

TWIN RIDGES LAND AND CATTLE COMPANY (TRLC)-CASE STUDY

The TRLC Case Study involves a fictional agribusiness scenario. Three related families make their living from a 5,000 acre grain farm and cattle operation with 600 mother cows. Gross annual revenue is \$2,500,000. The operation added a hunting enterprise in recent years and is also pursuing potential value-added markets for a natural beef program. They recently were offered a chance to buy a 1.2 million bushel grain storage and seed treating facility and are considering adding this enterprise to the operation. The business employs several part-time help (family and non-family). Described below are the backgrounds of those involved as well as the results of family meetings convened to discuss farm succession. Several management system tasks and conflict situations are simulated in this case study. Listed after the background narrative are several management tasks family businesses typically need to address to define their governance structure. In addition several potential conflict situations are presented as mini-cases to be solved with the assistance of one or more professional advisers.

Background Information

The principal owner, **Paul (age 50)**, manages the operation. Paul's wife, **Glenda (age 49)**, currently works 15 hours/week writing checks, monitoring markets, and running for parts in addition to managing the household. She isn't paid a wage. Paul and Glenda live in a nice home located on the farm next to the shop that would rent for \$1,000/month. Paul's salary and other benefits, valued in total at \$74,354 on an annual basis, include: salary-\$36,000; utilities-\$4,800; beef-\$500; personal vehicles fuel, insurance and maintenance-\$2,500; medical insurance-\$7,200; uncovered medical expense reimbursement-\$5,000; and retirement plan contribution-\$3,600. Glenda recently took a part-time job with a local bank and has indicated to Paul that she is ready for Betsy to start shadowing and transitioning into the farm office job.

Ryan (age 25) the oldest son, returned to the farm four years ago after receiving a college degree in Beef Science. Ryan, his wife, **Janice**, and two children live rent-free in a home located on acreage rented by the farm (this home recently rented for \$600/month). Janice has asked Ryan to resolve who is responsible for fixing the leaky roof and rotten carpet (Ryan has been afraid to bring this up as they don't pay rent for the house.) The farm pays for utilities that cost \$300/month. Ryan would like to assume more than a "hired hand" role in the operation; he feels he is ready to take on a cattle management role. He is paid \$1,750 per month and receives medical insurance benefits \$600/month). He uses his personal Dodge pickup for farm use without reimbursement driving about 12,000 miles per year; he considers this provides a net benefit to the farm of \$2,000/year (farm pays fuel only). Since Ryan is working on salary, he is never sure how much he is supposed to work; Janice complains he seems to work more days than anybody else. The farm doesn't track hours or days worked for salaried employees. Ryan has accumulated some savings he hopes can be used to buy an interest in the farm.

Mike (age 24), is married to Paul & Glenda's daughter, **Betsy**. Mike completed a degree in Agronomy and Soils, and then worked for two years for a farm chemical and fertilizer company. While working for the fertilizer company, Mike assumed supervisory duties over other staff. He saw the need for finance and management training if he were to move up in the organization or get into a business of his own. He completed a two-year night course through the local community college in finance, marketing, personnel management, and computer applications. He also took a technical course on field mapping and variable rate technology. Mike began working full-time for Paul at \$10.00/hour and no benefits when Paul leased an additional 1,500 acres three years ago. The only benefits added since employment were allowing Betsy to

board 3 horses on the farm @\$50 monthly value/head, furnishing Mike a new diesel pickup to drive to work and use on the farm, and paying a \$2,500 bonus in wheat 2 of the last 3 years. Mike and Betsy own a home in town two miles from the farm. Based on his time sheets Mike was paid for 2,500 hours worked last year for a total earned cash wage of \$25,000.

Betsy (age 23) has a college degree in Business with an accounting & marketing focus. She has excellent office equipment operational skills and has spent considerable time with Paul studying how the farm markets its annual production. She did most of the research on setting up the ranch hunting program and also programmed a website for the farm. She works part-time at a local computer store and leads a local 4-H horse club. Her pay scale at \$10.00/hour isn't great, but she gets medical benefits worth about \$500/month. Her mother (Glenda) has been encouraging Betsy to help pay the bills and assist in other office work. Glenda would like to see Paul eventually turn these functions over to Betsy. In so doing Betsy would have a direct involvement in the farm--something Betsy has always dreamed of.

