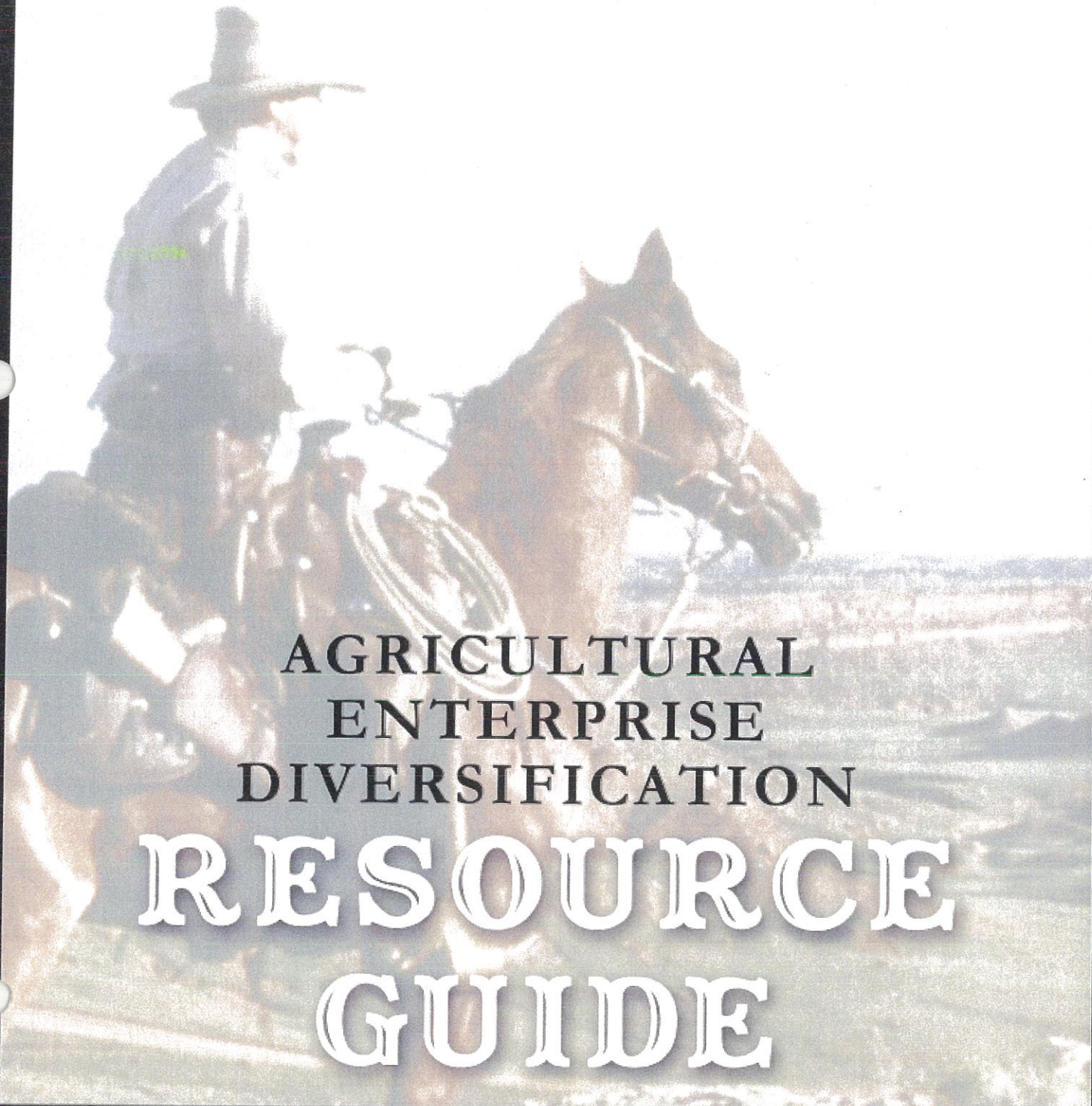




*Sustaining Western Rural Landscapes, Lifestyles & Livelihoods*



AGRICULTURAL  
ENTERPRISE  
DIVERSIFICATION  
**RESOURCE  
GUIDE**



To Whom It May Concern:

The *Sustaining Western Rural Landscapes, Lifestyles and Livelihoods* partnership completed the comprehensive agricultural diversification resource guide as a valuable tool in assisting professionals in delivering technical assistance to agricultural producers as they evaluate their current operations and research the feasibility of diversifying.

