RURAL ECONOMY

WHAT IS IT THAT FARM MANAGERS DO?

Leonard Bauer and Garry Bradshaw

Staff Paper 93-02

STAFF PAPER

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The purpose of the Rural Economy "Staff Papers" series is to provide a forum to accelerate the presentation of issues, concepts, ideas, and research results within the academic and professional community. Staff Papers are published without peer review.

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INTRODUCTION

"Farm management is a task performed only by managers of farms. It is not undertaken by those who write about it, teach it, or give advice on it".

This rather humbling quotation from two British writers, Giles and Stansfield, conveys a powerful message to people who are involved in the profession of farm management research, teaching and advising, and in developing instructional material on the topic.[1] The definition, while not operational, suggests an important context to be kept in mind when discusing service and educational issues. Furthermore, this definition has embedded within itself a fundamental question. What is it that farm managers do?

There is a public awareness and renewed interest in the topic of farm business management in Canada, at least partially the result of new government funds being directed towards training.[2] Current government philosophy leans toward greater privatization in delivery, therefore it is important that those persons who decide on which proposals are worthy of receiving public funds have a clear understanding of what farm management entails. It is also important for farmers themselves to have a better understanding as to where professional services might fit into the management of their business. Finally, it is important for the private sector (bankers, lawyers, accountants and consultants) and the public sector (extension agents, policy analysts, teachers and researchers) to have a sound understanding of the nature and scope of modern farm businesses so that they can better adapt their services to the industry.

The purpose of this paper is to describe the tasks performed by the manager of the modern farm business, and to examine the knowledge, training and managerial services required. In order to accomplish this, the paper concentrates first on the management process. Next it examines the farm business organizational structure and on specific managerial activities. The paper concludes with a look at professional services for the farm manager.

THE MANAGEMENT PROCESS

If farm management is the task of farm managers, then what is it that farm managers do? In an operational sense, farm business management can be defined **"as the art and science of making decisions about the use of available resources, and acting on those decisions in an uncertain world so that the short and long term goals of the business owners are as fully satisfied as possible."**[3]

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1 Giles, Tony and Malcolm Stansfield. 1980. *The Farmer as Manager,* George Allen & Unwin Ltd, London. p187.

2 Canada Department of Agriculture. 1990. *Growing Together: Report to the Ministers of Agriculture Farm Finance and Management Task Force.* p27.

3 Bauer, L. 1988. *Farm Business Management - Profit and Survival,* Staff Paper No 88-2, Department of Rural Economy, University of Alberta.

This definition is neither new, nor is it particularly original. Rather, it is a composite of various definitions proposed over the years.[4] It was relevant when used by farm management workers in the 1950s. It is every bit as relevant today and will continue to be so in the future. The definition contains a number of key words. Management is concerned with **achieving goals. Decision making** is crucial. **Resources are limited**. And, **the world is uncertain**. This definition of farm management attempts, at least in a general way, to answer the question of tasks which the farm manager must perform.

The definition implies a number of steps. The first step is setting goals and objectives.[5] Performance is measured against how well goals are achieved with a view to identifying problems and opportunities. Then there is the step of analysis to determine the causes of problems. Next possible ways of solving the problem or realizing the opportunity must be identified. A particular solution must be chosen and implemented. Finally there is the step of accepting the result and evaluating the consequences of the decision and action.

This process is described by the flow diagram of Figure 1. The process begins with an evaluation of the existing situation relative to the desired situation. Are the goals and objectives being met, or are they likely to be met? If there is a divergence between "what is" and "what ought to be" a problem or an opportunity has been detected. After the problem or opportunity has been discovered, the specifics of its nature and cause must be identified. Once the specifics are known there are two possibilities. Either there are alternative solutions available to solve the problem and a choice must be made; or else the manager's hands are tied and she is forced to take a particular action whether she wants to or not.[6]

Being able to see potential ways of solving problems or seizing opportunities is an important quality of managers. This vision is aided considerably by a clear definition of the problem and a clear understanding of goals and objectives. Frequently there are many potential solutions to a problem. Experience, insight, background information and general managerial aptitude helps reduce a rather lengthy list down to a few alternatives which may need deeper analysis.

When there are a number of ways of resolving a situation, the question of information becomes important. In some instances the manager has enough information so that the choice can be made with confidence. At other times more needs to be known before the decision can be made. In this latter case the manager goes through a process of gathering information to reduce uncertainty about the potential outcome of the alternatives.

But collecting data and sorting it into useful information costs money and takes time. Time in assembling information means a delay which may, in itself, jeopardize the decision. Making the decision impulsively, on too little information increases the chance of error. But gathering too much, or inappropriate, information might not improve accuracy enough to justify the cost. By procrastinating the manager may find that some of the choices have disappeared leaving her in a forced action situation. Deciding when one has enough facts to decide is in itself a critical decision. There is a fine line between impulsiveness and procrastination.

