

Management Skills

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Management is an explicit process. It is often the difference between success and failure. The enterprise analyses of Kentucky Farm Business Management participants illustrate this point. Each year participating farms are classified into top-third and bottom-third categories based on net returns. Generally, the bottom third of livestock farms receives the same price as the top third for what they sell. The prices they pay for feed are often very similar for both groups. Given the same set of market and weather conditions, some farms make money, and some farms lose money. The difference between top and bottom farms is how they manage the resources they have.

Paradigms of Management

Our old farming paradigm is that if we work hard enough, we will be successful. A more recent paradigm is that if we do the right things, we will be successful. The current paradigm is that we will have to produce what consumers want and do it at a low cost to compete in a global market. Another paradigm is that we can produce a differentiated product (grass-fed, organic, natural) as opposed to a generic commodity for a specific market niche. All these recent paradigms demand more attention to marketing and management.

Management and Labor

Management differs from labor; however, they are not mutually exclusive. Working managers are generally the rule in beef cattle operations. Even when the same people in the operation provide both management and labor, it is important to recognize that labor (or hard work) alone will not assure success. Management is a distinct task that demands a time commitment from the leaders of the organization.

The danger lies in the tendency to believe that somehow management is not “work.” To be “getting something done,” we need to be doing some production task. This true story from the dairy industry illustrates this tendency.

A dairy farm family with a newly married son was evaluating the potential of expanding the farm to bring the son and his wife into the operation. The expansion would be expensive, in excess of half a million dollars. A day was set aside for a family meeting with a team of advisors including the lender, an area farm management specialist, and a dairy facilities specialist. They spent the entire morning around the kitchen table evaluating options, estimating costs and returns, and doing a “what-if” analysis to determine the riskiness of their decision.

A few days earlier the farmer had agreed to sell a load of hay to a neighbor. He had told him to come over around noon and he would load him up. A truck and trailer pulled into the farmstead about lunchtime, and the farmer headed out the back door to meet the neighbor. The neighbor greeted the farmer with the well-worn expression, “What are you doing sitting in the house? You can’t get anything done sitting in the house!”

The time spent “in the house” that morning was arguably the most important time in the lives of two families. The strategic planning decisions they would make that day would set the course for the long-term future of the business and all the current and future family members. They *did* get something done “sitting in the house.” They were planning for their future.

Defining Management

There are almost as many definitions of management as there are managers. Here are some examples:

- Management is determining what needs to be done and achieving results.
- Management is the practice of making rational decisions for allocating scarce resources to satisfy goals in a risky environment.
- Management is the ability to recognize, organize, execute, and evaluate.

Management is often defined along functional lines. The functions of management can be identified as planning, organizing, staffing, directing, and controlling (Figure 11-1).

Let’s examine each of these five functions.

Planning

Planning is the development of the mission, goals, and tactics that will set the course for the business. Estimating costs and returns is part of the planning function. Planning includes data collection, problem solving, and decision making. Identifying, diagnosing, and prescribing solutions for problems are a part of the planning process. Identifying problems is the easy part of the planning function. Identifying opportunities is just as important. Decision making is also part of the planning process, and good managers use good decision-making RADAR. They can **R**ecognize, **A**nalyze, **D**ecide, **A**ct, and take **R**esponsibility for their decisions.

Organizing

Organizing is the function of establishing a business framework and defining the duties, responsibility, and authority of each position. Complex institutions or businesses will often have an “org chart” to define the structure, responsibilities, and chain of command within the firm. Even simple operations like small farms can benefit from evaluating their organizational structure. A farmer at a management workshop drew an “org chart” of his one-man operation. He drew a tree-shaped chart with various jobs and responsibilities on his farm and put his name in every box.

Even one- and two-person farms will often have “side-stream” positions that will be filled by people outside the business like veterinarians, accountants, and farm input suppliers.

