

Family Business Conflict Scenarios

#1- Unclear Housing and Compensation Policy

Mike and Betsy are disgruntled about the fairness of the farm's compensation practices. Mike and Ryan are paid the same monthly salary. But he and Betsy must make monthly payments on the home where they reside in town, while Ryan and Janice live in a home provided by the farm "rent free." Betsy also expressed her concern about the unfairness of the farm buying new carpet for Ryan and Janice's living room (Betsy was upset when she paid the bill with the monthly farm checks.)

#2-Inequity in Capital Invested in the Business vs. Revenue sharing

It has been four years since Mike, Betsy, Ryan and Janice transitioned into ownership and decision-making roles. Mike and Ryan originally had 25% of the capital invested in the new partnership with Dad and Mom retaining 50%. Mom and Dad have drawn 100% of their earnings 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 problems requiring him 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. Mike now has 30% of the invested capital base while Ryan's share of total capital has diminished to only 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.

#3-Nephew refuses to take orders from Uncle Mike

Ryan's son, 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 Mike to assist in crop operation activities, there is nothing but problems. 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 a dispute 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!"