

## Taking Inventory of Management and Financial Processes

Taking Your Business to the Next Level  
Dick Wittman, Wittman Consulting

2

36

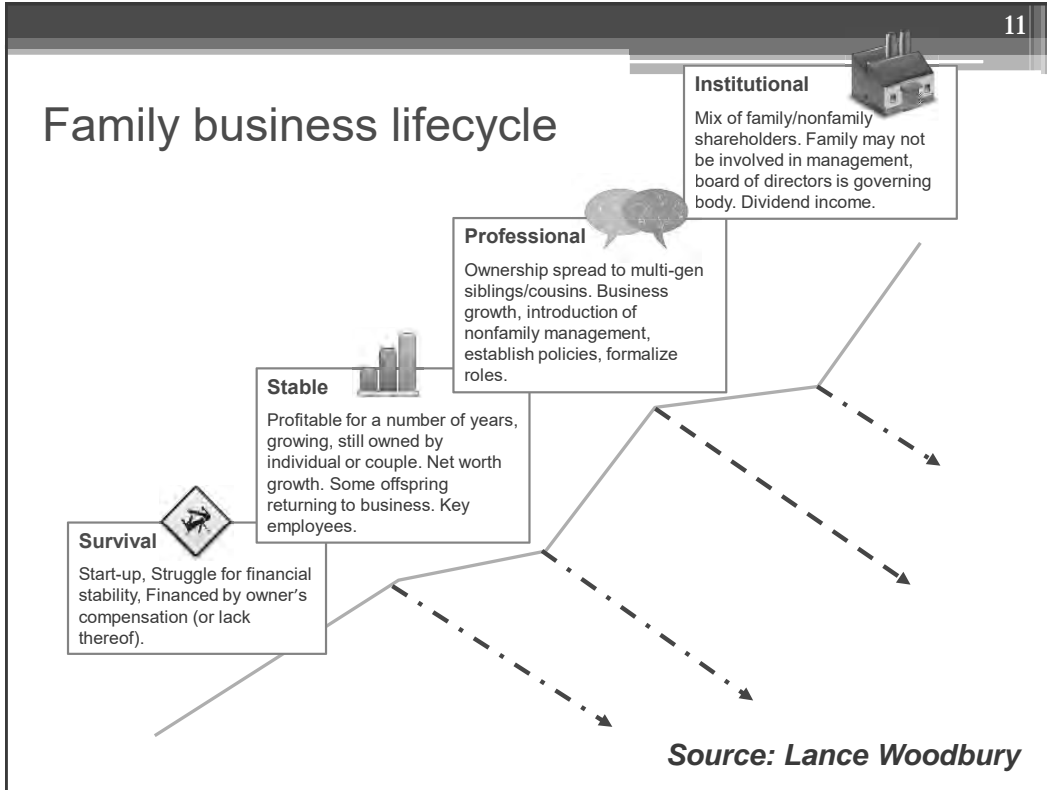
### Agenda - *Putting Concepts into Practice*

- Review Governance & Financial **Best Practices**
- **Score yourself** on implementation
- Prioritize **Path for Process Improvement**

Review Proficiency Test & Process Improvement  
Checklists...map plan for implementing changes!

**Free Downloads:** [www.wittmanconsulting.com](http://www.wittmanconsulting.com)

36



11

## Survey Results\*

### Percent Adoption of Key Farm Management Proficiencies

Management System/Personnel Management Proficiencies	2001 - '20 Range	AVE	2023
Mission, Vision, Values defined	22 - 56	37	41
History documented	17 - 59	43	50
Goals and Objectives documented	13 - 44	28	28
Operating Plan and Cashflow Budget compiled annually	38 - 63	47	38
Strategic Plan in place that periodically addresses strategic issues	16 - 41	29	15
Written Job Descriptions/Division of Responsibility in place	18 - 44	35	23
Personnel & Operating Policies written & distributed	18 - 49	33	29
Standard Operating Procedures documented-repetitive duties	11 - 41	24	15
Compensation program matched to market rates	25 - 51	39	34
Performance Appraisals done regularly	12 - 37	25	24
Performance Records shared regularly - key managers, owners	20 - 53	34	36
Hold quality meetings for investors, owners, spouses	26 - 63	48	24
Owner Board is transparent and functioning part of governance	<i>New metric</i>		24
Advisory board or peer groups used to bring outside influence	<i>New metric</i>		22
Put Critical Agreements in writing (buyouts, plans, policies, etc)	24 - 49	36	32
Culture or Management Audits used to assess farm buy-in	<i>New metric</i>		17

