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Wilson Seeds, Inc.: A Period of Transition

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Selected Paper prepared for presentation at the Agricultural & Applied Economics Association's 2014 AAEA Annual Meeting, Minneapolis, MN, July 27-29 2014.

Dan Wilson, the CEO of Wilson Seeds, just got off the phone with the consultant. Something about Wilson Seeds has made him uneasy lately. This company is all he has known, but something seems off. Even as the company has grown and beat sales records, he feels like something has been lost. Growing revenues have been met with decreasing profitability and increased frustration.

He knows something has to change. The company feels like a runaway train; the larger it grows the more out of control things become.

History

Wilson Seeds was started by Dan Wilson's grandfather in the 1960s. What started as a corn farmer's struggle to find the "right" hybrids for his soils and operation, led to backyard test plots and evolved into corn breeding. Superior yields, strong communication skills, and relationship building skills eventually created opportunities for sales to neighbors. The Wilson Seeds varieties were known to be hardy. Dan's grandfather was a corn farmer, and that's all he wanted to grow.

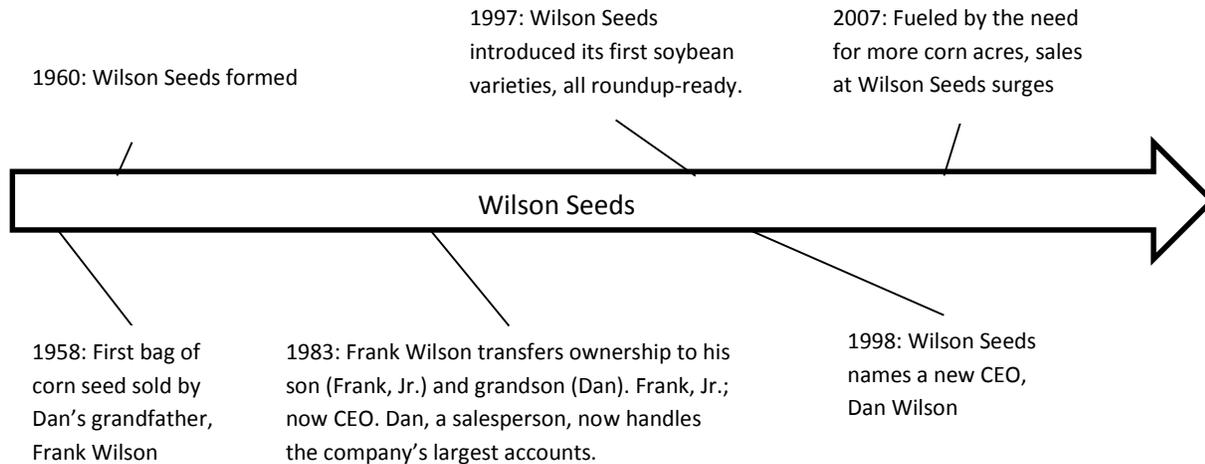
Dan started in the company when he was 9 years old, de-tasseling corn for his grandfather. Like his father, Dan went into sales and eventually took over as CEO of the company. While the geographic footprint of the company hasn't really grown since Dan took the reins in 1998, its market share in the region has increased. Demand has been strong for varieties that are proven leaders in continuous corn rotations and no-till operations. Customer relationships have always been a priority. "If our product is the best, our customers grow. If our customers grow, so do our sales," was something that Dan's grandfather instilled in his employees.

Today, Wilson Seeds is a breeder, producer, and retailer of superior corn and soybeans in the eastern Corn Belt. A smaller, family owned company, Wilson Seeds works with its customers to ensure they are breeding hybrids that work in its customer's fields. Since the ethanol-boom in 2007, Wilson Seeds has seen a surge in its business. Revenues in 2011 exceeded \$20 million for the first time. Wilson Seeds can be found in about 150,000 acres of corn and 110,000 acres of soybeans across Southern Michigan, Ohio, Eastern Indiana and Northwest Kentucky. Located outside the southern city limits of Columbus, OH, Wilson Seeds is centrally located in the middle of its targeted customer base. In fact, the salesmen often tell their clients the company's offices are close enough "the boss could be in your fields before lunch." And, often, the company's CEO, Dan Wilson, can be found meeting with customers and growers, in their fields, making sure they are satisfied with the seed product.

