Setting the Guideposts

Management’s first job is to establish goals for the business. It is important that goals exist and be well understood. without goals there is no way to make management decisions nor measure their results. Goals are the gauges used to determine if one alternative use of resources is preferable to another.

When establishing goals, it is important to keep the following points in mind:

1. Goals should be written.
    - Allows everyone involved to see the same list.
    - Provides a memorandum of understanding.
    - Provides a record for review.
2. Goals should be specific.
    - What?
    - How much?
    - When
3. Goals need to be measurable.
    - Need to be able to determine progress toward goals.
4. Goals should have a timetable.

Because of their close and direct involvement with the farm business, a farm operated by a family or family unit can have more than one set of goals. There are personal goals as well as business goals, each individual and each family has a set of goals. It is important that a means be developed to cause each individual and family to articulate goals and that these goals provide the basis on which business goals are developed. without an agreement, everyone may pull in different directions with no goals being reached.

Since individuals and the business they manage are different, many potential goals exist. Surveys of farm operators have identified the following goals:

- Survival, stay in business
- Maximize profit
- Increase or maintain standard of living
- Increase net worth
- Reduce debt
- Maintain a stable income

- Pass the farm on to the next generation
- Increase leisure
- Increase size of business
- Maintain and conserve resources

Surveys have, also, found that rarely does a single goal exist: individuals, families and businesses often have multiple goals.

A three-step process is indicated:

1. Identify the important goals
2. Establish their priority ranking
3. Evaluate the trade-offs between conflicting goals

The ranking of goals, as well as the goals themselves, may vary depending on time and circumstances. Goals can and do change with age, financial condition, family status, and other factors.

The following is paraphrased from "*Passing Down the Farm*" a book by Jonovic & Messick'

Many of the problems between individuals involved in a multi-generation farm business, indeed, between almost any generations in family farms come about because of the inability to know what sort of disagreement is in progress.

Carrying this thought further, it's safe to say that "generations" don't disagree about matters of fact. Instead, they argue about opinions or personal value, but they *think* and *act* as though facts are at issue. This fundamental confusion is the most common reason why so many of the successors "new ideas meet with "resistance" from the senior party.

It's an unfortunate fact of experience that disagreements between the senior party and the junior party(s) tend to escalate to confrontation. Even worse can be the "discussions" that go on among siblings on a second generation farm (or cousins on the third generation).

Most people can differ reasonably on matters of fact. Matters of personal needs and desires - values - usually prove to be tough, however, and fundamental. When the difference isn't even recognized - as often it isn't - reaching consensus becomes almost impossible.

Farm management issues are heavily loaded with many different values components, but experience has underlined four major categories of disagreement.

'Passing Down the Farm, The Other Farm Crisis; Donald I. Jonovic and Wayne D. Messick, Jamison Press, Cleveland

Business Goals

How one approaches management decisions on a farm can vary greatly depending on what they expect for and from the farm.

A farm owner wanting to build an agricultural empire is going to approach decisions quite differently from someone who is running a profitable hobby. A commitment to growth is quite different from a commitment to profit or cash flow, and the two can quite often be incompatible - at least in the short run.

And these are only two examples from a list of possible goals. What about selling land, investing $250,000 in a hog production facilities, networking in a swine coop, working off the farm?

Personal Goals

On family farms, the desire some people have for income stability and security often flies in the face of others' desires for income growth and challenge. In many ways these are incompatible values - yet neither is right or wrong. It's impossible to prove one over the other as the desirable way to go, Yet, many arguments over business decisions are really (and unconsciously, in many cases) disagreements over growth vs. stability.

Acceptable Levels of Risk

A farm owner in his 60's sees much less long-term benefit in risk-taking than he did 10 or more years ago in his 50's. In his 40's he was much more comfortable with risk and in his 20's or 30's, it was probably his ultimate challenge. It might be that the successor is only expressing an attitude the owner, himself, held 20 or so years ago.

But the senior party doesn't hold it now, nor is he likely to ever again.

The Keys to Farm Success

Farm businesses succeed for many reasons; innovation, production management, marketing, cost control, financial management. These are matters of life cycle, resource availability, operating climate, crop/livestock mix, and markets - but they are also matters of personal strengths and preferences.

Farm heirs walk into operations built on the strengths and preferences of someone else (senior parties), and agreement to continue focusing in that direction depends on whether the boss and the successor share the same specific talents and preferences.

These are matters of management style, personal objectives, and fundamental beliefs. They can't be proved or disproved. Instead they must be thoroughly explored, together, by all key managers on the farm as a necessary beginning to work through conflict and resistance. The parties involved must, in short, quit the fruitless debates and concentrate on understanding their value differences.

There's no quick fix that can be thrown in an instant over a ''generation gap''. Solving value differences in a multi-generation farm business is a process and it takes time, commitment, and mutual understanding.

Whatever is done, decisions must be made.

Settling for conflict, frustration, or disappointment has no place in the multi-generation farm business.

In my own experience five major causes of difficulty within multi-generation farming businesses are:

1. Lack of clearly articulated goals personal
   family
   business
2. Lack of communication between spouses
   between senior and junior parties
3. Lack of planning
4. Inadequate scale of business
5. Too much debt

Assisting parties to a multi-generation farm business must begin with a clear understanding of the goals of each individual and family, as well as for the business. Differences in goals must be resolved or accommodated before major planning can begin.

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