< 1/4 set goals, 15% strategic plans, <1/4 formalize duty statements  
 1/4 do performance appraisals; ,15% have SOPs

\*Surveys administered to participants of TEPAP Program

303

## Survey Results

### Percent Adoption of Key Farm Management Proficiencies

<b>Financial Management Proficiencies</b>	TEPAP '2001-'20	AVE	2023
Financial records updated and circulated monthly	44 – 68	53	45
Balance sheets & income statements prepared annually (12/31 basis)	89 – 100	96	90
Balance sheets reflect cost and market values & deferred tax liability	32 – 75	51	33
Income statements calculate cash (tax) and accrual net income	48 – 80	65	47
Audit systems in place to assure financial statement integrity	36 – 73	58	47
Profit and Cost Center performance is tracked on at least annual basis	30 – 60	47	41
Budget Projections and Performance reports are used regularly	38 – 58	50	45
Field or livestock records complete and accessible to unit managers	49 – 70	60	64
Key performance measures (ratios) reviewed at least annually	13 – 43	28	25
Policies for owner investments and withdrawals defined and followed	7 – 32	20	21
Policies for dividing earnings (owners vs labor/mgmt) clearly defined	9 – 39	25	22
Capital Investment Analysis tools understood & accessible	25 – 49	34	28
Partial Budget techniques understood and utilized regularly	29 – 58	39	29
Activity Based Costing used to ID standard cost of repetitive operations	<b>New metric</b>		43

ONLY 45% do budgets & track profit/cost centers

→ 1/4 track key ratios

→ 1/5 have policy for dividing earnings & withdrawing capital

304

## Survey Results

### Percent Adoption of Key Farm Management Proficiencies

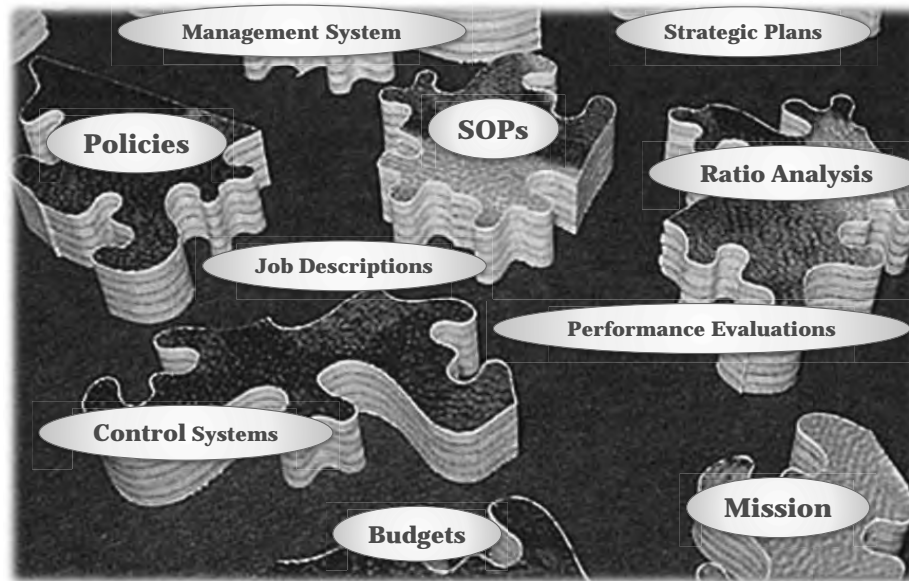
<b>Marketing and Risk Management Proficiencies</b>	TEPAP Score Range	AVE	2023
Inventory to market is defined well in advance of marketing	53 – 85	71	61
Market Targets are established based on known Break Even Point, Cost of Production, & Cash Flow requirements	44 – 75	60	65
Forward contracts, hedging, and option tools are understood & utilized regularly	54 – 82	68	67
Crop Insurance provides balanced protection-hail, fire, all risk	67 – 96	83	82
Liability insurance covers balance of risks – liability, health, environmental exposures	75 – 97	86	50
Business Risk Assessment and contingency plans designed to cope with catastrophic events	<b>New metric</b>		23

2/5 market production with no idea of production cost!