Rowdy, (age 21), is a senior in college majoring in Agricultural Economics with a minor in business and finance. He works summers on the farm at \$8.50/hour and "thinks" he wants to farm when he graduates. Rowdy, has some interest in working as an agricultural loan officer. Rowdy's folks have been non-committal about him coming right back to the farm. They saw how their son-in-law (Mike) benefitted from getting experience in another commercial business and feel Rowdy should consider doing this also before ever considering a career on the family farm. The folks are also concerned that the farm may not support another family; they also currently employ three other full-time people to assist with cattle, hunting (guides), and machinery operations.

With rising costs of production, margins have been falling, and the farm is looking at new strategies in cost efficiency and growth to keep overhead costs at a level that will assure they can maintain their 10% ROE target. The farm's accountant recently pointed out to Paul and Glenda that with six full-time equivalent employees (FTE's) the gross farm revenue/FTE main not be adequate for a financially sustainable farm.

How should this family develop a succession plan? TRLC members met to discuss objectives, job responsibilities, and individual qualifications. They identified all the tasks performed and areas of decision-making on the farm. Everyone wrote down his or her short term and long-range objectives and each person also committed to paper what role in the farm they felt best qualified to fill. This information was assembled and shared with everyone.

The following summarizes conclusions reached during the family succession planning meetings:

1. Paul feels confident the farm would run smoother and the younger employees would feel more part of the farm if they had specific decision-making authority. Paul clearly desires to transfer some responsibility now to the younger generation. But, he cautions, he is still fairly young and is not ready to retire. Paul is willing to explore options for the next generation to invest in the farm, but he cautions everyone that presently he and Glenda have all the "investment marbles". Until others develop a significant ownership role and more experience, he will continue to exercise a high profile on risk management, capital expenditures, and budget control. Paul and Glenda are willing to look at strategies for selling or transferring up to 49% interest in the farm at 24.5% each to the two full time families coming into the farm succession team over the next 2-5 years.

2. Ryan wants to take lead responsibility for the cattle enterprise. Paul feels comfortable with this as far as day-to-day operations but wants the final say in buying and selling cattle. Ryan is most comfortable when working outside and despises paperwork. He also dislikes being responsible for other personnel. Paul advised Ryan that taking on a management role over the cattle will require him to develop skills in supervising part-time help, developing budget input for the cattle operation, tracking herd production data, and reviewing cattle enterprise cost of production information.

3. Mike is ready to assume a management role in crop operations. While his on-farm experience is limited, his prior background has prepared him to make decisions on seed selection, fertilizer and chemical inputs, and cultivation practices. Paul is amenable to assigning these responsibilities to Mike. But, Paul wants to retain decisions concerning machinery purchases, crop marketing, and supervision of the harvest. Paul also indicated that Mike needs to prepare detailed cropping plans and enterprise cost projections and review them with Paul for review and concurrence prior to execution. Paul intends to allow Mike increased autonomy over input purchasing once he demonstrates proven ability to perform.

4. Betsy is interested in taking over the bookkeeping duties and also wants to become more involved in hunting and marketing roles. She is hesitant to push herself into these roles as she has not had any assurance she would be considered a "real employee" of the business. Betsy was apprehensive that she would be simply included with the package as Mike's wife, and she would not be viewed as a "real employee" (after all, mom never was paid). During the family meeting Betsy and her mother were pleasantly surprised that Paul, Mike, and Ryan all thought it would be great if she could take over these functions. They also felt Betsy should be paid for office management functions at a pay rate comparable to someone working at a similar job in town. The consensus was that the others could spend more time in the field, if they weren't saddled with these chores. Doing the books would help acquaint her with the "numbers" part of the farm. She would then be in a good position to assist the partners in using farm computer software to track various profit and cost centers such as cattle production, crop and field records, and machinery support.

After a general consensus was reached on specific roles and job titles for each person, everyone agreed to develop a specific list of duties for each position. Prior to assigning specific duties, everyone decided to brainstorm ***all decision areas that commonly arise on the farm.*** The following list resulted from this effort. Who should take the lead in each duty area?

