

## Topic 20: Human Resources

### MANAGEMENT STRUCTURE

In an organization of any size or complexity, employee responsibilities are normally defined by what they do and who they report to. Manager responsibilities are defined by who reports to them. Over time these definitions are assigned to positions in the organization rather than to specific individuals.

The relationships among these positions are illustrated graphically in an organizational chart. This is fundamental to how a business is managed. Farms are no exception.

For most farms, the relationships are still filled by family. There are challenges when family members report to other family members. Challenges such as:

- Who gets to manage what?
- Who gets to be the boss?
- How do you discipline a family member?

Management responsibilities are usually assigned to a person as opposed to a specific area of management. Sometimes the responsibilities are filled by default — or by whoever may not be as busy or may not have other, more important things to do. This is a reality of family farms and family businesses.

There are an increasing number of farms where management positions are filled by arm's length (non-family) individuals. This situation eliminates the family-related challenges but introduces another challenge. Arm's length employees may become frustrated with a lack of management structure and development, increasing the likelihood that they will leave.

Another challenge related to non-family members fulfilling management roles is the trust factor — trusting that they will do an adequate and acceptable job. Management structure does not eliminate the trust factor issue but it helps the farm family in working through it.

### Why is this relevant?

Setting your farm business up so it is clear who reports to whom means that an employee knows where to go to when a question or problem occurs. People working in the business should:

- clearly understand who the boss is,
- to whom they report and,
- what decisions they can make on their own.

It is essential to organize your management structure so that each person has only one boss.

For the vast majority of farms, formalized (written) management structure and development does not exist. Certainly, individuals involved in the farm have roles, but they are thought to be well understood with no need for formal development.

Understanding and taking on management structure development is hugely important for farms that are in the process of transition planning. **This is important regardless of how many people are involved in the operation.**

Transition planning presents an opportunity to develop a formal management structure because:

- There will be a period of management transition where roles and responsibilities may be unclear.
- Transition planning adds an element of complexity to day-to-day operations.
- There will be more individuals involved, especially during the transition period.
- It is an opportunity to start fresh with new rules or ways of doing things.

## How will this help transition planning?

- Transferring management is one of the most important parts of transition planning. Effectively transferring the management significantly increases the likelihood of a successful transition.
- Having people know and understand their roles and responsibilities helps reduce the potential for conflict.
- A well-developed plan to transfer the management to the next generation helps lessen the worry that the retiring generation may have about losing control.

## Instructions

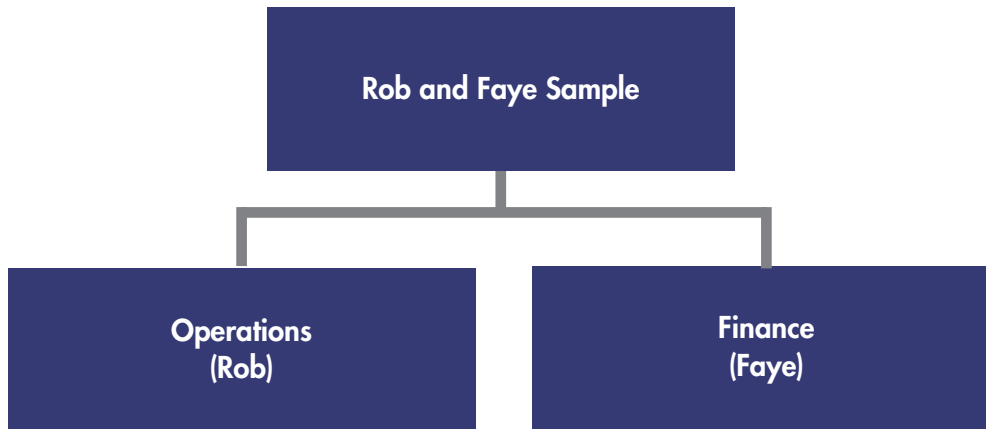
- This exercise is to be completed by all individuals together.
- The approach is to develop an existing organizational chart that represents current management structure.
- The next step is to then develop a chart that represents what the future structure will look like.

The recommendation is to use a three-year future.

1. Using the exercise in the forms appendix on page 283, or a blank piece of paper, identify the areas of management that form part of the overall management structure of the farm.
2. The management functions that usually are included in managing a farm business are: operations (production), marketing, human resources and finance. Some farms may add environment, technology or safety management roles.
  - a. Note that all roles **do not have** to be full-time management positions.
2. Determine who is currently responsible for each of the management areas.
  - a. Write their names in the appropriate spaces.
3. Determine what are the reporting relationships within each of the identified management areas.
4. Determine what will the chart look like after the transition plan is completed and being implemented — using the three year future option.



## EXAMPLE



### How Does This Apply?

You will refer to this exercise in the Management topic and Roles, Responsibilities and Authority topic.



#### PLANNING POINTERS:

- You may have one person who will appear under more than one heading.
- You may have more than one person who will appear in the same heading. This is not ideal.
- Your three year chart should ideally not have more than one person responsible for the same area.
- If you have two people who have responsibilities for the same management area, try to separate the responsibilities so that there are specific things that each person can be responsible for.



#### WHAT TO WATCH FOR:

- If you are having trouble identifying your farm's areas of management and then assigning responsibility (steps one and two above), try thinking through the exercise backwards. For example:
  - Identify all the management personnel on the farm.
  - What areas of management are they currently responsible for?
  - Now put the management headings on your chart and assign the personnel to them.
- Try to avoid creating the chart with the idea that we do everything together. You may discuss many management decisions together, but having everyone work on and decide every decision:
  - is an inefficient use of time
  - ultimately does not lead to management transition as successors feel they still need to go back to the retiring generation for approval on every decision
  - defeats the purpose of going through the exercise of formalizing management structure
  - is not sustainable during the busiest times of the year or as the farm grows in size and complexity
  - slows the decision making process
- Consider using an external facilitator if you are having difficulty with this exercise. It is very important that there is a clear management structure as you work through transition.



#### EXERCISE:

- Go to the forms appendix at the back of this guide for a blank form of the Management Structure exercise on page 283.

### Next steps

Congratulations on completing this topic. You are now a step closer to having a transition plan for your farm. Please proceed to the next topic area on your Transition Plan, but don't forget to add any assigned tasks that were generated by working through this topic.

# Management Structure