Would you loan money or invest in an industry that gets a flunking grade in core management proficiencies?

305

Today we'll put our "Management Engine" in the shed for a check-up!

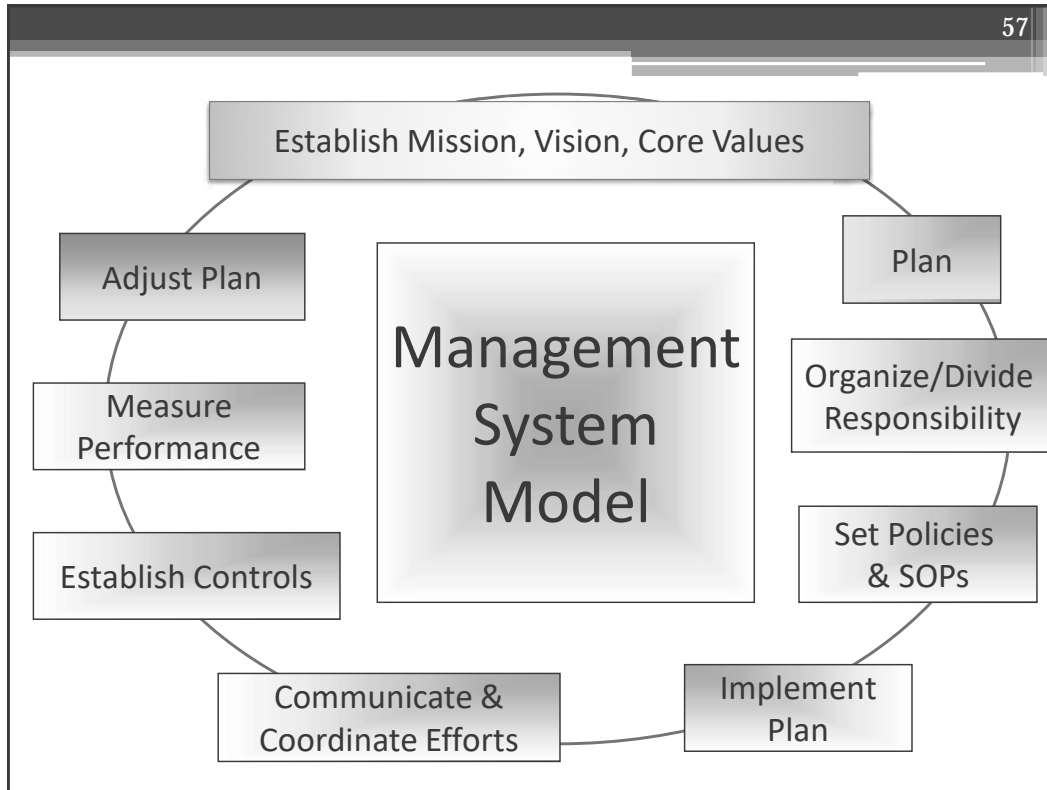


53

## Report Card Scoring Protocol - *Use Handout to Record Score & Next Steps*

- Is best management practice in place? – Y/N
  - If answer is YES –
    - How affecting professional climate or culture
    - What strategies helped you get this in place
  - If answer is NO –
    - Obstacles keeping you from finish line
    - Opportunities for your business if implemented
- Topic specific issues – unique to each best management practice

