

Keys to Successful Farm Business Management



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Establishing and Reaching Goals

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Key Points

- * Goals should be well defined and realistic.
- * Good communication is a prerequisite for setting goals.
- * Consistency and flexibility should be considered when setting goals.
- * Goals should encourage you and not set limits for you.
- * Setting goals should become a habit.

Introduction

We all have dreams. Some of our dreams, we know, are probably not realistic, while others are very reachable. Sometimes we can make our dreams more obtainable by defining achievable goals-goals that have realistic timetables and specific steps that will take us down the road to our dream.

How many of you have ever dreamed of taking a vacation? Perhaps you have dreamed of sailing around the world or of climbing Mt. Everest. Perhaps you have also dreamed of visiting Mt. Rushmore.

Of these three vacation dreams, say it occurs to you that visiting Mt. Rushmore could become a reality. You decide that at least two weeks would be a comfortable amount of time for you to make the trip by car. You also reason that if you take your spouse and children, you would need to budget \$125.00 a day. Now, instead of dreaming of a vacation, you are working towards three specific components of that dream: location (Mt. Rushmore), time needed for the trip (at least two weeks), and spending money (\$125 per day).

With careful planning all three of these components can be realized. You talk over the vacation plans with the rest of the family, and everyone agrees to work towards this common goal. You all agree that it would be possible to save the needed \$1,750 in the next year and a half. You also know that by that time, you will be more than ready to get away from the farm for a couple of weeks. Your brother and his family should be able to help out with the livestock, especially since you are helping them with a farm project this summer.

As simple as 1, 2, 3 your vacation is more than a dream. It has become a realistic plan that the whole family is working towards.

Goals should be well defined and realistic.

Well-defined and realistic goals give the family something to work for and anticipate. They give the family a sense of direction and, as they are accomplished, of success. It is always a good feeling to be able to say, "This is something we wanted, planned for, and worked for. We are proud to have achieved it."

Like a well-planned vacation, good farm management also requires well-defined, realistic goals. How can you be successful if you do not know where the farm is heading or how you are getting there? Recognize that when goals are well defined it is more likely that they will be achieved. Small, achievable steps can move you toward major goals.

Here is a simple exercise you can do at home. Make a list of the things that you want to achieve tomorrow, the day after, and the rest of the week. Arrange your list in order of importance. Check this

list at least three times each day, and cross off the tasks you have accomplished.

After the first week, review this list of goals to see how many activities you have accomplished. Did you do more than you would have done without the goals listing? Did you accomplish some things that you had intended to do for a long time but had put off? Very likely you will be able to say, "Yes, I am accomplishing more!" This same success in goal attainment can be achieved with long-range farm business goals if they are well defined and reviewed frequently.

Following are some examples of goal statements.

- * During the next 5 years we will replace the combine.
- * Our children will all have a regular savings program by the time they are 7 years old.
- * We will completely pay for the original 200 acres in the next 12 years.
- * Before considering expansion, we will have 60% equity.

Good communication is a prerequisite for setting goals.

After you have considered your own individual goals, it is imperative to communicate about them with the rest of your family and farm partners to insure family unity. When considering farm and family goals for successful management, it is important to keep in mind that your goals must be consistent with those of all farm partners and family members. If farm business goals and objectives strongly conflict with goals of others associated with the business, there is potential for difficulty.

Open communication is the key in discussing long-term farm goals. For example, does your spouse feel the same way you do about the children's education? Do you both agree on the kind of crop that you want? What about your partner's idea of a suitable credit limit? Here is a situation that may seem familiar to all of you.

Case in Point

Jerry returned to the home farm and started a partnership with his father, Marshall. Jerry wanted to expand the business rapidly in order to provide a very good income for two families and to increase their prestige in the community. Marshall had worked most of his life to reduce farm debt, which was now at a comfortable level for him.

Jerry kept expanding the business at a moderate rate. But each time money was borrowed to buy land, add buildings, or use as operating capital, the lender required Marshall's signature. Marshall began to feel the pressure of the unwanted debt. He and Jerry squabbled more and more about farm decisions.

As a result of their disagreements, the efficiency of the farm began to decline. After five years they decided to dissolve their partnership. Jerry had not accumulated sufficient capital to start farming with an income level similar to that of his friends, so he took a job in town.

Open communication and a discussion of long-term goals and planning for the farm business could have prevented this situation.