The Operations

The company has never had a formal strategic plan. There isn't a plan in writing to implement for the company's growth in seed sales. Growth is really an after-thought. If all of last year's seed sold, more will be produced this year. This makes acquiring the production resources, especially production acres, difficult and a constant focus of the team. Furthermore, the salespeople say it is difficult for them to really form strong relationships with future potential clients as seed production and sales might be limited the year a new client is willing to give Wilson Seeds varieties a try.

Figure 1. Timeline of Wilson Seeds.



Without a strategic plan towards growth, the company grew production in response to a number of factors, often based on unexpected opportunities or as a reaction to unexpected events rather than proactive manner. Increased sales have proven to be a feather in the cap of Wilson Seeds, but the patchwork quilt of acres managed has become an increasingly difficult management challenge.

Under Dan's leadership, Wilson Seeds manages the company under two divisions, Sales and Production, and a front office which works across both. The managers of these divisions are close to the Wilson family. All have been with the company nearly their entire careers and each "grew-up" from their sides of the company.

Sales

The Sales Division has a manager and four positions in sales. Each salesperson has a general territory that they cover (northeast, northwest, southwest, and southeast), but rarely do they stay within their lines. Each salesperson has a client in all the territories. One complicating factor within the sales division is Dan's continued involvement with the sales process. Having spent most of his career on the sales side of the

company, Dan has a lot of existing clients that he struggles to pass on to the current sales force. On several occasions, Dan will be around the territory (at farm shows, producers meetings, and such) and cross-paths with his old clients. They might pre-order seed with him, or mention an issue with their growing crop. Dan will also take care of the issue and make sure the customer has been taken care of, the salesperson that usually works directly with that customer might never know about the order or current issue they are facing. The communication flow doesn't always ensure information gets back down to everyone. The customers Dan works with, however, continue to be loyal customers.

The performance of the sales division has always been based on achievement of a sales goal. The goals are always a function of how much seed is available from that year's production. A short year in production means someone's clients might not get all of their preferred variety. A big crop means a hard selling season to reach the goal. Basing sales goals on seed availability is part of an internal struggle. On one hand the company is constantly seeking additional acres to increase availability and allow salesman to sell with confidence that the product is on hand. On the other hand, as goals are set on total availability, the sales goals are ever increasing and the two factors become self-fulfilling prophecies with a relationship between them that it seems no one is managing.

Production

The production side of the business usually consists of the production manager, an agronomist, a set of farmers contracted to raise the seed, and two people working with seed processing; these folks turn kernels of corn into bags of corn. The production group starts with the empty fields and finishes with a warehouse of seed. Their job, especially of late, has been difficult. The recent increase in sales has put them in a bind. The production division seems to be where the complaints stop. If the sales group doesn't reach their sales

goal, it is because the production group raised too much seed. If their customer's didn't receive the varieties they wanted, it was because the production group didn't raise enough seed.

The performance of the production group has always been determined by their ability to keep the seed production at or below budgeted cost. Dan works closely with the production manager to determine the acres that will grow the various varieties. It is well known that the best way for the seed production group to come in under budget, which always results in a favorable performance review, is to push production as high as possible, to spread their fixed cost over more units and reduce their average cost of production. This has become a bigger challenge with rising commodity prices and farmers' increasing reluctance to sign contracts to produce seed without higher premiums.

Front office

The front office, as Dan would put it, is where the two divisions are pulled together and decisions are made. It is no secret that the organization of this company is very laid-back. The staff describes the organizational structure of the company as flat, very flat in fact. It is very common for Dan to be concerned about the project every individual is working on. This sometimes blurs the management responsibilities and restricts people's ability to do their job effectively. A manager directs their work and then Dan has other plans. Furthermore, Dan has always said what makes the company successful was an "all hands on deck" approach. It is very common to find a salesperson in the tractor planting male-rows of seed corn, or the agronomist going with a salesperson on a farm visit. A common question around the office is to ask "where is _____?" They might start the day doing one thing, only to have someone else trump those plans and send them off on another task. A formal organization structure chart has never been pulled together as everyone likes to use the "flat-organization" excuse for not formalizing things.

This flat organizational structure and employee tasks being over-ruled with pressing issues creates a culture where being a doer, versus a manager, is most valued. It also creates a culture of employees constantly putting out fires. Starting at the very top of the organization, Dan often takes control of a task rather than delegating it out. If the harvester gets stuck or the seed bagger goes off-line and Dan hears about it, he will drop everything to go fight that fire. This is most evident in seed sales. If a customer is unsatisfied, especially customers Dan previously sold to, Dan will meet with them. In the meantime, employees are never trained to manage their time and deal with other managers borrowing time to put out fires. As a result, some employees struggle to effectively manage their time and projects. The effectiveness of the managers was often questioned. Being “homegrown” they lacked formal training as a manager and often blended in as another employee. Additionally, Dan – a salesperson turned CEO – often sidesteps the managers and works directly with the employees. This direct involvement from the CEO can foster a connection between the employees and the top of the organization but sometimes results in Dan usurping the direct managers’ authority unintentionally.