54



57

60

## Mission and Core Value Statements

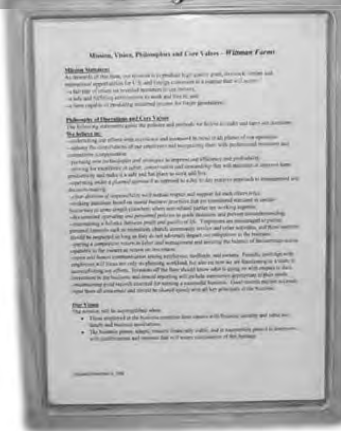
- Only 33% of ag businesses define this!
- Consequences: Team can't agree/focus on:
  - Mission – business product or service, primary customer & key objective
  - Vision – end point if you succeed
  - Values & Philosophy – ground rules
- Put in writing and post visibly on farm

60

# Wittman Farms Mission Statement

Produce high quality grain, livestock, timber and recreation for U.S. and foreign customers assuring:

- fair rate of return on invested resources
- safe and fulfilling environment to work and live
- sustainable income for future generations.



# Our Vision

*Our Mission Will Be Accomplished When...*

- Complete careers with financial security and value our family and business associations
- The business grows, adapts, and remains financially viable
- Capable successors are carrying on our heritage



What's your exit plan?

← Not everybody's goal  
 Story: father & 2 sons  
 ← Re-define SUCCESS

## Operating Philosophy/ Core Values Statement (excerpts)



- Strive for excellence
- Be early adapters
- Committed to professional management
- Open and professional communication
- Environmentally conscious methods
- Quality records openly shared

64

## Common Conflicts - Core Values

- Always be leading edge...
  - "If ain't broke, don't fix it"
- **Maximize profits (live for today)**
  - Maximize long-term economic and environmental sustainability (live for tomorrow)
- **God & family first**
  - Business first; God and family can wait
- **Professionalism always expected**
  - Professionalism OK when I'm "in the mood"
- **Everybody should be equal – "Entitlement rules!"**
  - Pay and position should be based on skills and performance

65

# Culture Audits

- Do you measure how you're doing?
- Try a **Culture Audit**
  - Highlight core values and best practices
  - Score business on Living it... vs. Aspiring to...
  - Team discussion on results, causes of poor scores and action plan to improve

## Culture audit 2019-WF

Please rate to what degree you believe we (as a team) are living out our stated values.

- 1 = aspire to it but don't live it
- 2 = seldom do we live it
- 3 = we live it about half the time
- 4 = we live it fairly consistently
- 5 = we live it completely