Exhibit I – Duties and responsibilities for farm and ranch operations

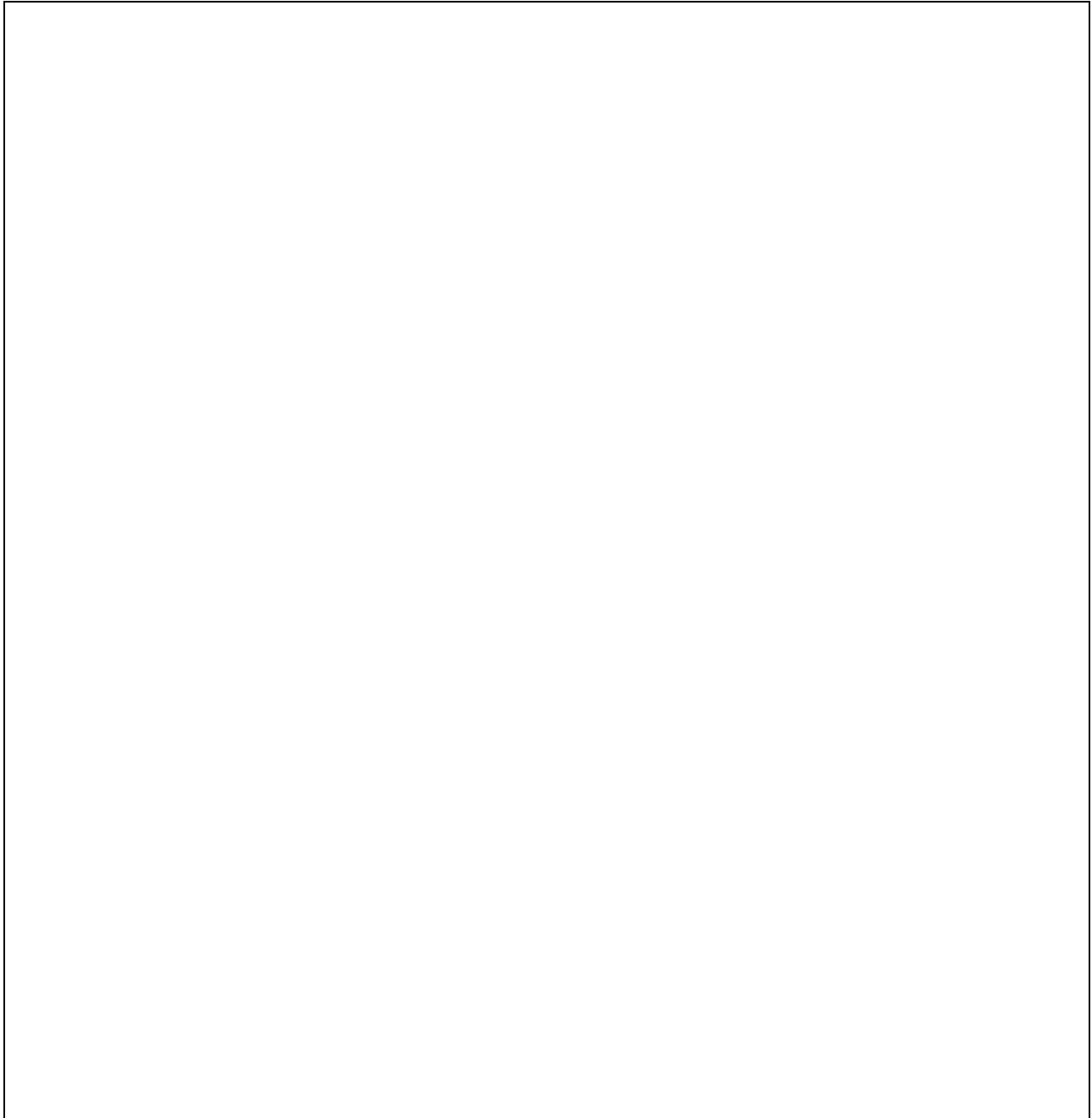
1. Coordinate work planning
2. Procure, store, clean and treat seed
3. Order and stock seed, supplements, salt, and mineral for livestock
4. Coordinate hay harvest; arrange sale of surplus hay
5. Perform maintenance and repairs of farm machinery
6. Inspect and maintain field drainage systems and diversion ditches
7. Propose annual cropping plan and seed varieties to be planted
8. Arrange for additional personnel when needed
9. Supervise tillage and cultivation activities
10. Supervise care and feeding of all livestock
11. Monitor grain markets and market grain commodities
12. Coordinate cashflow budget preparation and prepare budget performance reports
13. Maintain servicing and overhaul records on machinery
14. Market livestock production
15. Organize work force, assign responsibilities, coordinate work flow
16. Prepare cashflow budget input for crop plan
17. Prepare cashflow budget input for livestock plan
18. Supervise elevator storage, maintenance, and fumigations
19. Write checks, perform banking responsibilities, and oversee farm recordkeeping efforts
20. Recommend priorities for overhauling machinery
21. Coordinate rotation of pastures
22. Negotiate leases; distribute landlord crop shares
23. Coordinate seeding operations; maintain seeding records by field
24. Determine breeding stock requirements
25. Analyze economic feasibility and options for optimization of capital purchases
26. Approve all capital equipment outlays
27. Monitor inventory of tools, supplies, fuel, and parts; restock as needed
28. Maintain farm accounting records
29. Serve as liaison with government on soil conservation and farm program issues
30. Manage herd health program; stock veterinary equipment, and care for horses
31. Monitor adequacy of equipment line; recommend updates
32. Supervise maintenance of barns, corrals, and fences
33. Work with accountant on preparing business tax returns and year-end planning
34. Negotiate renewals and coverage for crop, liability, & medical insurance
35. Monitor weed and insect problems in crops; apply chemicals or arrange for application
36. Arrange loans for operating and capital purposes
37. Coordinate rock picking efforts
38. Collect soil samples; and arrange for fertilizer application
39. Coordinate branding and number identification processes
40. Work with attorney on farm legal matters
41. Operate farm equipment during major tillage and harvest seasons
42. Supervise harvest of the crop
43. Assist in setting up the annual crop insurance plan
44. Oversee hunting program – advertising, guest quarters supervision, scheduling, passes