The information, at first glance, may look overwhelming, but is divided into the following sections:

- Foreword
- Introduction to Agricultural Enterprise Diversification
- Enterprise Assessment
- Enterprise Feasibility
- Enterprise Implementation (Business Planning, Legal, Finance, Marketing, Human Resources, Natural Resources and Community)

If you would like further information on how to best use this guide please don't hesitate to contact me at the following address. In addition we have access to professionals who can assist agricultural producers develop an agricultural diversification strategy, so please don't hesitate to contact me.

Sincerely,

*Cindy Garretson-Weibel*

Cindy Garretson-Weibel, Agribusiness Director  
Wyoming Business Council  
214 W. 15<sup>th</sup> St.  
Cheyenne, WY 82002  
(307) 777-6589  
cindy.weibel@wyo.gov



### A. Overview

Managing the human resources of an agricultural enterprise is as important as managing any other aspect of the business. Formalized human resource management is a way to effectively manage the people in the business. It includes organizing, hiring, training, compensating, and firing people. But it includes much more. The owner of a family business, such as a ranch, may find it challenging to be an effective manager because, in addition to strong management skills, the role requires certain leadership traits such as setting goals, creating a vision, inspiring, delegating, trusting, identifying strengths of others, providing guidance, and most importantly, communicating effectively.

Although many ranch operations rely on family members for labor, other operations use a combination of family members and non-family employees as workers. It is essential to organize an enterprise so that all workers, whether family or non-family, have a clear understanding of who the boss is, to whom they report, and what decisions they can make on their own. Roles for family members and non-family employees should be clearly defined. Guidelines should be established and written.

### B. Management issues

*Organizing* – The business needs to be set up in a structure that makes it clear who reports to whom so that each person has only one boss. The key is to organize the business so that structure clearly defines relationships among the people; and authority is defined, limited, delegated, and matched with the appropriate degree of responsibility. Organizing includes developing four tools for effective management:

1. *Job Description* – No matter how small the business, workers and managers benefit by having written job descriptions that clarify and define roles, responsibilities, and provide measurement tools for performance. Job descriptions are not







---

static. They need to be reviewed regularly and updated as needed.

2. *Personnel handbook* – A personnel handbook is a written document that provides the following information:
  - Mission statement, goals of the business, and organization chart
  - Employee and worker policies and benefits
  - Vacation, sick leave, and holiday policies
  - Problem resolution procedures
  - Reporting structure and functions
  - Performance appraisal procedures

Although the personnel handbook may appear to be a complex documentation, the handbook can be as short as several pages in length. The goal is to produce a concise written guide that effectively communicates important policies and procedures. There is no law that requires an employer to provide workers with a personnel handbook, but having a guide can save a small enterprise a good deal of money and time. Some courts and employees interpret a personnel handbook as a binding obligation on employers. Therefore, the employer should avoid any unconditional promises to employees in the handbook unless he or she is willing to face lawsuits by former employees trying to enforce those promises later.

3. *Personnel files* – Although few managers want to handle more paperwork, an efficient and updated set of personnel files will pay off in the long run. A personnel file should be developed for each worker from the date of hire. It should include information regarding a worker's raises, promotions, and commendations; all evaluations and disciplinary actions; worker's current status and past performance status; and all contractual or other agreements between employee and worker.