### Wittman Farms Culture Audit

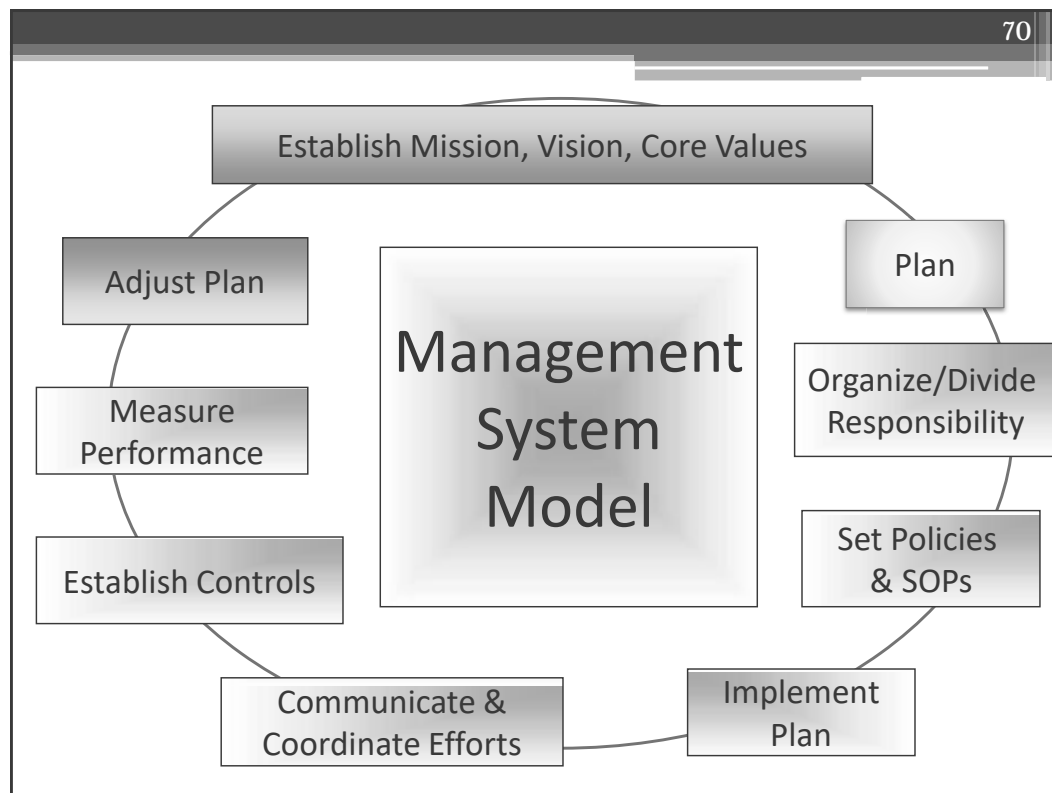
	1	2	3	4	5
• undertaking our efforts with excellence and teamwork in mind in all phases of our operation					
• valuing the contributions of our employees and recognizing them with professional treatment and competitive compensation					
• pursuing new technologies and strategies to improve our efficiency and profitability					
• striving for excellence in safety, conservation and stewardship that will maintain or improve farm productivity and make it a safe and fun place to work and live.					
• operating under a planned approach as opposed to a day to day reactive approach to management and decision-making.					
• clear division of responsibility with mutual respect and support for each others roles.					
• making decisions based on sound business practices that are considered standard in similar businesses or arms-length elsewhere where non-related parties are working together.					
• documented operating and personnel policies to guide decisions and prevent misunderstanding.					
• maintaining a balance between profit and quality of life. Employees are encouraged to pursue personal interests such as recreation, church, community service and other activities, as long as they do not adversely impact our obligations to the business.					
• paying a competitive return to labor and management and assuring the balance of the earnings accrue equitably to the owners as return on investment.					
• open and honest communication. Periodic meetings will focus not only on planning workload, but also on how we are functioning as a team in accomplishing our efforts.					
• maintaining good records. Good records require accurate input from all concerned and are shared openly with all key principals.					



## Part II – Culture Audit

1. What are three adjectives that you would use to describe our *current work environment*?
  
2. What are three adjectives that you *wished described our work environment*?
  
3. Are there any values not listed above that you believe would contribute to your ideal culture and work environment?
  
4. In scoring your culture above, for scores of 3 or less, what's keeping our team from scoring a "5"?

68



70

73

## Why Farmers Don't Have Time to Farm!

- Production Planning
- Marketing Planning – 73%
- Financial Planning
- Contingency Planning
- Strategic Planning - 19%
- Manpower Planning
- Succession Planning
- Retirement Planning
- Family Planning