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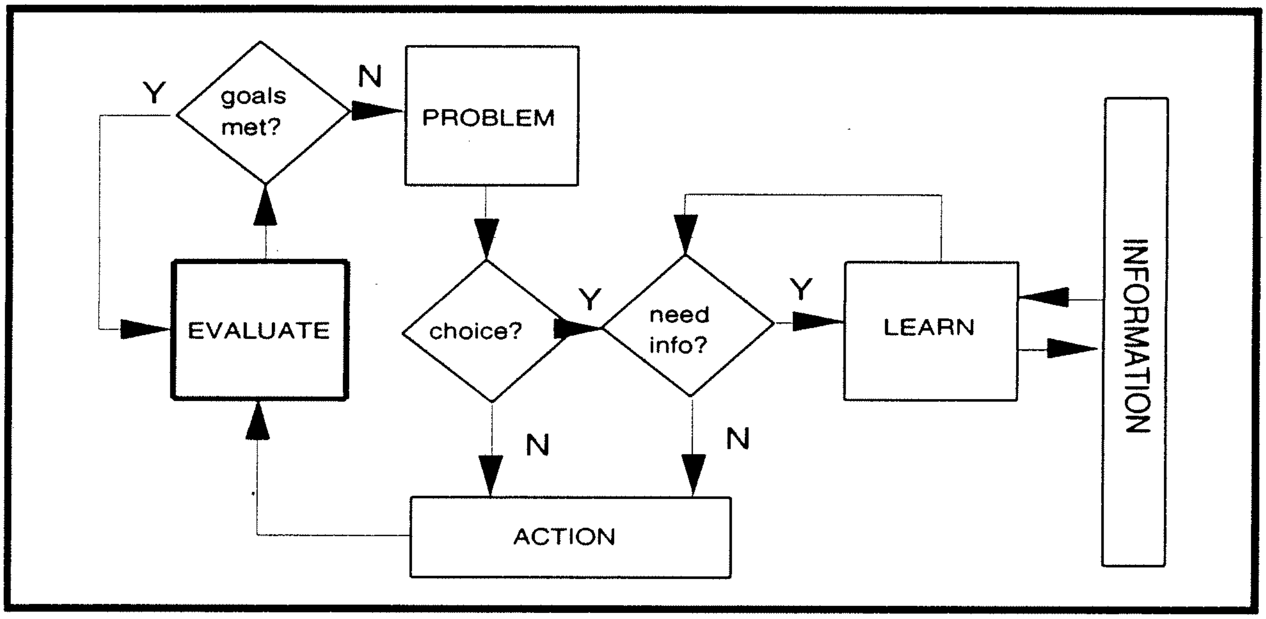
4 For a brief history on the evolvement of farm management definitions see Hazelwood, John William. 1991. *Farm Management Training Needs Assessment for Alberta Agriculture Extension Staff.* Unpublished MSc. Thesis, Department of Rural Economy, University of Alberta. pp48-52.

5 We use the terms, goal and objective, interchangeably according to the dictionary definitions. Goal: ....the end to which effort is directed (*Webster's Seventh New Collegiate Dictionary.* 1961. G & C Merriam Company, Springfield, Massachusetts, USA. p358). Objective: ....something toward which effort is directed; an aim or end of action (*ibid.* p581).

6 We use the feminine form in a generic, non gender specific sense to improve readability recognizing full well the contribution of both men women in the ownership, management and operation of farm businesses.

Figure 1

THE DECISION MAKING PROCESS



Information collection must be quick, streamlined and suited to the situation. It pays to invest more time and effort in major, one shot, decisions than in minor routine ones. More time is usually devoted to gathering and analyzing facts about a major investment such as buying land or establishing a new enterprise, than in deciding whether to cull a particular cow from the herd. On the other hand, minor routine decisions, such as what ration to feed to a dairy cow, may have a cumulative effect if the same error is repeated for 100 cows.

The details underlying a particular problem or situation may require highly specialized information and knowledge, far beyond the capability of the manager. There are times when the manager, in order to be effective, must delegate, to someone else inside the business or defer to outside advice. For example, purchasing feeder cattle takes a finely trained eye and uptodate market information that might be delegated, for a fee, to a cattle buyer. When delegating, the manager must develop ways for selecting individuals, and monitoring their capability, integrity and effectiveness. After all, it is the manager who is held accountable for the result.

The effective manager resorts to decision rules to ensure that efficient, timely and correct choices are made in the face of limited information. The decision rule might be quite simple, for example, "shut down the motor if the light on the tractor dash board turns red". Such a decision rule might be automated, and the tractor motor shut down automatically when the condition which causes the red light to come on is present.

Decision rules might also be more complex, for example "develop a new farming enterprise if the discounted present value of perceived benefits exceed the start up costs". Such a decision rule is less easily automated but the manager might nonetheless be assisted by decision aids. In this case the manager might have access to guidelines on how and from where to gather needed information, on how to make the required computations and how to interpret the results. The decision aid might be computerized to remove drudgery, avoid missing important steps and reduce the chance of calculation errors. The decision aid might be in the form of a management consultant, highly knowledgeable in both the techniques of net present value analysis and the details of the contemplated enterprise.

The final step is that of assuming responsibility. The manager is accountable for results and must bear the consequences of the decisions and actions taken. This provides an opportunity for comparing results to expectations, discovering new opportunities and problems and continuing on in the process.

THE FARM BUSINESS ORGANIZATION

The main form of business ownership and operation in primary agriculture is the family business. Whether the organization is a proprietorship, partnership, corporation or one of a multitude of other arrangements and combinations, it is the closeness of ownership and management that is significant.

A possible explanation for the persistence of farms as family businesses revolve around the underlying biological processes and economies of scale. Among others, Alchain has argued that, unless there is massive public intervention, "the form of organization that survives in an activity is the one that delivers the product demanded by customers at the lowest price while covering costs".[7] True, there has been significant public intervention in agriculture, but much of it is volume or acreage based and the benefits have been very much size related. Those producing more have benefited more. Bollman has observed that program pay-outs appear concentrated in mid-size farm classes when size is measured by gross sales.[8] No doubt the concentration in the mid-size is due to caps on program pay-outs. Many technological advances in agriculture are also size related. The overhead of modern machinery, for instance, requires larger acreages. Despite economic policy and technical advance, the biological processes upon which much of agricultural enterprise depends remain more easily controlled under owner management, in relatively small scale operations. Consequently farms, organized as family businesses, have had a better survival record than have mega-enterprises.

It is often impractical to separate ownership and management in small business, especially in farming. The difficulty derives from so-called agency problems and costs.[9] In large scale businesses, where ownership and management are separated, there is a conflict between managerial desires for salaries and perquisites, and stock holder desires for profits. In the commercial world the agency problems faced by stock holders are mitigated, at least partially, through representation on boards of directors and by formal independent financial audits. Sometimes managers are given a share in profits to promote a common interest with owners. In a family business, particularly in the case of farms, the agency problems are usually resolved through integration of ownership and management.