Some of the most complex and often poorly defined farm business organizations are family operations. As multiplicity or multiple-family operations become more prevalent, it is important to

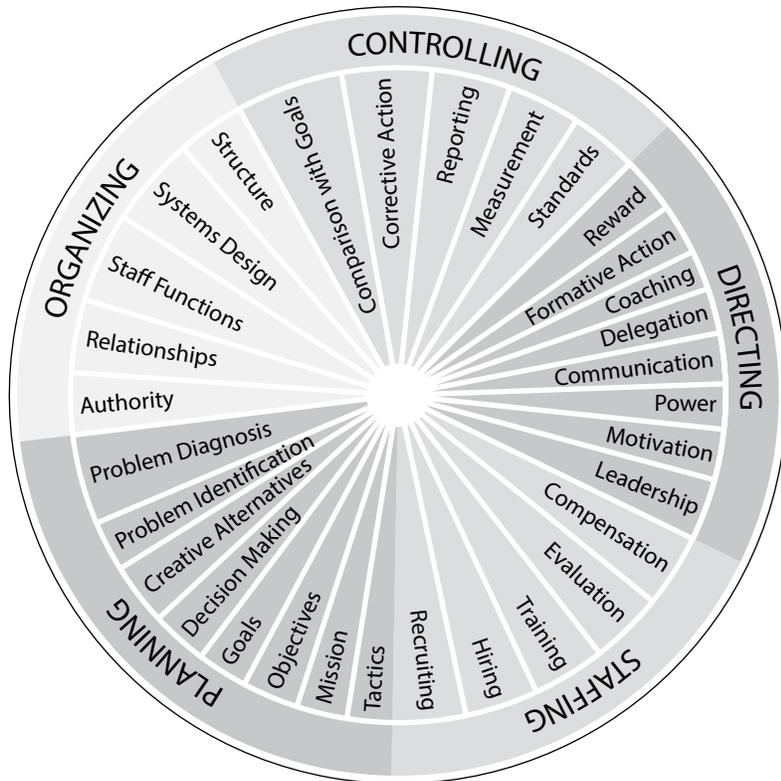


Figure 11-1. Five functions of management.

define areas of responsibility, chain of authority, and channels of communication.

One family operation at a management workshop drew four boxes for the four family members. Communication lines connected each member to the other three. The lone hired worker was outside the circle with a line drawn to him from each family member. The simple act of drawing the chart revealed to the family why their hired worker was often confused and frustrated.

Staffing

Staffing includes having adequate and capable human resources in place to perform all the tasks necessary for the farm to function properly. Staffing includes recruiting, hiring, training, evaluating, and compensating employees. This logically includes hired labor but will also include paid and unpaid family members. Many beef operations are small enough to provide labor internally from family resources. As farm sizes increase, more farm managers discover the need to develop skills in human resource management.

The process of finding the right person for the job, getting them hired at a fair wage, and training them to do the job is one of the most difficult tasks many managers face. Managing cows, crops, and machinery often seems simple when compared to the complexities of managing people.

A real barrier to farm growth comes at the point where operator and family cannot provide all the labor for the farm. Breaking through that barrier can open the path to growing the business. This step requires a manager who is willing to hire and train others to do some of what they have been doing. It requires delegating responsibilities and a willingness to accept and acknowledge the successes (and occasionally the failures) of others. An investment in a human resource management workshop would be a wise expenditure of time and money for any farm manager who hires labor.

Directing

Directing involves coordinating, leading, and motivating all the members of the business, including yourself. Coordinating the activities of the farm is closely related to the planning function. Coordi-

nating the staff (even if it is only one) to complete the activities is closely related to organizing and staffing functions. Directing integrates these functions into the leadership and motivation elements that are often present in successful businesses and institutions.

Although hundreds of books have been written on the topic, there are, unfortunately, no easy formulas to follow to successfully lead and motivate people. Managers who are successful at the directing function are almost universally good communicators. They are also highly motivated themselves. They are also successful at sharing their vision with others in the business, both family members and employees.