The front office, which is essentially Dan, the Office Manager, and an accountant, also planned the bi-weekly staff meetings. Attendance is encouraged, but a meeting out of the office is sufficient excuse for missing. Meetings, led by Dan, always starts with “what has been done since the last meeting” – which usually leads to stories about how many fires each person put out- followed by “what do we have coming up the next 2-3 weeks.” Rarely is a task assigned in the previous meeting followed-up on. If you put enough fires out, you are doing a good job. This creates a challenge in employee performance. People notice that you just have to say you have been busy.

If you ever need to get something decided, it is easiest to come into the office before 7:45 am and catch Dan at his desk reading the local newspaper and drinking coffee. The other option is to wait until the problem becomes a fire and that usually gets the decision maker's attention.

Employee morale, Dan fears, is at an all-time low. At some point, a sense of complacency and entitlement seems to have set in among employees. Even as profits fail to grow, people don't feel that their position in the firm is threatened nor is it their job to help improve the situation. The basic feeling seems to be that there is a lot of waste around and people will be the last thing to get cut.

The Competition

Since the start, Wilson Seeds has not focused much on competition. The company's belief has always been that superior products and strong customer relationships will win the day. But, the consolidation in the industry over the last decade and the proliferation and dissemination of genetic traits has dramatically changed the playing field. Since taking over as CEO, Dan has seen many of the smaller seed companies that he would have considered his friendly competitors disappear or become part of one of the multinationals. What once was a competition to show customers that you had superior production for their particular fields and management practices has also turned into a race to have the latest traits packaged in multiple ways to meet the customers' preferences. According to Dan, "We can yield with the best of them, but if we don't have access to the latest traits, even our most loyal customers start to look around." Sourcing the best traits from the multinationals like Monsanto and Syngenta is key. Yet all multinationals have their own seed brands. Differentiating your seed brand from theirs (while using their traits) is a challenge.

While Wilson Seeds has seen many of its local independent competitors go away, the increase in seed competition from cooperatives and the giant retailers has intensified. The ability of the larger retailers to provide a broad spectrum of a producers production needs combined with resources to apply those products, provide scouting and other services creates a different competitive dynamic. Many of the retailers are offering the multinational seed brands as well as their own seed brands to complement their other offerings. Dan is still convinced that Wilson Seed's R&D focused on the local conditions for the farmers in its target markets will keep the firm competitive. The rules of the game, however, are changing.

Dan admits he's been lax in monitoring and measuring market share. Every time he thinks about market share he recalls something his high school football told him as a wide receiver. "Dan, don't look to see who's chasing you- the entire team is chasing you." Nationally, regional seed companies like Wilson Seed have, collectively, lost market share from 2004 to 2011 (Appendix B). In corn, regional brands fell from nearly 30% to less than 15% market share; in soybean, from more than 30% to around 20%. Dan estimates the largest national brands - Monsanto Company, DuPont Pioneer, Dow AgroSciences, and Syngenta - account for more than 80% of territory corn and soybean sales which is distributed through the local retailers and farmer dealers. The balance of the market share is held by Wilson Seeds and smaller family seed companies.

The Customers

For Dan's grandfather, there was no grand plan to achieve large market share in the seed market. He just grew enough seed for him and his neighbors. He devoted more and more of his time to seed production and eventually his son (Dan's father) came on board to help with the farm and sell seed. When Dan's father took the business over in 1983, he marketed seed beyond the counties around Pickaway County. As

this happened, he grew the business. Under his leadership, the current production acres were procured and the current office buildings and seed handling facilities were constructed.

Before leaving the company, Dan's father saw a change in the industry; the use of genetic technologies such as the Round-Up technology use in soybeans. In 1997, Wilson Seeds sold its first bag of soybeans containing the Round-Up trait. The company was built on breeding corn varieties that were successful in traditionally difficult growing conditions, figure 1. Dan's father saw Round-Up technology, coupled with no-till operations, as the future of farming. He decided to position the company to ride this wave.

