



Dollars & Sense

► by Vern Pierce, beef economist, University of Missouri-Columbia

The art of management

The purpose of this column is to highlight the value and effectiveness of the most valuable asset you have — you! Management is often overlooked in the struggle to get through each day. However, becoming a better manager potentially has a much greater effect on your farm's profits than selecting your sire line for next year, although the latter often gets more of your attention.

My purpose here is to help you place each of your roles as a manager in perspective, to determine in which area you have the greatest potential return from further development.

As you read through this, think about your management skills as a farm input, like you might think of a feed supplement. If you see that your supplement is not working as well as the neighbor's, what do you do? You try to find out what the neighbor is doing differently.

Your management skills are like an input. If you use them to their greatest potential — by understanding their limitations and effects on profit and then making appropriate changes — you will be improving your chance of greater profit. A chief executive officer (CEO) philosophy of management requires that you do just that.

Allocator

As a manager, you are in charge of the "allocation problem" — deciding how to allocate your time, money and resources. This is true regardless of how many cows or employees are on your farm. There is a great deal of potential variation in profit, even on a farm with 80 cows; the difference comes from the manager.

Each manager is skilled in a different aspect of allocation. By detailing the roles that you have in this allocation problem, you can identify which you need help in improving to maximize your profit potential. The major roles of the farm manager are planner, organizer, leader, controller and change facilitator.

The planner

As a planner, your role is to make decisions based on whether those decisions will lead you and the farm toward or away from the goals of your business plan. Of course, first you need a business plan.

When you travel on vacation, you often take a road map. When you get to a point in the road and do not know which turn will lead you in the direction of your destination, you look at the map. The map is a guide, which helps you compare where you are to where you want to be. By referring to the map, you make a decision that will lead you in the right direction. There still may be detours and potholes, but you know that you

are heading the right way.

The farm business plan is just a road map for your farm decision-making, to help you know that you are making choices that will lead you in the direction of your goals.

The organizer

Labor, rather than management, often has the first claim on the time requirements of most managers. When work is needed for daily chores, labor has first claim on all people involved in the operation, leaving management and planning as a residual. This further complicates the manager's role in organizing the farm business. If you always feel under pressure, this could be the area on which to focus.

The leader

Leadership is defined as the process of influencing group activities toward the setting and achieving of goals. One of primary roles of the manager is to direct performance. In this capacity, the manager provides motivation and leadership, for individuals as well as groups of people.

Don't ignore this role, even if you have no employees. There are many people who influence your farm profits that are not on your payroll.

The controller/changer

Once your business plan is in place, management control becomes important.

Control helps you examine how well the other managerial functions are working. Control allows you to compare actual performance to planned performance. Another benefit of the control process is that it can help you identify changes that can get you back on track.

The control process consists of the following steps:

- (1) setting performance standards;
- (2) measuring performance accordingly; and
- (3) comparing measured performance to performance standards. These first three steps are called "check points." If measured performance matches the standards, that's great; if it doesn't, the next step is
- (4) taking corrective action, which may include a review of performance standards or goals.

The environment in which farms operate is constantly changing. Effective managers are able to perceive changes quickly, anticipate future changes, and adapt business plans accordingly. Forces for change are either external or internal to the farm. External forces include changes in the domestic and international political or economic climate, changes in local politics, changes in demographics, changes in consumer tastes and preferences, and changes in technology. Internal forces for change include the availability of a trained workforce, the quality of the working environment and available resources.

Gradual process

Developing your management skills is a gradual process. It includes both formal training and practical experience. Formal management education, by itself, is not enough to learn how to be a more effective manager. Similarly, management experience without formal training can also hamper success. That training may come in the form of some extra reading, taking a night or online course, or working with your local Extension agent. Regardless of how you improve your skills in the area identified as your weakness, you have made the first step in recognizing that you could benefit from additional training.

Working harder is not always the best way to make more money; working smarter is.

Finally, moving along the path to becoming a CEO-type manager is a process, not an event. It will take time, especially if you do not start today.

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