Case Studies – Setting up General Management System and Governance – Part I

Task #1: Develop an organization chart and decide who will fill key management roles and who will serve on the Board of Directors and Advisory Board.

Task #2: Develop job descriptions for each of the active members of the operation. (*Hint: Draw organizational chart below, first, then write names next to the numbered duties on page 4 that should be assigned to each decision-maker.*)

Task #3: Outline the board's duties and establish sample agenda for a regular board meeting.



	A	B	C	D	G	H	I
1		Compensation Summary			Paul, Sr.	Ryan	Mike
2			<u>Period</u>	<u>Rate/Mo</u>	<u>Yearly Total</u>	<u>Yearly Total</u>	<u>Yearly Total</u>
3	1	Salary	Nov-Feb	\$3,000	\$36,000.00	\$21,000.00	\$0.00
4						\$0.00	\$0.00
5				<u>Rate/Hr</u>		\$0.00	\$0.00
6	2	Wages	Mar-Oct	\$0.00	\$0.00	\$0.00	\$25,000.00
7		Cash Salary & Wages Subtotal:				\$0.00	\$0.00
8	3	Social Security Benefit - % Rate:			\$2,754.00	\$1,606.50	\$1,912.50
9						\$0.00	\$0.00
10	4a	Housing			\$12,000.00	\$7,200.00	\$0.00
11	4b	Utilities - Power, Phone,etc			\$4,800.00	\$3,600.00	\$0.00
12	4c	Meal Allowance, Groceries			\$0.00	\$0.00	\$0.00
13	5a	Beef, Farm Produce			\$500.00	\$0.00	\$0.00
14	5b	Other- Horse boarding			\$0.00	\$0.00	\$1,800.00
15	6a	Medical Insurance			\$7,200.00	\$4,800.00	\$0.00
16	6b	Uncovered Medical Reimbursemen			\$5,000.00	\$2,400.00	\$0.00
17	6c	Other-				\$0.00	\$0.00
18	7a	Commuting Pickup			\$0.00	(\$2,000.00)	\$2,000.00
19	7b	Other- Auto Insurance, gas, maint.			\$2,500.00	\$0.00	\$0.00
20	7c	Other-					\$0.00
21	8	Total Wage and Benefits Value			\$70,754.00	\$38,606.50	\$30,712.50
22	9a	Bonus- Based on Yearend Results			\$0.00	\$0.00	\$2,500.00
23	9b	Retirement Contribution @			\$3,600.00	\$0.00	\$0.00
24	9c	Total Compensation:			\$74,354.00	\$38,606.50	\$33,212.50
25							
26	10	Total Hours Worked Per Year			2,500	2,500	2,500
27					<u>(incl bonus/ret)</u>	<u>(incl bonus/ret)</u>	<u>(incl bonus/ret)</u>
28	11	Total Compensation per Hour			\$29.74	\$15.44	\$13.29
29						\$0.00	\$0.00
30	12	Total Value of Non-Taxable Benefit			\$32,000.00	\$16,000.00	\$3,800.00
31						\$0.00	\$0.00
32		Non-Taxable Benefit Analysis @ T			30.15%	\$0.30	\$0.30
33	13	Pre-Tax Wage Equivalent (Line 12/(1-			\$45,812	\$22,906.23	\$5,440.23
34	14	Total Tax Savings (Line 13-Line 12)			\$13,812	\$6,906.23	\$1,640.23
35						\$0.00	\$0.00
36	15	Tot. Pre-Tax Wage Equivalent-(Line			\$88,166	\$45,512.73	\$34,852.73
37	16	"	"	"	"	"	"
					\$35.27	\$18.21	\$13.94

The above table summarizes compensation data for Paul, Mike and Ryan.

Common Family Farm Business Conflict Situations – TRLC – Case Study Part II

Outlined below are common business situations that result in conflict or stress in a family business. Discuss each situation and develop a recommended business solution or strategy to resolve the conflict. Feel free to alter or add details to make the situation locally applicable.

Conflict Situation #1 – Unclear Housing and Compensation Policy