Controlling

Controlling is the function of management that involves measuring and reporting data, comparing results to standards, and taking corrective action to remedy problems revealed by the analysis. Controlling includes record keeping, but it is more than that. Complete and accurate production and financial records are common on well-managed farms. Perhaps, more importantly, they are used as the basis for decision making.

Top managers access, assess, and use information. They use on-farm data to determine costs of production and to help identify ways to lower costs.

A key element of the controlling function is to compare results to a predetermined standard (a goal). Did the “plan” lead to a successful outcome? If not, why? Using data to describe what has happened is the key to developing a plan to improve performance. The controlling function provides an important feedback loop into the planning function.

The five functions of management are integrated components of a larger process. They can be discussed and explained separately, but they are practiced in unison. They are also practiced in the context of producing beef cattle. They can be illustrated in the management wheel, where the five functions are segments of a wheel with activities in each function representing spokes of the wheel. Like a wheel, all the spokes are important, and taking out any spokes can result in a bumpy ride.

The Planning Pyramid

Planning is the ongoing process of developing the farm’s mission, goals, and tactics to focus activities toward the most productive and rewarding results (Figure 11-2).

The **mission** is the foundation of the business. It is why we do what we do. It can define our purpose. It is the answer to the question, “Why do I have beef cattle?” The mission provides the base for everything we do in the business.

Goals are specific statements of what we would like to accomplish. Goals are the things we would like to achieve to fulfill the mission of the business.

Tactics are the things we do every day to make the business run. Tactics are the “doing something” of the business. Most of our time on a farm is taken up with the activities that we do every day: the feeding, calving, planting, and harvesting. The focus of all the tactics should be on reaching the goals to fulfill the mission of the business.

Mission

Mission statements provide a foundation for effective leadership and efficient management. A good mission statement clearly and concisely defines a business, a person, or an organization. For a farm business, the mission statement describes:

- What the business is
- What the owners are trying to accomplish
- What their values are
- Where the farm is heading

Mission statements provide those involved in their creation with a vision of the future and a basis for strategic,



Figure 11-2. The planning pyramid.

long-term planning. Even on a daily basis we should ask, “Is this included in our mission statement?” Usually this question is asked, “Why are we working so hard?” These questions deserve an answer, and the mission statement is the tool to give that answer.

Few farm businesses have written mission statements, but those that do almost universally think that they are a good thing. Developing a mission statement helps everyone in the business under-

stand why the farm exists. One workshop participant who completed a mission/goal assignment reported, “My husband and I have farmed together for 38 years, and last night is the first time we’ve talked about things like this.”

Getting started is often the hardest part of developing a mission statement. Answering the following three questions will help “prime the pump” and get the process started. List four short answers to the first two questions.

1. What’s important to me?

List four short answers.

These things are your core values. They are the things that you hold true and dear. These will often be highly personal. These are your values, so they should be personal. In a family operation or business, they should be shared values.

2. Why do I have this business?

List four short answers.

Answers to this question are your objectives. Objectives are general statements of what you would like the business to be like in five, 10, or 15 years. This should describe the position your business will have in the community or industry. It will describe your strengths and will give you an idea of what rate of growth you expect for the business.

3. How would I describe my business?

In a sentence or two, describe your business in terms of what products or services you produce. This could refer to the breed or class of cattle you produce and could include other products you produce on the farm.

To complete the mission statement, take the information from these three questions, and write a draft that summarizes what you put down. Put it aside and let it ferment for a day or two. Share it with others in your family or business. In family operations, this should be a shared mission, so solicit and heed input from family members. Finalize a draft of the mission statement. Type it or write it in a format that can be displayed. Frame it and display it in a prominent place where you will see it regularly and often. Use it daily to answer the question, “Why are we doing this?”

Hundreds of participants in Master Cattleman and Management first workshops in Kentucky have written mission statements. Not one has reported it to be a wasted effort. Many nonfarm businesses and most large companies have clearly defined mission statements. Here is one mission statement from a Master Cattleman workshop participant.