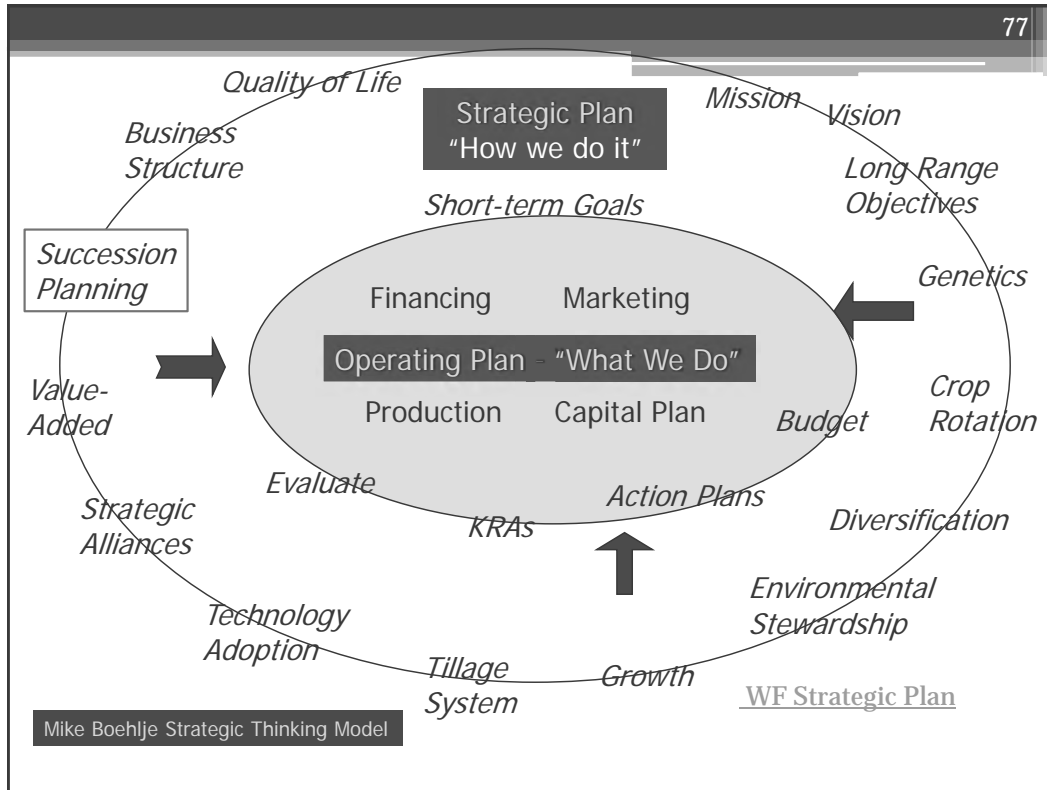
73

76

## “Simplify” Planning and Understand “Inter-Relationships”

- Operational or annual planning
  - Production Plan
  - Marketing Plan
  - Capital purchases and sales
  - Debt financing arrangements
- Strategic or long range planning

76



77



87

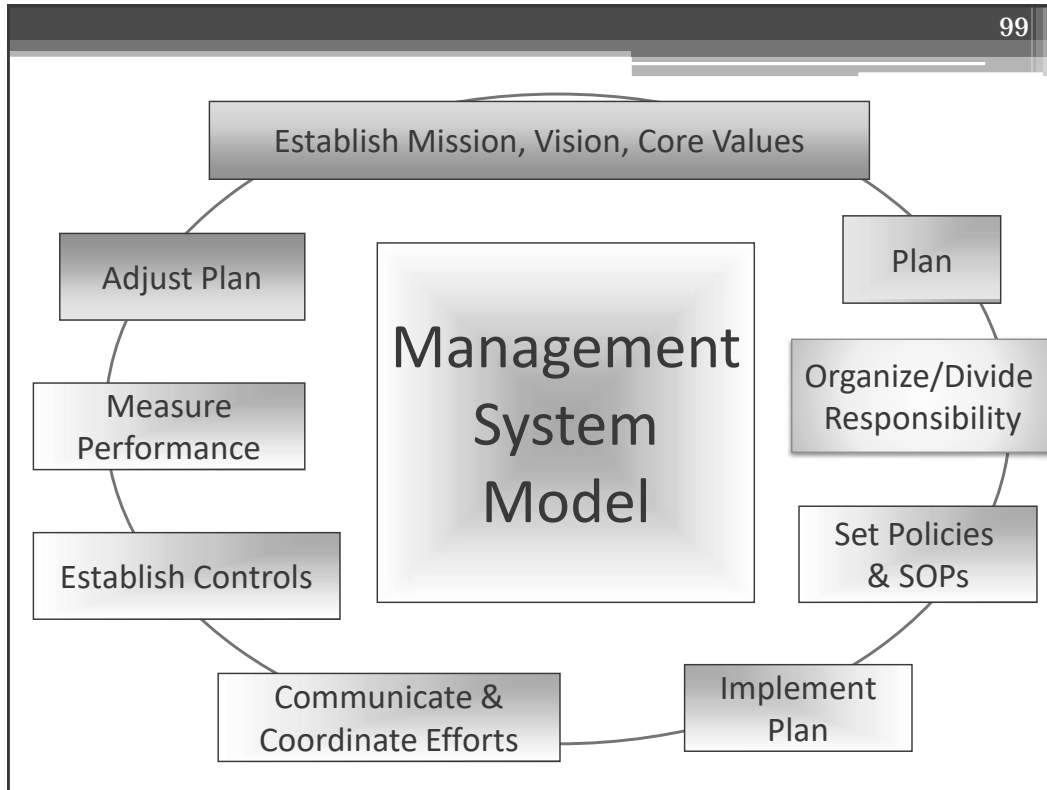
## Strategic Issues - Discussion Template