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7 Armen A. Alchain. 1950. "Uncertainty, Evolution and Economic Theory". *Journal of Political Economy*. 58. p211.

8 Bollman, Ray D. 1989. "Who receives farm government payments?" *Canadian Journal of Agricultural Economics*. 37. pp351-378.

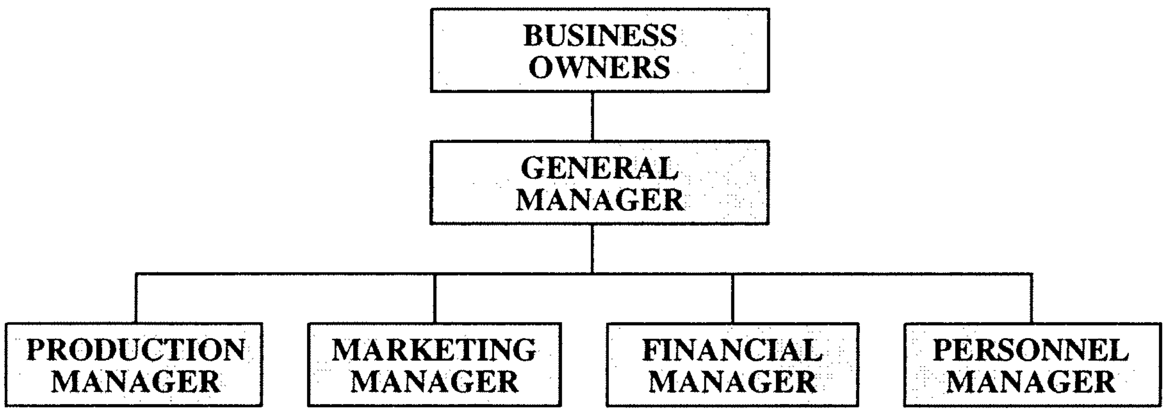
9 Agency problems refer to the situation where management is separate from ownership and the manager acts in her own best interest, an interest which may differ from those of shareholders. For further detail refer to Jensen, Michael C. and William H. Meckling. 1976. "Theory of the Firm; Managerial Behavior, Agency Costs and Organizational Structure". *Journal of Financial Economics*. 3 (4). pp305-360.

While the family business form of ownership has stood the test of time, and is likely to continue to do so in the future, one should not assume that the structure of agriculture is static. The trend toward fewer, larger farms producing the bulk of agricultural products is likely to continue.

The activities of the farm manager, and those of the farm management expert, occur within the context of an organizational structure. While farm businesses are not usually described using an organizational chart, as in Figure 2, the depiction is nevertheless useful to provide the setting in which the farm manager functions. This helps to clarify the role of the farm manager by identifying important inter-relationships between owners and managers.

Figure 2

THE FARM BUSINESS ORGANIZATION



The chart is not provided to suggest that farm business are or should be departmentalized. Rather it is provided to highlight the activities that must be performed and the knowledge, abilities and attitudes that must be present.

KNOWLEDGE, SKILLS AND ATTITUDES

Training and education are undertaken to fulfill a number of objectives: for acquiring knowledge to understand important phenomena; for developing skills and abilities to perform specific tasks; and for perfecting attitudes to respond to particular situations. Education and training should be purposeful and directed to certain ends. Accumulating knowledge, honing skills or shaping attitudes should be focused so that the manager is better able to accomplish her tasks.

In family businesses, such as in farming, the owners are the same individuals who also provide the management and often a substantial amount of the labour. What then is the point in making a distinction among these various roles; between owners and managers, between general managers and managers of specific portfolios like finance or personnel? The purpose is to avoid overlooking important aspects and activities which need to be performed. If we are to identify the requirements for improving knowledge and skills we need to know what the end use is going to be.

The Business Owners

The responsibility of the business owner(s) is: to formulate, articulate and communicate goals; to set policy; to develop ownership and operating structure; to put management in place; to set out lines of communications; and to monitor the achievement of goals.

The fundamental responsibility of business owners, to develop business goals, is expressed as part of the policy through which the business takes on its direction.[10]

In purely economic or accounting terms, owners are residual claimants on the results of business activity. They enjoy a profit when there is a surplus after expenses are paid, and suffer a loss when there is a deficit. If the business is dissolved they receive the proceeds from the sale of assets less any outstanding debts. Because owners are residual claimants they enjoy, not only the potential for profit, but are also exposed to the risk of loss.

Although they may have other goals, the major business objective of most owners is financial; they want profit, and they want security. Because they have exposed their financial resources to risk, they want control in the direction which the business takes. They want to develop the policy under which the business operates.

The primary role of the owner(s) is, therefore, to develop a set of goals for the business, and to formulate a policy or strategy under which the goals can be achieved. Since this role, on a majority of farms, is played out within a family context, an understanding of group and family dynamics is an important ingredient of success.

Specifically, the owners:
1. formulate, articulate and communicate goals. 2. develop the ownership structure. 3. develop the operating structure. 4. control goal achievement.

10 Policy: ....prudence or wisdom in the management of affairs; a definite course or method of action selected from among alternatives and in light of given conditions to guide and determine present and future decisions (*Webster's Seventh New Collegiate Dictionary*. 1961. G & C Merriam Company, Springfield, Massachusetts, USA. p656).

Formulating, articulating and communicating goals

While the business exists to achieve the financial objectives of the owners these financial goals develop within a multifaceted and dynamic value system. For example, a company which does unacceptable things such as polluting the environment or trading with countries that violate human rights might find the value of its shares falling as shareholders sell out.[11] In smaller businesses, especially in proprietorships where ownership and operation are closely related, often to the point where the owner is also the manager and worker, non financial goals may play an even larger role.