4. *Employee evaluations* – Consistent and objective evaluations help employees improve their performance and protect the employer from legal claims of wrongful termination. Written evaluations should be conducted periodically (once or twice a year, or more often if an employee is having serious problems). Although evaluations should be tailored to account for the specific enterprise and the responsibilities of the job position, they should include attendance and punctuality; dependability and ability to follow instructions; attention to detail; quality of performance; teamwork; initiative; and communication skills. A meeting should follow a written evaluation with the employee to review the document and to offer the worker an opportunity to respond.

*Hiring process* – This process includes determining the necessary skills required for the job, setting up an efficient interviewing process, checking references, and communicating the roles, responsibilities, and policies of the enterprise before offering the position.

*Training* – Before people can do their job well, they must know what to do and how to do it. On-the-job training is an important component of human resource management. It is not uncommon for small enterprises to overlook or undervalue the need for training all workers at every level. Training should be kept current; and the worker should be compensated for the time spent being trained, just as he or she is compensated for work completed.

*Compensating* – A compensation plan for a family business is critical, but very sensitive and challenging. How does one determine fair pay among members of a family? What is fair pay for family members and non-family employees? The philosophy of the family enterprise will determine how this issue is resolved.

- *Business-first philosophy*: if a business is operated under a business-first viewpoint, then fair pay is based on the concepts of equity (the job that is done, the skills that are required, the market rate for the job).







- Family-first philosophy: if a business is operated under this approach, the business exists for the family and effort is made to create jobs for all family members. The fair pay issue is based on the concept of equality where everyone is compensated in some way.

*Firing* – Although employers generally have flexibility in deciding whether to fire an employee, there are restrictions. If the employee does not have an employment contract and the employer has not made any promises about termination, the employer can fire the person for any legal reason; this is called firing “without cause.” If there is an employment contract or promises were made regarding termination, the promises or contract will control the reason for firing. In these cases, firing must occur for “good cause,” which means that the reasons must be directly related to their job performance. Once a person has been fired, the former employer can give a positive reference if he or she wishes to a prospective employer seeking a reference of the former employee. In the event that the former employer is not comfortable giving a positive reference, he or she need only confirm dates of employment and job responsibilities. The former employer should resist the urge to provide negative information to the prospective employer to avoid the possibility of a defamation suit from the former employee.

### C. Employment relationships

There are two types of employment relationships. Because the correct choice of employment relationship is crucial to an employer, and because each type of employment relationship has strengths and weaknesses, it is advisable that employers contact an attorney before entering into an employment relationship.

1. *Contractual relationship* – A contractual relationship is a formal agreement between employer and employee. It is also known as “term employment.” It is usually written. Both parties agree and are obligated to adhere to terms of the contract for a certain period of time. The contract should include the employment duration, duties to be performed, position, and





---

compensation. The contract also should include a discharge of employment provision that allows the employer to fire the employee for certain specific reasons.

2. *At-will relationship* – This relationship is a less formal arrangement and is quite common. The arrangement allows that either party can terminate the employment for virtually any legal reason.

#### **D. The difference between an independent contractor and an employee**

Occasionally an enterprise finds it necessary to utilize the services of independent contractors to replace employees, save money, to avoid certain employment issues, or to acquire expertise. Misclassification of the status of a worker's employment can prove costly to a business. It makes no difference how the worker is labeled; it is the substance of the relationship, not the label, which governs the worker's status. Three categories of degree of control and independence provide the final determination of worker's status (refer to the Employee or Independent Contractor handout on the following page):

- Behavioral control – Facts that show whether the enterprise has a right to direct and control how the worker does the task for which he or she is hired.
- Financial control – Facts that show whether the enterprise has a right to control the business aspects of the worker's job.
- Types of relationship – Facts that show the intent, permanence, and extent to which service is performed are key aspects of the regular business activities of the enterprise.