- Strategic topic
- Current situation, options and potential impact on future performance (DuPont Model)
- Long range objectives
- Strategic shift/focus next 1-2 years
- Action plan for strategic shift
  - Primary party responsible for leading action plan
  - Target dates for implementation
  - Resource commitment: financial, people, capital
- Progress monitoring and reporting

## WF Strategic Issues

- Growth – land purchase/lease prospects
- Enterprise mix and re-direction
- Cattle, hunting, timber strategic approaches
- Strategic alliances, joint ventures & custom work
- Stewardship, conservation, worker safety
- Risk management, insurance strategic approach
- Administrative/Governance/Transition
  - Org charts, job roles, compensation, staffing
  - Management succession/leadership development
  - Ownership transition, business buyouts & exits
  - Quality of life

WF Strategic Plan



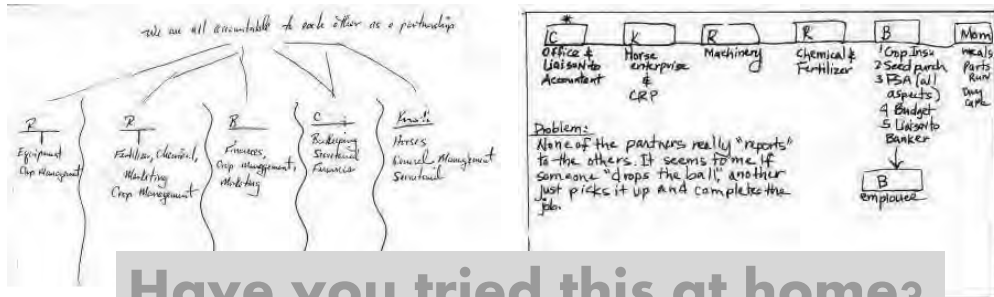
99

100

## Who should be on the bus, and where do they sit? *Good to Great* by Jim Collins

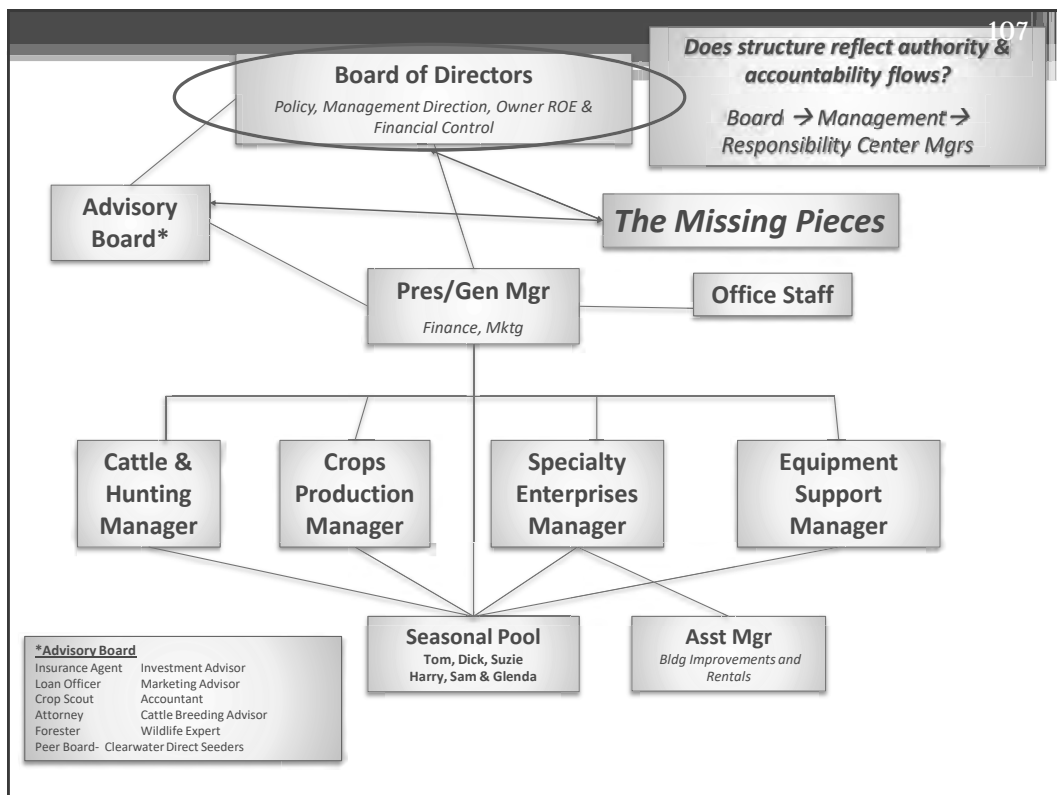
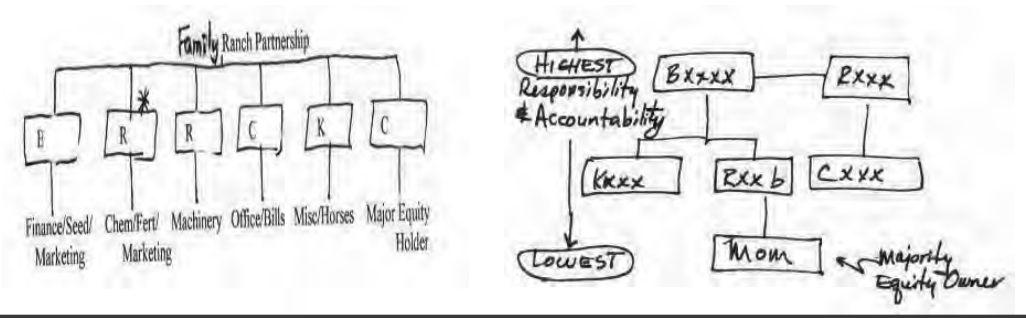
- **How are you organized today?**
- **What will organization look after transition?**
- **Criteria be for filling "vacant slots"?**
  - Skills, abilities, passion vs. "I'm family; I'm owed a job"
- **How do you pass the baton?**
  - Duty statements review, timetables for transition, apprenticeships, OJ training
- **How does old guard get out of the way?**
  - Board chairman vs. CEO ("boss")

100