Each individual has numerous, often conflicting goals, not all of which can be achieved to the desired extent. A high profit potential puts business survival at risk. Time spent in community service conflicts with profit. In a multiple owner situation the internal goal conflicts within each individual takes on an inter-personal dimension. The conflict between current consumption and re-investment in the business becomes a very real inter-personal issue. Some people place high emphasis on present consumption;[12] others care little for current consumption and re-invest for the future.[13] Sometimes current consumption may even be present in an investment activity, for example the purchase of machinery or equipment may be motivated to provide enjoyment or prestige beyond pure business requirements. Not only are there conflicts in goals, goals also change as the family moves from one stage to another. A young family has a different view on consumable income than does a couple nearing retirement. This brings with it the chance of intergenerational conflict.

People live in dynamic and complex circumstances; opportunities, problems, perceptions and insights change. As a result goals, whether articulated or not, are revised to accommodate the changed circumstances. If there is to be confidence in the business, the goals must be acceptable to a consensus of the owners and be seen by them to be achievable. Family and group dynamics knowledge is an important ingredient in building the consensus.

Developing the ownership structure

It is the responsibility of the owners to develop an ownership structure. Are assets to be held in the name of individuals, or are they held in the name of the business? Should assets be owned as fee simple, as joint tenancy, as tenants in common, or as a corporation?

How may assets (or shares) be acquired and how may they be disposed of? Can one of the owners sell her portion of the business, or are there restrictions to guaranty the survival of the business, and that it remain in the family? What happens in case one of the owners should die? What are the implications of family breakup?

How are profits (and losses) to be distributed? How much should be withdrawn? How much should be re-invested?

Different ownership options have different legal, taxation, and operating dimensions. It is important for the owners to be informed on the issues and implications, and to be generally in agreement with the ownership structure if the business is to function harmoniously.

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11 Or is it not so much that shareholders have a public conscience, but rather, because of customer boycott, sales and profit decline with a consequent reduction in the value of the business?

12 The extreme case is the prodigal who lives for the day, consuming everything with no care for tomorrow.

13 The other extreme is exemplified by the miser who consumes only to stay alive and re-invests everything for the future.

In most businesses of significance the help of a lawyer will be needed to formally create the ownership structure. The formal creation is a necessary part of the process, but its success is threatened if there is unresolved conflict among the owners.

Developing the operating structure

How should the business be operated? Should it operate as a formal partnership, or as a corporation? Should it be run as a proprietorship? These are fundamental questions to be dealt with by the owners as they set up the way in which the business is to operate. As in the case of asset ownership options, alternative operating structures also have legal and taxation implications. Consequently, writing up the formal operating agreement will likely require professional legal help. A common understanding among owners as to the correct structure is a vital prerequisite if the formal agreement is to result in a successful operation.

As part of the operating structure, the owners must develop methods for communicating with the general manager and business operations. This requires establishing the focal point through which owners interface with operations, for example the chairman of the board and the general manager. Confusion and mixed signals are bound to result where every owner is giving orders and direction to each employee on the day to day operations of the business.

The owners are responsible for putting management in place. It is the owners who must find and hire the general manager. This can be a stressful activity because the likely candidates are probably owners of the business and members of the family. It becomes difficult to set aside personal and family feelings in order to select the best individual for general manager. The largest shareholder, or any family member for that matter, is necessarily the most suitable candidate for the top managerial post.

Controlling goal achievement

Not only must goals be achievable, they must in fact be achieved and the owners must have a way of knowing if goals are being met. This requires establishing measurement, reporting and verification standards for monitoring business results and taking corrective action where required. Great care must be taken to separate the controlling function from becoming involved in day to day operations. The owners' role is to set policy, not to carry it out. That is the job of management.

The General Manager

The responsibility of the general manager is; to achieve the goals of the business owners; to develop a strategy for implementing the direction set out by the owners; to translate goals into achievable plans; to implement those plans; to monitor progress and take corrective action; to report on progress to the owners.

This activity occurs in a dynamic and less than ideal setting, and so the general manager must anticipate changes in goals and identify opportunities and threats for achieving them. She must know the strengths and weaknesses of the resources and people under her management.

The general manager must formulate plans and implement them. She must assemble (hire and/or fire), organize, and motivate her management team, and ensure communication so that co-ordination among team members is maintained. She must monitor progress and take corrective action when required to achieve the owners' goals.

Specifically, the general manager:

1. assembles the management team
2. develops the business strategy
3. develops the operating plan
4. implements the strategic and operating plans
5. controls the strategic and operating plans

The management team

The general manager assembles and organizes the management team. She must find and hire the management team members (production, marketing, finance and personnel) and communicate the business goals and evaluation standards to them.

Assembling the management team for a family business can present particular challenges. The candidates are very often family members and this is insufficient qualification by itself for the position. The general manager requires strong skills in group and family dynamics in order to do this job satisfactorily.

Organizing the team means developing lines of communication so that the various players understand their own particular functions and work harmoniously with the general manager and each other. The general manager, in order to remain in touch with her team, requires an efficient interactive communication and reporting system.

The requirement for communication and coordination among management roles is not lessened if the general manager herself also fills the subordinate roles of production, marketing, finance and personnel. It is easy to neglect the marketing functions, for instance, if the general manager concentrates too much of her attention on production aspects; or let the finance activities slide because she spends too much time in marketing activities. Care must be taken that all functions are performed, in a balanced way, towards goal achievement.

The business strategy

The general manager plays a major role in developing a strategy or long-run plan for the business. Strategic planning refers to the science or art of management exercised to confront situations, opportunities and problems under advantageous conditions.[14] It means doing the right things as opposed to just doing things right. In this important activity, the goals of the owners must be interpreted and translated into achievable plans. Because the owners ultimately enjoy the profits of the business and bear its risks, long-range strategic planning is likely a joint management, ownership activity. Whatever plans emerge, they must have the concurrence of the owners. As part of the strategic planning exercise, the strengths and weaknesses of the physical, financial and human resources under the control of the business must be assessed.