When Dan took over the company in 1998, he inherited a successful company with a host of challenges. The soybean venture took a lot of energy, and Wilson Seed got bogged down with the new technology and customer base with soybeans. The company's bet paid off though, but it took longer than anticipated. Today its customers are those progressive producers who plant continuous corn or are no-till. The corn and soybean varieties offered by Wilson Seeds today, coupled with the adoption of genetic technology, has created great results for its customers.

Dan will admit that the company doesn't offer the lowest-priced seed and 5 times out of 10 its seed isn't the highest yielding in a test plot. What Wilson Seed does have is varieties that consistently produce strong yields in less-than-ideal soil and production conditions.

Dan and his ancestors have focused on the customer relationship. By accident Wilson Seeds discovered its strategy of building a relationship with the customer. In the late 1960s, Dan's dad was approached by a corn farmer who struggled with making his hybrid selection. He lost sleep at night fretting

about making the wrong decision. After many conversations over the years and no progress toward making the sale, Wilson Seeds mailed the man a box full of Wilson Seeds varieties. Included with the seed was a letter that read, “We can grow the varieties in our test plots and show you the results, but we need you to test them in your fields to find what works best for you.” Before harvest that fall, the man called and ordered his seed for the next year. Even today, current and potential customers have the option of having a box of seed mailed to them with all the varieties Wilson Seeds has to offer. The box includes the same letter, encouraging farmers to find the varieties that work best for them. Dan feels that this practice has built trust faster than decades of other programs. The loyalties customers show reflect the beliefs.

Marketing

The primary tool for getting the word out about Wilson Seeds is through salespeople. Other marketing efforts usually fall to the office manager. She coordinates all the field signs and the placards that go on all the Wilson Seeds trucks. Occasionally Wilson sponsors events for 4H or FFA groups in the regions. The company has tried billboards and even radio spots, but sales did not increase enough to justify the investment.

The company mails a newsletter out each fall. The newsletter is put together by a service that chooses one or two general interest agronomy or seed technology articles and customizes it by highlighting any changes in the company, birthdays, and anniversaries. The newsletter goes to all current and past customers. Salespeople occasionally put together their own letters, emphasizing particular products or deals. These letters go to everyone the salesperson has worked with and customers in their region, which occasionally creates the challenge of customers receiving multiple mailings with different information. The company has tried requiring that all customer mailings be coordinated with one message, but the

office manager struggles with knowing what to put in the mailings. Differences in soil types and growing conditions across the regions make this difficult.

While Wilson Seeds doesn't try to be the lowest price in the market, it is competitive, particularly given the reliability of its performance. Most seed ordering is done in late fall or early winter, when the company offers early order incentives. This sometimes creates challenges in the spring when weather conditions or customer decision making leads to adjustments closer to planting time. At times during the company's history, Wilson Seeds has been left with extra seed as a result of these changes. Like his predecessors, Dan feels strongly about honoring commitments and is careful not to oversell production of any variety.

Seed deliveries take place in early spring. This service is an important component of Wilson's offering as it provides a convenience for customers and gives salespeople an opportunity to make an extra contact with customers. A few of the larger farmers the company serves have tried to negotiate the price per unit if they pick up seed themselves, but the company has resisted this. The sales manager has some authority to negotiate price. In some cases, Dan offers a bulk discount for large customers that are thinking of switching to competitors, particularly when old friends call him directly. In general, Wilson's is not known as being a place where price shoppers are very satisfied. Recently, the cooperatives and other retailers seem to have been more aggressive on lowering price. Dan has encouraged his sales team to hold the line on prices, but he seems to be getting more calls directly about this issue over the last couple of growing seasons.

The Finances

The recent financial performance of Wilson Seeds has been a set of mixed results. From 2011 to 2013, revenue has increased 10% and units of seed sold have increased 12%. The challenge has been that, over the same period, net income has shrunk. There have been many hypotheses into how and why this is possible. The leading theory has been that the expanded seed corn production areas aren't as productive as the company's longstanding existing areas and the cost of production is increasing. Others think that the discounts and rebates offered need to be restructured. The current structure was set nearly 15 years ago, shortly after Dan started as CEO.

The only part of the financials that the employees are most focused on is what they call Christmas Profit. Although Dan never admits it, the employees know, thanks to the accountant, that their annual Christmas Bonus is exactly 2% of the year's profit shared equally across all the employees. With flat profits and a growing number of employees, everyone's "Christmas Profit" has been declining.