Situations in which there are strongly conflicting goals among individuals in the farming operation can lead to indecision and frustration. It is important for all key people associated with the business to define their goals carefully. In the case of a family farm operation, family members must compromise and agree on long-term goals. As our example illustrates, individual goals may be incompatible with the rest of the family's goals.

Open and honest communication can help resolve differences. In such cases, the earlier the goal conflict can be determined, the less costly and frustrating the situation will be.

Consistency and flexibility should be considered when setting goals.

Individual as well as family goals need to be consistent. If one of your goals is to own and drive a \$100,000 one-of-a-kind sports car, then it is necessary that your financial goals provide the purchasing power required to own and maintain such a luxury item. If two of your goals conflict with each other, then perhaps one or both need to be modified.

This same need for consistency extends to family goal setting. At times, family members must be willing to compromise and modify individual goals to meet the common goals of the family unit if there is to be cohesiveness in the goal-setting process. When compromise cannot be achieved, sometimes agreements can be reached to disagree on certain issues. When this occurs, family members can set individual goals for themselves instead of agreeing on one as a family unit. This is a very acceptable course to take when it is openly discussed and understood by all members of the family.

A simple example of compromise would be that Jennifer wants to buy her own car at age sixteen. Mom and Dad may refuse to provide money from the family budget for this project, but they may agree to allow Jennifer to buy herself a car after she has a driver's license, has proven to them to be a dependable driver, and has earned her own money to buy the car. With her parents' requirements in mind, Jennifer then needs to set her own individual goals for buying the car.

A not-so-obvious example would be the father and adult son farm partners who have different credit philosophies. To solve such a conflict and continue to farm together in harmony, they could agree that when either wants more credit and the other doesn't feel comfortable about it, the one who wants the credit will seek it individually, without tying up joint assets.

Another important feature about the goal-setting process is to keep goals flexible so that when there are changes in an individual's or family's situation, the goals can be changed. A drought, the birth of a child, and a marriage are all examples of events that bring change to family life. Goals need to be changed accordingly.

It is critical to remember in setting goals that goals do change over time. If you cannot be flexible with your goals, they can work against your long-term success instead of for it. Goals change with age, family obligations, net worth, social position in the community, experience, health, and other circumstances. Farm families can and should anticipate changes so they can attain both current and future goals.

A trap that is easy for farmers, like other busy managers, to fall into is to become so completely absorbed in day-to-day activities that they lose sight of long-term goals. We all understand how the daily problems in farming often make it easy to be distracted from the long-range goals. The tire tractor is flat, cows need to be milked, feed must be ground, the fence needs to be repaired, more help must be hired-the list

never seems to end.

Because these daily and weekly problems must be dealt with, longer range goals are often neglected. Therefore, it is important that farm families take time to develop new goals and review them regularly. The story of the Smoots, who never stopped to consider or re-consider what their long term goals for the farm were, illustrates how important goal setting is.

Case in Point

Wayne Smoot was a farmer, a husband, and the father of two boys, the older already grown and on his own and the younger a junior in high school. He seemed to be what he had always wanted to be: a success. Then he received the tragic and unexpected news that he was terminally ill, with only a year or two to live.

For the first time, Wayne began to think about who was going to carry on the farm tradition. Neither of his two sons had ever shown much interest in farming, nor had his wife been much involved with the farm. He had never encouraged them to develop an interest or been concerned about their lack of knowledge about the business of farming. He had been too wrapped up in his original dream of being a successful farmer and too busy carrying out the day-to-day operations involved with managing hundreds of acres to sit down and re-evaluate his goals.

When he realized he was seriously ill, he talked with both boys, and his younger son decided he would farm instead of going to college. Wayne quickly began a crash course in farming for him, but, for lots of reasons, it was overwhelming for the boy. Nevertheless, the younger boy married his high school sweetheart right after graduation and began taking responsibility for the management and operation of the farm.

As Wayne's health declined, and with it his involvement in the farm business, the older brother decided that he would come home and help. So the two brothers, neither particularly well prepared to assume responsibility for the farm and both reacting to events as they occurred, did the best they could.

Not long after his oldest son returned, Wayne Smoot passed away. The boys' mother, who was not familiar with the details of farming, sensed a great deal of confusion, frustration, and tension as she and the boys tried to hold the farm together. All she wanted was to hold on to the farm for her family's sake and for all of her children to be happy.