**Have you tried this at home?**

What does your organizational structure look like?



109

## Is career path apparent?



Board  
Chairman

CEO

Asst Mgr

Grunt



109

113

## Role of Board of Directors

- Setting Policies
- Determining strategic direction
- Hiring, directing, evaluation & compensating management
- Maintaining financial control
  - Reviewing performance
  - Exercising "due diligence"

113

## Job Description - Board Chairman

- Policy review and refinement
- Investment analysis
- Strategic planning
- Hiring, coaching, grooming successors
- Performance review and feedback
- "Assisting" and "advising" successors in day-to-day operations without telling them what to do

116

T-R-A-N-S-I-T-I-O-N



121



## Retiring CEOs - Workshop Take Homes

- Professional governance structure key to getting next gen involved...especially if off farm owners involved
- Formalizing org chart key to defining path for next CEO; transparent board takes pressure off CEO being on top
- Transition NOT same as retirement; put "2<sup>nd</sup> Mountain" on radar screen – David Brooks
- Write it down to make transition succeed
- Boards only effective if professionally run (agendas, right participants, regular schedule)
- More formalized strategic planning process needed
- Management audits, culture audits, CEO performance evaluations critical
- Develop policy before the need

120

## Multiple Entity Governance

- How do we build governance oversight with multiple entities involved?
- What challenges arise?

117