Next Week's Meeting

As Dan prepared to check in with the sales department, he was still thinking about the conversation with the consultant and next week's meeting. They had agreed that next week the key management team members and the consultant would meet on Thursday and Friday to begin to address the future of Wilson Seeds. Dan hoped that making the decision to have the meeting would ease his worries, but instead his worries seemed to be intensifying. He had so many questions. Where is Wilson Seeds headed? How are we going to continue to be successful in this changing marketplace? There seem to be so many more moving parts changing at such a rapid pace. How are we going to continue to grow

without being overwhelmed? Do others on the management team feel the same anxiety? Are they capable of handling the pressure? Why has bottom line financial performance lagged despite improvements in topline sales growth? I love the informal, family atmosphere of this company. Am I ready for that to change?

Questions for Discussion:

- What business is Wilson Seeds in?
- How would you characterize Wilson Seeds competitive environment?
- How would you describe the culture of Wilson Seeds?
- What are the key strengths and weaknesses of Wilson Seeds' organization?
- How would you describe Wilson Seeds business strategy?
- What are the most important strategic issues Wilson Seeds needs to address?
- What financial ratios provide evidence of the strengths and weaknesses?

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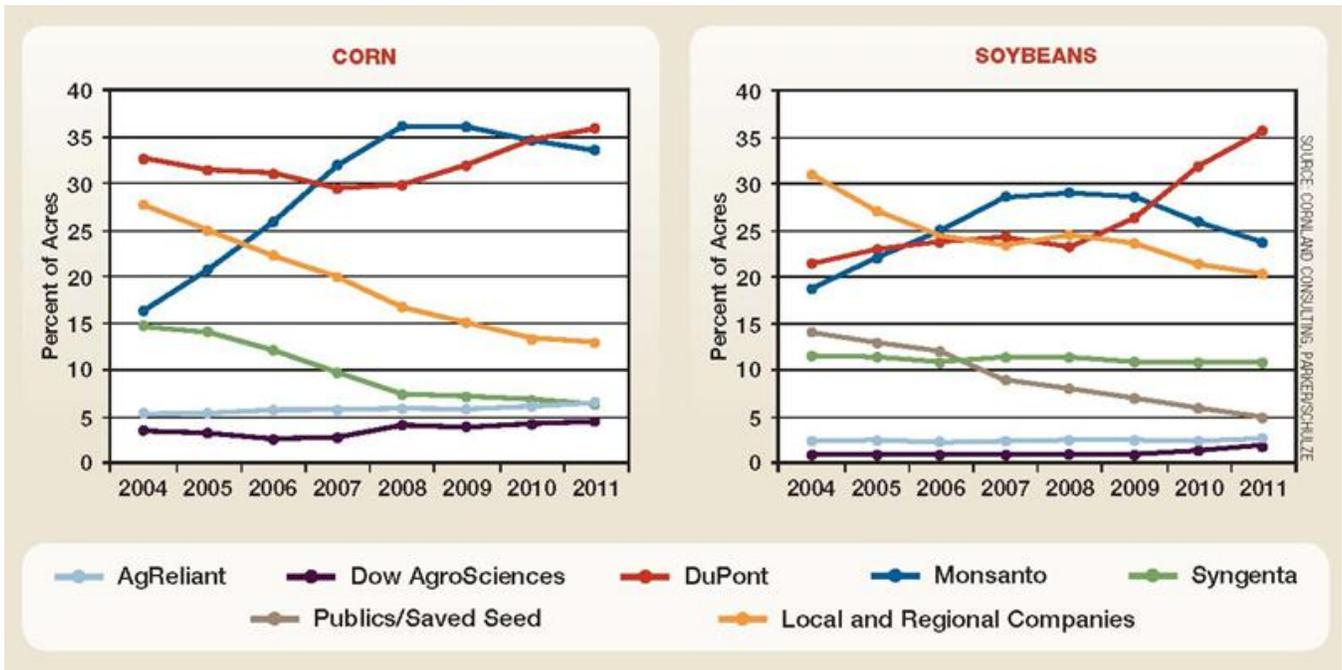
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Appendix A – Wilson Seeds, Inc. Financial Overview

Wilson Seeds Financial Overview (\$1,000's)			
Year	2011	2012	2013
Sales	\$ 20,661	\$ 21,722	\$ 22,793
Operating Income (earning before interest and taxes)	\$ 2,015	\$ 1,145	\$ 825
Net Income	\$ 1,331	\$ 725	\$ 519
Assets	\$ 9,294	\$ 10,163	\$ 12,774
Equity	\$ 5,524	\$ 6,250	\$ 6,769

2013 Financial Breakdown			
	Corn	Soybeans	Total
Revenue (\$1,000's)	\$ 15,956	\$ 6,837	\$ 22,793
Price Per Acre	\$ 107.00	\$ 62.00	
Total Acres	149,121	110,274	
Population per acre (1,000's)	33	169	
Total Units (1,000's)	35	67	
Price per unit	\$ 259.39	\$ 58.70	

Appendix B – National Seed Market Share



Source: Schafer 2012.