The general manager provides business leadership in both an internal and external sense. She must impart a feeling of confidence and direction to the owners and her management team. She must be in touch with industry trends and government policy, as she searches out opportunities and identifies threats to achieving the business objectives.

Outside contacts are a valuable source of information. This might come from attending meetings and seminars, taking part in commodity group activities and generally observing what is happening in the industry. Knowing how the business fits into the industry, and where the industry fits within the domestic and global economies is important in formulating direction and strategy.

Ultimately the long-range plan must deal with four important questions; what shall be produced, how shall it be produced, how much of it shall be produced, and when shall it be produced.

The first question, "what shall be produced", refers to selecting the lines of production for the business. In a farm business this usually means the crop or livestock enterprises. It could also include less traditional enterprises such as secondary processing of agricultural products. It may even mean totally non-agricultural activities, such as tourist accommodation or a cottage based manufacturing enterprise. Deciding whether the business should be a crop farm or whether it should produce hogs, or dairy cattle or engage in vegetable production are not short run decisions. Choosing the enterprise structure often requires a major commitment of capital which will be recovered only over a long period of time.

The second question, "how shall it be produced", deals with the combination of inputs. For example, if a beef feeding enterprise is selected should a low energy, high roughage diet be fed, or should production be based upon high energy methods. Should investments be made in labour saving technologies, or should the work be performed by people.

The third question, "how much shall be produced", is a question of production intensity. For example, if a crop enterprise is selected, should intensive management techniques such as high levels of fertilizer and growth stimulants be used or should more traditional, extensive methods be employed.

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14 Strategy: "....the science and art of employing the political, economic, psychological, and military forces of a nation or group of nations to afford the maximum support to adopted policies in peace or war; the science or art of military command exercised to meet the enemy in combat under advantageous conditions." (*Webster's Seventh New Collegiate Dictionary*. 1961. G & C Merriam Company, Springfield, Massachusetts, USA. p867). And further, "In taking action and in deciding to act a manager can often select and control the situation in which he will act. Such procedures are, in a broad sense, strategies and are especially important when he is managing on the basis of conclusions subject to error." (Lawrence A. Bradford and Glenn L. Johnson. 1953. *Farm Management Analysis*. John Wiley & Sons, Inc., New York, Chapman & Hall, Limited, London. p35).

The fourth question, "when shall it be produced", is a question of production scheduling and timing. Beef fed on a low energy, high roughage diet will reach market weight more slowly than if fed on a high energy basis. High yielding varieties of crop may take longer to mature than lower yielding ones.

The answers to these four questions depend upon the capability of physical and human resources, the availability of market opportunities and the financial vulnerability of the business. The general manager must have input from the production manager who knows the capabilities of the resources. She must have input from the marketing manager who is abreast of market trends and signals. She must have input from the financial manager who is knowledgeable about the financial strength and vulnerability of the business. She must have input from the personnel manager who knows the availability of qualified staff to get the work done.

Leadership also has a public relations dimension. This means relating the purpose of the business to suppliers (bankers, machinery dealers, feed dealers, etc), potential investors, and to customers (grain buyers, cattle buyers, etc). Being well known and respected by suppliers and customers brings advantages when transactions are being negotiated.

The operating plan

The general manager develops an annual (or periodic) operating plan for the business. The operating plan differs from the long-run plan; the strategic plan concentrates on "doing the right things", the operating plan is tactical,[15] concentrating on "doing things right". Owners are probably less involved in creating the operating plan than in setting the long-run direction. Nevertheless they want to be assured that this activity is taking place and that its results are working towards their overall objectives.

The four strategic questions of "what is to be produced?", "how is it to be produced?", "how much of it is to be produced?" and "when is it to be produced?" must be dealt with on an annual operating level. The input from the production, marketing, finance and personnel managers is extremely important in developing the operating plan. The general manager plays a coordinating role, assuring that the plan is technically possible from the standpoint of physical and human resources, profitable from the standpoint of market outlook, and feasible from the standpoint of financial strength.

Implementing the strategy and the operating plan

Implementing the long-run and annual operating plans is a major task of the general manager. Implementing the plan does not mean that the general manager does all of the work herself; after all it is the role of the manager to cause things to get done rather than physically doing them. Therefore, an important ability is the ability to delegate.

15 Tactic: ....the science and art of disposing and maneuvering forces in combat; the art or skill of employing available means to accomplish an end (*Webster's Seventh New Collegiate Dictionary*. 1961. G & C Merriam Company, Springfield, Massachusetts, USA. p897). Tactical: ....made or carried out with only a limited or immediate end in view (*ibid.* p897).

To delegate, the manager must sort out those activities which work towards the fulfillment of goals from those that are unnecessary or counter productive. Understanding the importance of an activity and being able to judge whether it is being performed satisfactorily does not require knowing all the details about performing it; for example, the manager need not know the detailed procedures of recording transactions and posting entries to the ledgers. Instead, she needs to appreciate the importance of an orderly set of books, have informed confidence about their accuracy and be able to interpret the financial information they contain.

The bookkeeping activity may be delegated to the bookkeeper because the manager's time is limited and she must allocate her time to those activities which give the greatest return. If the manager spends her time in keeping the books she will not have the time to attend to activities which may have a higher payoff, for example planning production schedules, evaluating marketing alternatives or investigating expansion opportunities.

Some tasks might be delegated because the manager does not have the aptitude, or the necessary skills and knowledge. For example, if the general manager chose to do the bookkeeping herself, she might have to spend a lot of time becoming competent.