Mike and Betsy are disgruntled about the farm's compensation practices. Mike is younger, has less tenure on the farm, yet his annual wages exceed Ryan's salary. Mike and Betsy make monthly payments on their home in town, while Ryan and Janice live in a home provided by the farm "rent free" including utilities; they also receive medical benefits. Betsy expressed concern during a management staff meeting about the unfairness of Ryan and Janice charging the farm for new living room carpet (Betsy discovered this when she paid the bill with the monthly farm checks). Mike feels it isn't quite fair that he has to keep a time card to get paid and Ryan gets his salary check with no accountability for hours or days worked. Mike and Betsy have asked the rest of the management team to re-evaluate how each laborer is paid, what benefits are appropriate, and how the farm deals with different benefit packages in arriving at a fair overall compensation package. They want clarification on several farm policy areas; especially housing, personal and farm vehicle expenses, official work hours, retirement plans and medical expenses. What management practices need to be changed, and how would you coach towards a solution?

Conflict Situation #2 – Inequity on Capital Invested in the Business vs. Revenue sharing

It has been three years since Mike, Betsy, Ryan and Janice transitioned into ownership and decision-making roles. In the ownership transition plan, Mike and Ryan were originally set up to hold 25% of the capital invested in the new partnership with Dad and Mom retaining 50% after a new LLP was set up to bring in the next generation. Mom and Dad have drawn 100% of their annual earnings since the transition and are investing funds not required for annual living expenses in retirement funds and other non-farm investments to diversify their portfolio. Ryan and his wife have had some personal financial problems that required Ryan to draw heavily on his capital account each year. Janice has elected to be a homemaker and does not work outside the home. Mike and Betsy have been more fortunate with their financial affairs. With two incomes and no extraneous expenses, Mike has only drawn a portion of the annual earnings credited to his capital account. His capital account has grown out of proportion to other investors; Mike's initial 25% share of the retained capital in the farm has now grown to 30% while Ryan's share of total capital has diminished to 20%. Yet, both are still sharing farm operating profits at 25% each. Mike doesn't think this is fair and has asked the partners to re-evaluate their revenue sharing arrangement based on capital left in the business. The TRLC uses an "old school" accountant who just sends the tax bill annually. He spends no time with the partners interpreting financial performance, specifics about capital accounts transactions, or compliance with the partnership's operating agreement for capital account maintenance.