How could Wayne Smoot have prevented these problems when he was a younger, healthier man? Had he thought through his long-term goals, perhaps he could have involved the family in his farm business years ago-or he could have made arrangements for its dissolution in the event of his untimely death. Wayne Smoot, like many of the rest of us, was too busy working successfully day to day, to stop and consider where he wanted his farm to be long range. Nor had he ever talked with his family about their dreams and long-term goals.

Goals should encourage you and not set limits for you.

It has been proven that better results are achieved when we know what end it is that we are working towards. Although you may have some vague idea of where you want your farm and family to be in the future, setting goals helps spell out exactly how you are going to get there. We all find it easier to go

places when we have clear, concise directions to guide us. Well-defined goals give the farm manager directions for success and progress.

Goal setting may be the result of a challenge which motivates us to work towards an end result.

Case in Point

A young man who graduated from a university and established a successful farm business was motivated to these great accomplishments by his high school principal, who once told him, "You do not have the ability to get a college degree and manage a business. You should do more routine work." The young man was so irritated by the principal's comment that he enrolled in college and studied farm management, graduated with honors, and now operates several hundred acres and produces thousands of hogs and cattle.

A pitfall that catches some farmers and causes them to stop short of their potential is that they set limits on themselves. They don't dream of a farm different from the fixed idea that they have always had. Too many farmers make plans without considering opportunities available to them. Goals are intended to encourage success.

Setting goals should become a habit.

Setting goals is not difficult. Like all good habits it is easy to maintain, once learned and practiced. Let's consider teaching a child to brush his teeth daily as an example of a learned habit. For the first week or so, the child will have to be reminded daily to brush. Within a couple of weeks, though, the habit for most children will become a part of their lives. As is so often true with habits, it is the getting started that is difficult. Once a daily habit is practiced a few times, it becomes easier.

At first, like anything new, goal writing may seem complicated. But once you have written your first set of goals and experience the success of attaining them, the process will become easier and easier. It can become a good habit that is a part of the family lifestyle. There are some pointers to keep in mind when writing goals and also some "traps" to be aware of when setting goals, but once you begin to establish goals and work towards them, the goal-writing process will encourage you to be specific and permit frequent review of your goals.

Conclusion

The first time you sit down with family members to formulate a set of goals, it is likely that two pieces of information will emerge. First, you are likely to discover that you all share many of the same long-term goals for the farm. Second, you may discover that there is a big difference of opinion about some of the goals for the future.

Open communication and an effort to compromise will prevent and resolve conflicts that otherwise could disrupt the farm's progress. Remember that goals must be well-defined and realistic. They must be consistent with the overall philosophy of farm management and yet flexible enough to adapt to major changes that affect the farm. Finally, remember that setting goals should encourage rather than set limits for the farm and for family members.

Staying involved with what other farmers are doing is helpful in developing new, forward-looking goals. Reading farm publications, attending field days and extension meetings, and talking to neighbors are

helpful ways of gathering information. The purpose of observation is not to copy others but to learn from what they are doing.

Key Reminders

The following reminders will help you and your family as you set your goals.

1. Establish your own goals for farm and family growth.
2. Communicate your goals to family members and all business partners. Listen to their individual goals as they relate to the farm and family development and growth.
 - * Meet with family members to discuss long-term plans for farm and personal objectives. Discuss common values and philosophies; discuss opposing views as well. Open discussion early can prevent conflict later.
 - * Discuss long-term farm plans with any farm partners.
 - * Agree on resolutions for growth. Sometimes compromises must be reached. It is OK to disagree on certain issues, if you can reach compromise plans or goals.
3. Formally write out several goals for the farm and family.
 - * Write your goals so they are focused and aimed at specific actions. (A helpful tool in goal writing is to always include an action verb.)
 - * Be certain your goals are realistic.
 - * Write your goals so that they motivate rather than limit you.
 - * Remember to make goals consistent, yet flexible.
4. Agree with your family and farm partners to evaluate and revise goals when appropriate.
 - * Establish a regular time line for reviewing goals.
 - * Review your goals whenever there is an important change in farm or family status. (An unexpected death in the family, a drought, an addition to the family, or an inheritance are a few examples of major life changes.)
 - * When evaluating goals with your family, communicate about what you feel worked as well as about what needs to be changed.

** Based on articles written by Dr. John E. Kadlec and Dr. Robert W. Taylor Department of Agricultural Economics, Purdue University*

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