Appendix C - Teaching Note

Wilson Seed is a fictional case study written to illustrate the challenges faced by food and agribusiness firms that are transitioning from small, entrepreneurial businesses to larger, more professionally managed enterprises. Though fictional, the competitive and financial situation of Wilson Seed is based on realistic facts. The case study closely follows concepts and tools introduced in the book, *Growing Pains: Transitioning from an Entrepreneurship to a Professionally Managed Firm*. Many food and agribusiness firms are experiencing this transition as the industry undergoes consolidation in all sector from input suppliers to food retail.

The case introduces Dan Wilson, the CEO of a small, family-owned and operated seed company in Ohio, Wilson Seeds, Inc. Wilson Seeds was founded by Dan's grandfather. Dan has worked his way up the ranks of the company and, as CEO, has worked to expand market territory. The case details sales, production, administration, and finances of the firm. Exhibit A includes a full set of financial statements over four years. The case also has industry context with market, customer, and competitor detail.

Learning Objectives

- Organizational: Based on the frameworks and tools used in *Growing Pains: Transitioning from an Entrepreneurship to a Professionally Managed Firm* (E. Flamholtz and Y.Randle), participants work through the growing pains survey developed in the book and identify areas where the organizational structure is creating challenges. This tool also includes common symptoms. For example, one of the survey areas of concern is people feeling there are not enough hours in the day, where the need to always catch up; moral problems exist; absenteeism

and significant turnover common; and/or leaders work long hours, seven days a week, to keep the company operating.

- Financial: Included in the case is four years of previous financial statements. Also provided is an Excel based tool that allows participants to estimate income statements for three years. These estimates are then linked to balance sheet, net income, and cash flow statement forecasts. Finally, these estimates are then used to create graphs that track key ratios, such as Return on Equity, Asset Turnover Ratio, Gross Margin Percentage, Operating Profit Margin Percentage, Net Income Percentage, and Debt to Asset Ratio.

Target Audiences

- The case was specifically developed for extension audiences. The case gives an opportunity for entrepreneurs in growing businesses to deal with issues that are likely to arise in their own firms. The case has been used successfully in a program designed and developed for seed businesses, but could easily be adapted for similar programs in other industries.
- This case would be appropriate for graduate students enrolled in a master of business administration (MBA) or master of agribusiness (MAB) program. Instructors would find the case valuable for assignments and class discussion in management, finance, and strategy courses.
- This case would only be appropriate in the most upper division undergraduate courses such as a capstone course in agribusiness management or an advanced level entrepreneurship management course.

Case Summary and Discussion Items

Instructors can use the following questions to help participants prepare for classroom discussion:

- What business is Wilson Seeds in?
- How would you characterize Wilson Seeds competitive environment?
- How would you describe the culture of Wilson Seeds?
- What are the key strengths and weaknesses of Wilson Seeds' organization?
- How would you describe Wilson Seeds business strategy?
- What are the most important strategic issues Wilson Seeds needs to address?
- What financial ratios provide evidence of the strengths and weaknesses?

Organizational Strategy

The primary purpose of the case study is to expose participants to the classic growing pains that entrepreneurial firms face as they grow. Participants are asked to assess Wilson Seeds growing pains and then provide recommendations for overcoming the growing pains. The assessment starts by having each participant use the growing pains survey and then asking them to work in groups to compare their assessment. They are then asked to address the questions above using the facts from the case to complete their assessment of the company. In general, participants should find that the company faces a number of critical growing pains including a lack of organizational structure, insufficient supporting business functions and an informal strategic planning process that leads to confusion within the company.

Participants are asked to provide recommendations based on their assessment. Those recommendations are tied to the concept of the organizational pyramid introduced by Flamholtz and Randle. The pyramid guides participants to consider seven areas where improvements could be made: 1) business foundation including the vision, mission, and core strategy; 2) Markets served; 3) Products and services offered; 4) The firm's resources for delivering their products and service; 5) The operational systems to support delivery of products and services; 6) Management systems to guide operations; 7) the culture of the organization. The discussion around these 7 areas for Wilson Seeds normally focuses on the management systems including the need for a formal organizational structure, a strategic planning process, and a shift in Dan Wilson's focus from management to more of a leadership role in the organization.