Conflict Situation #3 – Nephew refuses to take orders from Uncle Mike

Ryan's son, Joe, now 15 years old, works part time in the summer. He likes working with the cattle, but most of the summer work involves farming. When he is assigned to work with Uncle Mike to assist in crop activities, there are frequent conflicts. He shows up late, doesn't stay on task, and makes it clear he would rather be somewhere else. One day, in a fit of frustration over whether he should be required to steam clean the farm tractor that "someone else got dirty," he barked at Mike, "I don't take orders from you...Dad is my boss!" This incident was the center of

discussion at the Monday morning staff meeting. Needless to say, the management team spent little time on strategic planning or streamlining farm efficiency that day! Mike has asked the team for a clarification of his authority and the ground rules he can follow to handle part-time family help, especially when they are non-cooperative and unprofessional.

Conflict Situation #4 – Personality Differences Starting to Clash

Ryan is laid back and has a tendency to do the minimum when it comes to communicating his thoughts and feelings. When placed in a team environment, he tends to go with the flow. Mike is more aggressive and tends to control the discussion during family meetings. His outspoken nature is noticeably bothers other members of the farm team. Betsy is the idea person and likes brainstorming and starting new projects, but she lacks patience with details and implementation. Mom and Dad are virtual opposites in their communication and personality styles. Every one on this team is intelligent and hard-working, but the team is starting to conclude that different personality styles are not well-understood and starting to unravel relationships between the partners. When Betsy suggested that everyone go to a seminar on “Managing Personality Traits,” Mike and Ryan both retorted, “We don’t need any of that ‘touchy-feely’ stuff, it won’t help us be better farmers.” Assume you are a member of the farm’s Advisory Board. TRLC partners have asked your opinion about the value and availability of programs they might consider attending to improve communication skills and sensitivity. They also want to know about program costs and benefits that will come out of this kind of activity. How would you respond?

Conflict Situation #5 – Boss is Micro-Managing & Spending Money outside the Budget

Paul is raising some hackles these days. He promised to respect the junior partners’ roles in making key decisions like capital purchases as they are now owners, too. But Paul isn’t “walking the talk.” For example, he recently bought a tractor that wasn’t in the budget at an auction because he thought it was a good deal. Mike and Ryan acknowledged the tractor was discussed when they met to discuss their capital replacement plan for the year. But it was agreed a tractor replacement was a low priority and would be deferred until a no-till drill could be acquired. Mike and Ryan feel Paul violated a “board decision” concerning capital purchases. Now that they are owners as well as labor providers, they don’t appreciate someone adding to the farm’s debt load to buy a tractor that was not on the high priority list without their consent. Both are afraid to confront Paul. They have requested to meet with the advisory board to discuss roles and responsibilities and determine how to make Paul honor his commitment to plans adopted by the full management team. How would you advise them to proceed?

Conflict Situation #6 – Who Gets to Play in the Farm Expansion Opportunity?

An adjoining 480 acre farm has come up for sale and TRLC has been given an option to purchase it. With Paul now nearing retirement, he and Glenda don’t want to get more involved in asset expansion or debt. Ryan and Janice have no personal resources to make a down payment and are fearful of incurring debt either personally or through the joint farm operation. Janice already thinks the farm is responsible for taking and losing all their money, as they are still paying off a loan with interest to Paul to acquire part of their 25% interest in the farm, and she never sees any cashflow from the farm’s returns. Mike and Betsy have a sizeable nest egg available to invest from unspent past farm earnings and a small inheritance from Mike’s family. The family has discussed this expansion opportunity and agrees it would be nice to add this farm, but several questions have the family in emotional turmoil and decision paralysis:

1. Who has both the desire and financial capacity to purchase this land?
2. If one of the farm principals buys the farm, how will it be incorporated into the operation without diminishing other shareholders equity positions?

3. How can this opportunity be pursued without jeopardizing family harmony and teamwork?

Conflict Situation #7 – Will We Ever Get a Raise?

