, Mike will be doing just

the things he enjoys most — scouting the crops or running a combine, with much less management pressure.


“Hopefully, someday he’ll be able to cherry-pick the fun jobs,” Emily says. “When he knows that the rest of the business can churn without his daily involvement, he can be an operator again if that’s what he wants.”

Both Emily and Jake were drawn back to the family farm, intrigued by not just the business opportunities, but also the lifestyle they cherished as youngsters. Mike and Bev set up the business so that this younger generation could begin dreaming about their own future on the farm.

“When we get married and have kids, we want them to have the same opportunities we had,” says Jake.

Emily agrees.

“Jake and I dream about having a business that’s bigger than just the Hirsch family,” she concludes. “We want employees to love working here. We want it to be a great environment, not just for them but for their families, our landlords and others we do business with.

“What is great is, we can dream as big as we want to.” 

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