There are many specialized activities that must be performed in operating a farm business successfully. Some activities are complex, some are time consuming, many are both. For example, the general manager may not know how to complete an income tax return so as to get all of the deductions to which the business is legally entitled. Or, she may not know how to evaluate the economic value of a particular investment opportunity for the business. Both of these activities require highly specialized technical training and are performed only periodically. It would be unreasonable, in most cases to expect the general manager to carry out these two jobs. To be competent in all activities is an impossibility; it would take far too much time to acquire the necessary technical background and so the manager delegates activities because it is cheaper.

Delegation is usually thought of as a "within the business" concept. There are many instances in business where it is just too expensive to have all of the technical expertise inside the business, hence there are two questions. "Should I or should I not delegate this activity?" And, if I choose to delegate, "should I delegate to someone inside the business or should I hire someone from outside?" It would hardly make sense to have a lawyer on staff in a normal family farm business, yet there are some activities, such as writing up contracts, partnership agreements or wills which require these professional skills. Similarly, preparing the detailed analysis required for deciding on a possible enterprise expansion might take specialized analytical skills which would normally not be available from anyone on staff. These activities would be accomplished more effectively and at lower cost by hiring someone for that particular purpose.

Controlling the plan

Controlling means monitoring progress toward goals and objectives, and taking corrective action where and when required. Owners are very interested in whether objectives are being (or likely to be) attained. Consequently, an important part of the controlling function is keeping the owners informed on significant changes in, or departures from plans.

Whether the job is delegated, or done by herself, whether it is done within the business or hired out, the manager is responsible for successful implementation. The manager must have a system to know whether or not activities are performed satisfactorily. The manager must have a clear notion of the end result of the activity, and check points along the way to ensure that satisfactory progress is being made. She must keep the annual operating plan on target and make sure the long-run plan is achieved.

Keeping plans on course is going to involve the management team; the production manager to ensure the right product is produced, the marketing manager to ensure that the product is advantageously sold, the financial manager that the bills are paid on time, and the personnel manager that the staff are adequately trained and motivated to do the job.

The Production Manager

The responsibility of the production manager is to provide a production perspective to the overall business strategy; to propose the production plan; to implement the production process and control its progress.

The production manager must be knowledgeable about the relevant production techniques, and about the capabilities and limitations of the production resources in order that these are properly reflected in the overall plans of the business. Once decisions are made she must see to it that the production plans are implemented, that progress is monitored, and that corrective action to achieve results is taken when required.

Specifically, the production manager:

1. contributes a production perspective to the overall business strategy
2. proposes the production plan
3. implements the production plan
4. controls the production process

The production perspective in the business strategy

The production manager contributes a production perspective to the strategic planning process. She holds special knowledge about what is technically possible from the physical resources which are available to the business. She works with her colleagues on the management team to provide a long-range production perspective to the overall business plan. This ensures that the proper information is evaluated in the selection of products or enterprises, production methods and timing, and output levels.

In order that this task is properly carried out, the production manager must have in-depth knowledge about the range of relevant production processes. She must have the technical skills to analyze production information and be able to communicate the result to the general manager and her counterparts in marketing, finance and personnel management.

The production plan

The production manager proposes the short term (annual or periodic) production plan to the general manager. Since this proposal, once adopted, becomes an integral part of the annual operating plan it should be developed in cooperation with management colleagues in marketing, finance and personnel. For example, the question of whether barley or canola should be grown can not be answered solely by the production manager. She will know the capability and condition of the soil, but price outlook information will have to come from the marketing manager. The question of whether weanling calves should be sold or placed into the feedlot can be partially answered by the production manager in terms of space and feed availability; but the answer also depends upon price forecasts. Furthermore, the cash flow situation of the business must be considered; and that is in the purview of the financial manager. Even if the physical facilities exist, the price forecasts are favourable, and there are no cash flow constraints, are the staff competent in feeding cattle? That is a question for the personnel manager.

Implementing the production plan

Once the proposal has been accepted the production manager implements the production plan. This means assembling and committing the resources into the process, assigning the specific jobs and setting the production process in motion.

Controlling the production process

The production manager controls the production process. This requires monitoring results, identifying production problems and resolving obstacles. Part of the controlling process includes informing the general manager, and others involved, when there are major departures from expectations. The production manager must be able to recognize when a problem is confined to the production process, or when it has wider ramifications and threats to the operating plan. For example, calling the veterinarian to treat a sick animal would be relatively confined to the production process and would be dealt with routinely by the production manager. A major disease outbreak in the herd, on the other hand, could have ramifications to all parts of the business. Cash available for meeting debt obligations would be disturbed and the financial manager might need to re-negotiate credit lines. Staffing requirements might be affected to the extent that some employees would be laid-off. Sales contracts entered into by the marketing manager would certainly be jeopardized and alternate arrangements would have to be found.

The Marketing Manager

The responsibility of the marketing manager is to provide a marketing perspective to the overall business strategy; to propose the marketing plan; to implement the marketing process and control its progress.

The marketing manager must be knowledgeable about the relevant marketing processes, and about the opportunities and limitations in the market channels so that these are properly reflected in the overall plans of the business. Once decisions are made she must see to it that the marketing plans are implemented, that progress is monitored, and that corrective action to achieve results is taken when required.

Specifically, the marketing manager:
1. contributes a marketing perspective to the overall business strategy 2. proposes the marketing plan 3. implements the marketing plan 4. controls the marketing process

The marketing perspective in the business strategy

The marketing manager contributes a marketing perspective into the strategic planning process. She holds special knowledge about market opportunities which are available to the business. She works with her colleagues on the management team to provide a long-range marketing perspective to the overall business plan. This ensures that the proper information is evaluated in selecting enterprises or product lines, marketing methods, and volume and timing of sales.

In order that this task is properly carried out, the marketing manager must have in-depth knowledge about the range of relevant marketing trends activities. She must have the technical skills to analyze marketing information and be able to communicate the results to the general manager and her counterparts in production, finance and personnel management.