<b>Employee or Independent Contractor</b>	
A quick guide	
Employee	Independent Contractor
<b>1. Instructions</b>	
Employees comply with instructions about when, where, and how work is to be performed.	Contractors set their own hours and do the job in their own way.
<b>2. Training</b>	
Employees are trained to perform services in a particular way. They are required to take correspondence courses and attend meetings. Other methods also indicate that the employers want the services performed in a particular way.	Contractors use their own methods and receive no training from the purchaser of their services.
<b>3. Integration</b>	
Services of an employee are merged into the business. Success and continuation of the business depends upon these services. The employer coordinates work with that of others.	The success and continuation of the business aren't dependent on services provided by a contractor.
<b>4. Services Rendered Personally</b>	
Services must be rendered personally. An employee does not engage other people to do the work.	Contractors are able to assign their own workers to do the job.
<b>5. Hiring, Supervising, Paying</b>	
An employee hires, supervises and pays workers at the direction of the employer (i.e. acts as foreman or representative of the employer).	Contractors hire, supervise and pay the other workers as the result of a contract. A contractor agrees to provide materials and labor and is responsible for the results.
<b>6. Continuing Relationship</b>	
An employee continues to work for the same person year after year.	Contractors are hired to do one job. There is no continuous relationship.
<b>7. Set Hours of Work</b>	
The employer sets an employee's hours and days.	Contractors are masters of their own time.
<b>8. Full Time Required</b>	
An employee normally works full time for an employer.	Contractors are free to work when and for whom they choose.
<b>9. Doing Work on Employer's Premises</b>	
Employees work on the premises of an employer; or on a route, or at a site, designated by the employer.	Contractors work off an employer's premises and use their own offices, desk, and telephones.
<b>10. Order of Sequence Set</b>	
An employee performs services in the order or sequence set by the employer. Salespersons report to the office at specified times, follow-up on leads, and perform certain tasks at certain times.	Services are performed at contractor's own pace. Salespersons work their own schedules and usually have their own offices.







<b>11. Oral or Written Reports</b>	
Employees are required to submit regular oral or written reports to the employer.	Contractors submit no reports.
<b>12. Payment by Hour, Week, Month</b>	
The employer pays employees in regular amounts at stated intervals.	A contractor is paid by the job on a straight commission.
<b>13. Payment of Business and/or Travel Expenses</b>	
The employer pays employees' business and/or travel expenses.	Contractors take care of their own expenses and are accountable only to themselves for expenses.
<b>14. Furnishing of Tools, Materials</b>	
An employer furnishes tools, materials, etc.	Contractors furnish their own tools, etc.
<b>15. Significant Investment</b>	
An employee has no significant investment in the facilities used to perform services.	A contractor has a real, essential and significant investment.
<b>16. Realization of Profit or Loss</b>	
An employee cannot realize a profit or loss by making good or bad decisions.	Contractors can realize a profit or suffer a loss as a result of their services or decisions.
<b>17. Working for More than One Firm at a Time</b>	
An employee usually works for one employer at a time.	An independent contractor works for a number of persons or firms at the same time.
<b>18. Making Services Available to the Public</b>	
An employee does not make services available to the general public.	Contractors have their own offices and assistants. The hold businesses licenses are listed in business directories, maintain business telephones, and otherwise generally make their services available to the public.
<b>19. Right to Fire</b>	
An employee can be discharged at any time.	Contractors cannot be fired so long as product results meet contract specifications.
<b>20. Right to Quit</b>	
Employees can quit their jobs at any time without incurring liability.	Contractors agree to complete a specific job and are responsible for satisfactory completion; or they are legally obligated to make good for any failure.

The above summary is reprinted from IRS Tax Facts, January 1992.





## E. Resources

- An excellent resource for business planning assistance are the Small Business Development Centers, located throughout the state. For a list of Wyoming offices, see the Resources Section (6) of this guide.
- Debbie Popp, Associate State Director, Wyoming Small Business Development Centers, P.O. Box 3922, Laramie, WY 82071, (307) 766-3593.