Ryan, Mike and Betsy have now worked for five years with a flat salary and benefit package. Non-family farm seasonal help has seen annual wage adjustments that reflect cost of living, experience, and local market competition. The farm has had some excellent earnings, but earnings after payment of labor and benefits goes to the shareholders—of which mom and dad are the still 50% owners. Meanwhile, mom and dad are doing less and less on the farm. Ryan, Mike and Betsy have asked Paul to look at their performance, tenure, and expanded experience and re-evaluate compensation levels. Paul acknowledges he should have done something sooner but thought the kids would want to be conservative in what they were “taking out of the business” to help build up equity for the future (not realizing he was the primary beneficiary of this effort). As general manager responsible for personnel, Paul has agreed to a 25% increase in compensation for each principal, while freezing his own salary to reflect a partial slow-down in workdays committed to the farm. Paul has asked his advisers to assess which of the following options will provide the maximum net after-tax benefit to employees with the least after-tax cost to the farm. He also wants to have the three junior principals have some say in what elements they would place the most value. Evaluate the following options (feel free to add to the list) and make recommendations on the best strategy to adjust compensation:

1. salary increase
2. year end bonus (in salary or “in-kind” wages such as grain or livestock transfers)
3. offer daily meal allowances for on farm consumption
4. pay medical insurance premiums and/or reimburse uncovered medical expense
5. pay employee’s share of Social Security and Medicare
6. add other cafeteria benefits such as cell phones, internet fees, publications expense

Conflict Situation #8 – Adding another Pig to the Trough

Rowdy graduated from college two years ago, went to work for Farm Credit and now wants to come back to the farm. Mom and dad think this is great, but Ryan, Mike and Betsy have some reservations. They feel there is already plenty of management expertise around, even after mom and dad retire. They see a need for additional seasonal labor, but don’t feel they can afford the compensation that Rowdy would need to maintain the standard of living he was used to as a banker. Betsy has been taking a Managerial Accounting course that has enlightened her and the rest of the management team on the cost of overhead and how to match up accountability with performance measurement in significant areas of farm responsibility. She is also becoming confident in her marketing skills. Business growth could be pursued to help support another family, but the other family members are having a hard time seeing how Rowdy would fit into the operation without asking others to give up a significant amount of responsibility or unnecessarily complicating the organizational team. How would you advise the family business to proceed on Rowdy’s proposal?

Conflict Situation #9 – Who Will Be the Big Kahuna?

Paul is now 60 years old and wants to start formalizing a management succession plan. Ryan, Mike and Betsy are aware of his intentions but are uneasy about how this will be resolved. Mike, in addition to assuming full day to day management of the cropping operation, has been doing a lot of the administrative duties as Paul and Glenda pursue more traveling. Ryan is a solid cattle production manager, but he struggles with situations where he has to take initiative in planning, personnel, or finances. He dislikes family meetings and is uncomfortable

communicating with others and overseeing hired help. Betsy has grown into a key part of the team, mastering the role of chief financial officer. She prepares budgets, financial plans, negotiates with bankers and landlords in dad's absence, and also works closely with Mike in lining up and overseeing part-time seasonal labor. What steps would you advise this family go through to select and transition to a new CEO upon Paul's retirement?

Conflict Situation #10 – Using “Company” Hay and Facilities for “Personal” Gain

The family has gathered for Thanksgiving Dinner at mom and dad's house. Rowdy is on break from school and is hitting the beer stock hard. During dinner he spouts off to Betsy that he didn't think it was fair for the farm to subsidize her horse boarding business with free hay and use of facilities. He never bothered to ask Betsy, Mike or Paul what the arrangements and policies were. Had he inquired more tactfully, he would have been told this arrangement was fully discussed at previous TRLC board meetings and was approved on the basis that the imputed market value of that benefit was an integral part of Betsy's compensation package. The ensuing interchange got very ugly. Mike and Betsy grabbed their newborn and headed home in a fit of frustration when no one seemed willing to confront Rowdy with either the facts or his lack of professionalism. Who should respond to Rowdy and what message should be?