The following is the authors' outlined assessment of the discussion questions for this case:

- What business is Wilson Seeds in?
 - On the surface this is a simple question that participants naturally answer as Wilson Seeds being in the corn and soybean seed business. This is a surface level answer that doesn't get to the value proposition and stakeholder benefits.
 - Deeper analysis might lead to a discussion about them being in the seed genetics business or the local seed R&D business. It might also lead to discussion about them being in the seed marketing business.
 - Ultimately, the definition of the business is tied to the mission statement. That is, what is it that Wilson Seeds does to provide value to its stakeholder (customers, owners, and employees) that is better than its competitors? The authors see the key to this being

around localized agronomic knowledge with customized seed products for the local market and deep customer relationships that build trust and loyalty.

- How would you characterize Wilson Seeds competitive environment?
 - The competitive environment discussion should focus on the consolidation of the seed industry and the consolidation of the farm customer.
 - Wilson Seeds is facing pressure from full service retailers that provide more inputs than just seed and typically offer national brands (Dekalb, NK, and or Mycogen) and may offer their own brands.
 - Wilson Seeds also continue to compete with more local and regional seed brands that offer similar trait packages to Wilson seeds all of which are sourced from the multinationals.
 - The full service retailers have a harder time tailoring seed offerings because their research on seed varieties is limited and they do not produce their own seed so they have to rely on suppliers to provide their inventory.
 - The regional and local seed competitors pursue most of the same activities as Wilson Seeds including R&D on seed genetics, sourcing of traits from the multinationals, producing their own seed on their own and contract farms, and sales either direct to farmers and/or through local retailers -- mostly farmer dealers but some retailers. The ability to perform these functions efficiently to maintain a competitive cost structure is paramount. And, any competitors left in the market have to have genetics that have yields within a very narrow band of the competitors or they will lose customers. Thus,

brand differentiation and customer relationships become key success factors for maintaining or growing market share.

- How would you describe the culture of Wilson Seeds?
 - Wilson Seeds culture is pretty typical of a small family owned businesses. The primary owner is the CEO and face of the business. They usually have a customer facing presence and are key to customer relationships.
 - Wilson Seeds culture suggests a laissez-fair approach to people management allowing employees to pursue their functions without much direction or accountability. This is also typical of smaller companies and may be a key to the entrepreneurial spirit that got Wilson Seeds where it is today.
 - Students will likely want to focus on the challenges faced by the company due to Dan's "style". This is an appropriate conversation but one that should be directed carefully by the facilitator to also point the positives that come from a flat organization that takes an "all hands on deck" approach including a focus on customer satisfaction that fits with the customization of products and customer relationships key success factors of the business, and the lack of burdensome corporate administration that distracts people from their daily jobs.
- What are the key strengths and weaknesses of Wilson Seeds' organization?
 - Key strengths include
 - A growing business in a consolidating a market
 - Strong customer loyalty
 - A history of strong product performance

- Keen awareness of local agronomic conditions and seed performance
 - Key weaknesses include
 - Lack of formal strategic planning
 - Lack of clear organizational structure with specific roles and responsibilities
 - Ability to separate management and leadership
 - Weak communications across business units (particularly sales and production)
 - No formal marketing strategy
 - Lagging profitability relative to sales growth
 - No clear indication of accountability
- How would you describe Wilson Seeds business strategy?
 - Their business strategy is centered on customer relationships that deliver specific seeds to meet the needs of its local region. The strategy is delivered by a focus on seed genetics R&D and a strong focus on sales and service to loyal customers.
- What are the most important strategic issues Wilson Seeds needs to address?
 - The critical issues are primarily internal. The business lacks organizational development particularly around organizational structure, well defined goals and objectives, management development, and Dan's transition from sales manager to leader of the organization. One key piece to addressing these issues is the need for a formal strategic planning process and the development of a strategic plan that would address the organization structure and the alignment of resources around the strategic goals of the company.

- What financial ratios provide evidence of the strengths and weaknesses?

Part of the issue in Growing Pains as it regards finance is that often as firms grow revenues, operating income might not grow proportionally as fast. This can mean that financial performance (as measured by operating return on assets and return on equity) of the firm stagnates or deteriorates.

