



with the general manager method. This approach often works best in the middle or later stages of a two-generation arrangement.

This approach may contain a provision for final authority if there is disagreement. Methods of final authority could be:

- vote by all parties;
- vote weighted by size of capital contributions;
- one party given final authority; or,
- outside arbitration.

Each party should understand how the final authority mechanism works in resolving disputes. Ideally, few disputes should ever reach the final authority process.

### **Division of Management Responsibility**

Business arrangements are often more effective if the daily management responsibilities are divided between the parties. This will result in management specialization that may cause better decision making. The division may be based on individual interests and skills. Dividing management responsibilities reduces disagreements between the parties and promotes the development of the young person's management skills. Overall decision-making can be accomplished with one of the methods discussed above.

#### ***Enterprise Division***

One party may be given management responsibility over the cropping program while the other is given responsibility over the livestock program. Each party can make operating decisions as long as they conform to the overall objectives of the business. Decisions of major importance or decisions involving the overall business would need to be approved by both parties.

#### ***Functional Division***

The division of management responsibilities can be based on business functions such as marketing, finance or production. For example, a party with

interest in record keeping and computers may be given financial management responsibilities while the other party may have the responsibility for marketing decisions. The parties must communicate these decisions to each other. Any decisions that directly affect both functions can be made jointly. For example, the marketing decision of selling grain affects the financial cash flow of the business.

### **Management Styles**

People have different management styles because they have different personalities. Some managers are analytical and like detail (such as record keeping). Others rely on strong interpersonal skills and are good at networking and team building. Still others are drivers and enjoy competition and risk-taking.

Examine each management style of all parties in the business. What are their strengths and weaknesses? A two-generation arrangement may be more successful if the parties have different management styles. Managers with different styles often complement each other and compensate for the other's weaknesses. For example, an analytical decision maker may get too involved in facts and details and not seek the advice of other family members. Conversely, a manager with strong personal skills may be overly concerned about the needs of individuals and have difficulty making decisions that are in the best interest of the business. However, in certain situations, the parties may have management styles that clash.

### **Withdrawing from Management**

Every two-generation arrangement reaches the stage where the older party withdraws from active management of the business. This is often a difficult stage for them. It is important that it progress smoothly. The young person may facilitate the transition by asking the older party for advice on management decisions.

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#### **... and justice for all**

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