The marketing plan

The marketing manager proposes the short term (annual or periodic) marketing plan to the general manager. Since this proposal, once adopted, becomes an integral part of the annual operating plan it should be developed in cooperation with management colleagues in production, finance and personnel. For example, the question of whether the canola crop should be hedged on the futures market cannot be made solely by the marketing manager. The production manager knows the likelihood of meeting production levels; vital information in deciding the proportion of the crop to hedge. The financial manager knows the financial vulnerability of the business and the impact of basis changes, margin calls, and failure of the growing crop to meet delivery commitments. Should staff be trained to deal with the complexities of futures trading or should the task of marketing be delegated to an outside broker or marketing firm; that is a question to which the personnel manager has input.

Implementing the marketing plan

Once the proposal has been accepted the marketing manager implements the marketing plan. This means assembling and committing the resources into the process, assigning the specific jobs and setting the marketing process in motion.

Controlling the marketing process

The marketing manager controls the marketing process. This requires monitoring results, identifying marketing problems and resolving obstacles. Part of the controlling process includes informing the general manager, and others involved, when there are major departures from expectations. The marketing manager must be able to recognize when a problem is confined to the marketing process, or when it has wider ramifications and threats to the operating plan. For example, having one buyer renege on a contract may be confined to the marketing process if an alternative market channel is readily available. Collapse of a major sales contract where an alternative is not readily available would have ramifications to all parts of the business. The production schedule followed by the production manager would be affected and adjustments may have to be made. Staffing requirements might be affected to the extent that some employees must be laid-off or reassigned, or possibly retrained. Cash available for meeting obligations would be disturbed and the financial manager might need to re-negotiate credit lines.

The Financial Manager

The responsibility of the financial manager is to provide a financial perspective to the overall business strategy; to propose the financial plan; to implement the financing process and control its progress.

The financial manager must be knowledgeable about the relevant analytical techniques, and about the capabilities and limitations of the financial resources in order that these are properly reflected in the overall plans of the business. Once decisions are made she must see to it that the financial plans are implemented, that progress is monitored, and that corrective action to achieve results is taken when required.

Specifically, the financial manager:
1. contributes a financial perspective to the overall business strategy 2. proposes the financial plan 3. implements the financial plan 4. controls the financing process

The financial perspective in the business strategy

The financial manager contributes a financial perspective into the strategic planning process. She holds special knowledge about the strength and vulnerability of the financial resources available to the business. She works with her colleagues on the management team to provide a long-range financial perspective to the overall business plan. This ensures that the proper information is evaluated in selecting enterprises or product lines, acquiring or disposing of assets, locating sources of funds and establishing debt repayment programs.

In order that this task is properly carried out, the financial manager must have in-depth knowledge about the range of relevant financial processes. She must have the technical skills to analyze financial information and be able to communicate the result to the general manager and her counterparts in production, marketing and personnel management.

The financial plan

The financial manager proposes the short term (annual or periodic) financial plan to the general manager. Since this proposal, once adopted, becomes an integral part of the annual operating plan it should be developed in cooperation with management colleagues in production, marketing and personnel.

Implementing the financial plan

Once the proposal has been accepted the financial manager implements the financial plan. This means assembling and committing the resources into the process, assigning the specific jobs and setting the financial process in motion.

Controlling the financial process

The financial manager controls the financing process. This requires monitoring results, identifying financial problems and resolving obstacles. Part of the controlling process includes informing the general manager, and others involved, when there are major departures from expectations. The financial manager must be able to recognize when a problem is confined to the financial process, or when it has wider ramifications and threats to the operating plan. For example, a short term jump in the operating loan interest rate would be relatively confined to the financial process and would be dealt with routinely by the financial manager. The cancelation of a major source of financing, on the other hand, could have ramifications to all parts of the business. The production schedule followed by the production manager would be affected and adjustments may have to be made. The sale contracts entered into by the marketing manager could be jeopardized and alternate arrangements found. Staffing requirements might affected so input from the personnel manager must be sought.

The Personnel Manager

The responsibility of the personnel manager is to provide a human resource perspective to the overall business strategy; to propose the personnel plan; to implement the personnel process and control its progress.

The personnel manager must be knowledgeable about the relevant human resource management techniques, and about the capabilities and limitations of the staff in order that these are properly reflected in the overall plans of the business. Once decisions are made she must see to it that the staffing plans are implemented, that progress is monitored, and that corrective action to achieve results is taken when required.

Specifically, the personnel manager:

1. contributes a personnel perspective to the overall business strategy
2. proposes the personnel plan
3. implements the personnel plan
4. controls the personnel process

The human resources perspective in the business strategy

The personnel manager contributes a personnel perspective into the strategic planning process. She holds special knowledge about what is technically possible from the human resources available to the business. She works with her colleagues on the management team to provide a long-range staffing perspective to the overall business plan. This ensures that the proper information is evaluated in selecting enterprises or product lines, ascertaining staff numbers and training requirements, and developing incentive programs, labour contracts, job descriptions and standards of performance.

In order that this task is properly carried out, the personnel manager must have in-depth knowledge about human resource management and staff development processes. She must have the technical skills to analyze staffing requirements information and be able to and be able to communicate the result to the general manager and her counterparts in production, marketing and personnel management.

The staffing plan

The personnel manager proposes the short term (annual or periodic) personnel plan to the general manager. Since this proposal, once adopted, becomes an integral part of the annual operating plan it should be developed in cooperation with management colleagues in production, marketing and finance.

Implementing the staffing plan

Once the proposal has been accepted the personnel manager implements the personnel plan. This means assembling and committing the resources into the process, assigning the specific jobs and setting the staffing process in motion.