The focus of the financial analysis is the DuPont Identity of Return on Equity. The identity decomposes return on equity into operating performance and the financial position of the firm. The operating performance is measured by operating return on assets, which is further decomposed into return on sales (i.e. operating profit margin) and asset turnover.

Given the financial numbers used in the case, Table 1 contains the results of the computation of each of the ratios.

Ratio	2011	2012	2013
Operating Profit Margin	9.8%	5.3%	3.6%
Asset Turnover	2.22	2.14	1.78
Asset to Equity Ratio	2.33	2.16	2.44
Percent to Net Income	66.0%	63.3%	63.0%
Operating Return on Assets	21.7%	11.3%	6.5%
Return on Equity	33.4%	15.4%	9.9%

Two key operating ratios, operating profit margin and asset turnover, both decline. There are several possible explanations for both. Regarding operating profit margin, possible explanations include

increases in fixed expenses such as additional sales people, new information management systems, and/or middle managers. The expenses might represent building resources for growth that have not had the opportunity to fully generate the maximum impact. Another explanation is that the new employees duplicate efforts of existing employees due to poor coordination resulting from a lack of professional management and standard operating procedures. Another scenario is new seed production has been especially costly and the discount and rebate structure is outdated.

Similar explanations emerge for the slowing of asset turnover such as increased investments in fixed assets at a level that is needed for sales five or six years into the future. Additionally, asset turns might slow as inventory and accounts receivable management is strained under the growth of these current assets.

It is also the case that financial leverage increases as the firm borrows financial capital to acquire additional assets. This adjustment is relatively minor when compared to the substantial decline in operating performance. This is intentional in the case study to prevent focus on the financial position of the firm and to focus the spotlight on the operational challenges of the business.

Application of Agribusiness Economics and Management Principles Improving Decision Making

The case study illustrates concepts such as theory of the firm, transaction costs analysis, and other agribusiness management concepts. The inclusion of organizational management as well as financial analysis allows participants to connect the decision making to economic results of the firm.

Teaching Plan and Expected Student Use of Reference Materials

The case study has been used with groups of owners and senior managers of seed businesses. The executive program unfolded over two modules. Modules had an online learning component and then a campus residency session. Instructors provided the case study as part of the first online learning component and were assigned to read the material and analyze the situation of the case. Participants are also provided a copy of *Growing Pains: Transitioning from an Entrepreneurship to a Professionally Managed Firm*. The book provides context for the *Growing Pains* survey that is part of the case study.

With regards to finance, the first online learning module focused on understanding financial statements (income statement, balance sheet, cash flow statement, and statement of changes in owners' equity) and the linkages among them. The first face-to-face session then focused on understanding the DuPont Identity. About 4 hours were allocated for covering the model and discussion. Participants were then given time to work in groups on their own financial statements. The second online module focuses on using Excel to create pro forma financial statements. The second face-to-face session then illustrated the use of discounted cash flows, net present value analysis, and internal rate of return. Two hours of time was allocated for presentation and discussion of these concepts. The case is not central to the discussion in this second session.

With regards to organizational strategy, participants are introduced to the growing pains concepts and the need for a more professional management approach to a business as it grows. The participants spend 90 minutes the beginning of the program, and 90 minutes toward the program discussing these concepts. The first part starts by having the participants take the growing pains survey for their company; this allows them to spend a few minutes reviewing the 10 classic growing pains of a company.

They have already been asked to take the survey during the first distance session. The results of the survey they conduct in the distance session is aggregated for their company and across all companies. The aggregate results across all companies represented in the class are presented after asking the participants to take the survey again. The participants can compare the results of the survey they take in the classroom with the aggregate results from all of the companies. This gets them to think more carefully about the results of the survey and what those results might mean.

We use the results of their individual growing pains survey and the aggregate results across all companies to motivate the growing pains concept and get participants interested in thinking about the approaches to address the growing pains. The remainder of the session is used to introduce the participants to the organizational pyramid and the typical growing pains associated with various stages of growth. The session ends with a focus on firms moving into stage III of growth where they move from an entrepreneurial business to a professionally managed business. This motivates the need for the firm to focus attention on the development of management systems including: 1) planning systems; 2) organizational structure; 3) management development systems; and 4) control and performance management systems.

The second strategy session uses the Wilson's seed case to add detail to the management systems discussion; particularly around planning systems and organizational structure. The discussion focuses on the strategic planning process including: 1) the environmental scan; the organizational assessment (or audit); 3) the analysis and resolution of key strategic issues; 4) the (strategic) business plan; 5) the budget; and 6) the management review.