Our farm is a family-owned and -operated business that depends on the teamwork and dedication of each and every member of our family for success. We strive to raise our children in a positive environment focusing on respect for the land and the animals. Our goal is to produce outstanding animals both for the commercial market as well as personal satisfaction. We operate our farm based on a code of honesty and integrity and hope to leave a legacy for our children to enjoy.

Goals

Goals are specific statements of what you want your business to look like in the future. The oft-misquoted Yogi Berra was reported to have said, “If you do not know where you’re going, how do you know when you get there?” Goals give us a specific target to strive for. Good goals are SMART goals. SMART is an acronym for Specific, Measurable, Attainable, Relevant, and Timed.

“Heavier weaning weights” is a good objective, but “a 575-pound average weaning weight” is a specific goal. Lower death loss, better calving percentage, and more leisure time are all worthy objectives, but they are not SMART goals. Objectives are

general statements; goals should be specific and measurable targets to achieve. And they should be attainable. Retiring by age 40 is a specific, measurable goal but may not be attainable for most of us.

All of us have multiple goals, and reconciling conflicting goals is difficult. Do our goals relate to the overall mission we have established? Relevant goals help direct the business toward fulfilling the mission.

Finally, goals should be timed. Set a date when you would like to reach each goal. Or, at least, establish a time frame of short-term and long-term goals. Write them down. An unwritten goal is a wish. A class survey of an Ivy League university’s alumni 20 years after their graduation found that the net worth of the 3% who left college with written goals exceeded the combined net worth of the remaining 97%. Writing your goals is no guaranteed path to wealth, but it is a way to improve your chances of success.

Based on your mission statement, write a set of short-term (less than one year) and long-term goals. Keep them where you will see them. Check off goals that are achieved. Revisit, modify, expand, and add new goals to your list. And make sure they are SMART: Specific, Measurable, Attainable, Relevant, and Timed.

Tactics

Tactics are all the things we do every day in our farming operations and sometimes they’re based on tradition or “the way we’ve always done it.” The feeding, fixing, fencing, and financing are all tactics. Tactics describe who, what, when, where, and how activities will take place to accomplish goals. Tactics should be goal-driven and mission-based. They are the things we do to reach our goals and fulfill our mission.

In the planning pyramid, tactics occupy the smallest section. This is not to suggest that they are unimportant. In fact, most of what farm operators do is tactical. And, the tactics have to be done right. Forage programs, nutrition, genetics, reproduction, herd health, marketing, facilities construction, and maintenance are all tactical activities that should be done correctly to ensure success. Most of our continuing education in the beef industry is focused on doing the right things and doing them right.

10 Traits of Top Managers

Top managers often share some common traits. While this is not an inclusive list, top managers are good at most of these items:

1. **Goal Driven.** They set and reach SMART goals.
2. **Data hounds.** They seek and use data to make decisions.
3. **Leaders.** They are people of character and integrity who others want to follow.
4. **Networked.** They have a strong network of colleagues and mentors.
5. **Dissatisfied.** They challenge status quo and seek better ways.
6. **Organized.** They can focus and prioritize.
7. **Risk-takers.** They view the future aggressively and take measured risks.
8. **Smart.** They know what they’re doing and never stop learning.
9. **Hardworking.** “Smart” and “works hard” is a powerful combination.
10. **Recharge.** They know that physical and mental rejuvenation is necessary.

The key to making the planning pyramid work is to make sure all the elements are present. For every new tactic, we should ask these questions:

- How will I use this to help me reach one or more of my goals?
- How does this help me fulfill my mission?

If these questions cannot be answered effectively, perhaps we have chosen the wrong tactics. Or, even worse, we have not defined “why we’re doing this”—the mission.

Applying these two questions can help build a successful and enjoyable farm business.

Summary

Management is the key to a successful operation. All five functions—planning, organizing, staffing, directing, and controlling—have to be present. Few managers are naturally gifted in these five areas. It is just as important to work at management as any other area of the operation. Management can be learned, and the rewards are significant.

Acknowledgment

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