Controlling the staffing process

The personnel manager controls the personnel process. This requires monitoring results, identifying personnel problems and resolving obstacles. Part of the controlling process includes informing the general manager, and others involved, when there are major departures from expectations. The personnel manager must be able to recognize when a problem is confined to the personnel process, or when it has wider ramifications and threats to the operating plan. For example, a minor change to unemployment insurance rates would be relatively confined to the staffing process and dealt with routinely by the personnel manager. A major change in legislation on length of work-day, on the other hand, could have ramifications to all parts of the business. The production schedule followed by the production manager would be affected and adjustments may have to be made. The sale contracts entered into by the marketing manager could be jeopardized and alternate arrangements found. Cash available for meeting obligations would be disturbed and the financial manager might need to re-negotiate credit lines.

THE ROLE OF THE EXPERT

The farm management expert is someone who has the expertise to write about, teach or give advice on farm management thereby enabling the farm manager to perform the tasks of farm management more effectively.

Operating the modern farm business involves many, varied, activities; some tasks are complex, requiring highly technical skills, some are time consuming, many are both. The general manager faces the challenging question; should I delegate a task to someone inside the business, or should I find an outside expert to do the job? Should I personally teach an employee to do a specific job or are there some training courses available at the local college to which the employee might go?

Should we have a veterinarian on staff, or should we have a contract for animal health services as needed? Should we have a bookkeeper, or should we contract this job out to an accounting firm? Should we develop an internal marketing expert or should we give that job over to a broker or marketing consultant? Should we analyze the economics of expanding the vegetable growing enterprise on the farm ourselves, or should we engage the services of a financial planning expert? Some of these activities can be performed satisfactorily by the farm manager and staff, others can be done more effectively, and for lower cost by engaging the services of an expert.

The farm management expert (consultant, advisor, teacher or trainer) must have an in-depth knowledge of the subject, an understanding that goes beyond the superficial points of a particular issue or lesson.[16] Subject matter knowledge is what the client (the manager) is paying for.

The expert must have the ability to get the point of the subject matter across to the client.[17] The subject matter must be presented in a proper form so that the client (the manager) will be able to understand its application and will be able to make an informed decision about its place in her business.

Since the farm manager must attend to production, marketing, financial and personnel matters, farm management expert activities parallel corresponding areas. But it is impossible to be truly expert in all areas. In order to be effective and to add something useful to the farm manager, the expert must specialize and be highly competent in a narrower field such as finance or human relations, or even more narrow as in commodity futures contract trading or income tax management. Recognizing the responsibilities of the farm manager, and reconciling these within the framework of the farm management expert's activities causes the word "specialist" to take on an important meaning. The specialist must be highly trained in a narrow field, but must also have an appreciation for the boundaries of her specialist knowledge. She should be constantly aware that the manager must put the advice to work within an operating business.

The specialist runs the risk of seeing all problems from the perspective of her speciality. The old adage, "if your only tool is a hammer, then all of your problems will be nails" has considerable truth. Therefore, down-playing the role of the generalist would be a mistake. Farm managers need help not only in problem solving, but also in problem identification. The generalist has an important role to play, especially at the general manager's level in helping to reduce confused situations down to solvable problems. Properly identifying the root cause of a problem will ensure that the specialist, when called in, doesn't deal with symptoms but rather with causes. The generalist, such as the district extension agent with expertise in process skills, can be an important link between the manager and the specialist.

Two main roles have emerged for farm management experts; both specialists and generalists. The first is the discovery and dissemination of relevant management information. The second is the development of an appropriate intellectual environment for the information to be used. In practice considerable overlap exists between these roles.

The discovery of information is a research function. Dissemination of information is the traditional role of extension services, however it also takes place through formal teaching activities and through scientific and popular publication. A suitable intellectual climate must exist for management information to be useful. The development of this climate through teaching management concepts and practices through undergraduate, graduate and continuing education is an important part of the

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16 Form without substance is a dangerous thing.

17 Substance without form is a waste of time.

farm management academic's job. By the same token, farm management extension agents play an important part in upgrading management skills of farm managers through instruction on management concepts and practices.

There is a continuing need to discover and assemble timely and accurate information in each field of farm business management through applied research. There is an equally pressing need to upgrade the competence of farm management experts through undergraduate and graduate level education. Increased emphasis on research and education in farm business management is essential to enable the farm manager to carry out her responsibilities more effectively in the future.

CONCLUSIONS

The purpose of this paper has been to describe the tasks performed by the manager of the modern farm business, and to examine the knowledge, training and managerial services required.

The discussion began with a question, "What is it that farm managers do?" As we examined the various functions and roles it has became clear that what farm managers do is not different from what managers do in any business. They organize, they plan, they implement, they delegate and they control. We have attempted to describe these activities in the context of a family business because this is the form in which we find most farms. Because ownership and management; family inter-relationships and business operations are in reality so closely inter-twinned we purposely separated the functions and responsibilities by way of an organization chart. We did this not to suggest that farms should be run in such an hierarchical fashion; to do so would be naive. We did it to demonstrate more clearly that the functions described need to be performed no matter what the business organization. You don't need a production manager; but production must be planed and controlled. You don't need a marketing manager; but products must find their way to market. You don't need a financial manager; but the right investments must be made and the bills paid. You don't need a personnel manager; but the staff needs to be trained and motivated. You don't need a general manager; but production, marketing, finance and staff need to be coordinated.

What it is that managers do, is a significant question for farmers, experts and policy makers. It is important for farmers, as owners and managers, to have a clear understanding as to the scope of their roles and where professional services might fit into the management of their business. It is important for the private sector (bankers, lawyers, accountants and consultants) and the public sector (extension agents, policy analysts, teachers and researchers) to have a sound understanding of the nature and scope of modern farm businesses so that they can better adapt their services to the industry. Those persons who decide on research and training proposals must have a clear understanding of what farm management entails, particularly if public funds are to be spent wisely.