Conflict Situation #11 – “Those who control the books control the gold”

It's been four years since Paul died of a heart attack. Glenda is still board chairman and “acting CEO” but avoids any decisions that might rock the boat. Betsy is handling all recordkeeping chores, banking, credit negotiations, and marketing. With little children to watch, she prefers to work in her home office instead of at the farm office located at the shop where all the rest of the farm owners and employees convene on a regular basis. Ryan complains he has to beg for information to see what is going on financially; others have complained there is no consistent practice concerning what is shared, when, and who gets to see farm financial data. If you were reviewing this farm's Management Control System: what reporting elements would you like to see included on a regular basis; who should have access to the information; and what strategies should be considered to make information more accessible to others?

Conflict Situation #12 - “I'm entitled to a retirement salary!”

Dad phased out as manager four years ago. He and Glenda sold 100% of their interest in the operating entity and lease personally owned land to the business at market rates. Paul currently provides limited labor and board services, working about 70 days per year. He continues to draw the same salary and benefits package he drew while working full time, justifying this compensation as “...well earned retirement pay for all those years of sweat building up this operation for you kids!” Mike and Ryan are concerned about “doubling up” on labor overhead due to hiring help to replace dad; and they are concerned about having enough margin to make payments on contracts to the folks and still subsidize dad's retirement. What is a fair way to resolve everyone's concerns?

Conflict Situation #13 – Should siblings in each generation have “equal shares?”

Ryan and Mike are now in their 50's, and they are both 50/50 owners in the business. They are looking at starting the next round of succession. Ryan and Janice have two children interested in working on the farm and becoming owners. Betsy and Mike have one child interested in becoming an owner and employee of the business. Ryan and Janice feel like it would be best if the three kids in the next generation each had a third of the business after the transition. Betsy and Mike think it's fairer to sell or transfer their half of the business to their son and have Ryan

and Janice can transfer their half to their son and daughter. What advice would you give these clients on how to proceed?

Conflict Situation #14 – Cousin Collaboration not “collaborating” so well!

Twenty years have passed since the initial transition discussions took place. Paul and Glenda are out of the management picture but are still providing limited capital to the business. TRLC Co has averaged 7% annual growth tripling in size and has expanded into multiple enterprises. It is now employing family and non-family members across three generations. Some of the grandchildren work in the business and some don't. Gifting and sales of interests in business operations has resulted in both on-farm and off farm stakeholders holding ownership in the business. “Cracks in the armor” are showing up in family harmony and business teamwork. Accusations of favoritism have been made that not all spouses and children have had equal or fair opportunity to be employed in the business. There are disagreements about who has a right to serve on the board. Board meetings are becoming less manageable as more owners show up with uncertain expectations of what roles they have as well as rights to engage in board discussions and access information. Some years ago Mike was appointed CEO of the business, but no significant adjustment was made to his salary to differentiate for the added responsibility. Mike also complains some board members are overstepping their policy roles and try to micro-manage day to day operational decisions. He has suggested the owner board seek outside counsel to assess fair compensation and clarify CEO vs. board responsibilities. Mike is also caught in the middle of an unresolved conflict between some owners who want earnings to stay in the business to keep growing the business versus others who want to maximize payouts to the owners. Some senior board members not actively engaged in management are raising hackles because they are charging expensive trips to the business under the guise of “board development”. Active managers on the farm fail to see how these trips enhance the owners' capacity to provide quality board direction. Further complicating matters two key non-family managers considered “indispensable” to the business are threatening to go elsewhere if they are not offered some form of ownership role. Define the **issues** that need attention and develop strategic options you would recommend to this operation to “**mend the cracks**” starting to develop.

Conflict Situation #15 – Who Plans Social Events on the Farm? - It has now been 25 years since ownership and management of the farm has now been transitioned to the next generation. In addition to the on farm family successors, there are several siblings as well as the surviving retired parents that live off the farm. The active partners of the farm want to schedule a barn dance for the community neighbors and business associates. When word got out that a dance was planned, family members off the farm wanted to help plan the event and decide who was invited. This did not set well with the farm principals and spouses; they felt they had long ago bought the farm and shouldn't have to get prior approval of others who were no longer owners or involved with the farm to plan a party. What is the problem here and how would you resolve the dilemma?