Enterprising Rural Families™

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TIP OF THE MONTH:

CHARACTERISTICS OF TOP MANAGERS

Research by the Best Practice Group studied 160 top farm managers in Western Canada and found four common practices:

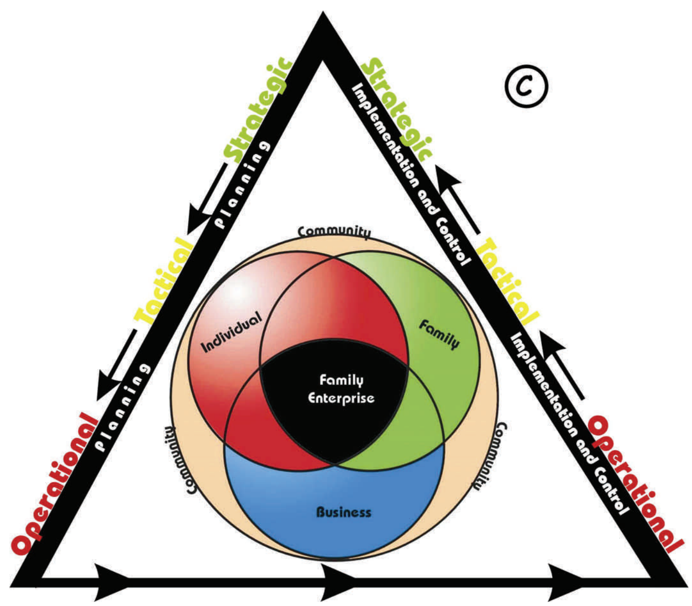
1. **Become an innovator by spending money on research and development.** Not high-tech, expensive R&D, but everyday marketing studies, product testing, variety trials, or new production methods. E.g., top managers use a wide variety of marketing methods.
2. **Think strategically.** This group thinks strategically, long-term. They not only have an annual business plan, but look beyond that into the more distant future. Often they bring in outside experts for new ideas or perspectives.
3. **Manage your assets and look for diversification or value-added opportunities.** These managers had an intense desire to invest in projects to get them away from the ag commodity price cycle.
4. **Build a team.** Concentrate on what you do best and hire good people to run things you're not so good at.

(Source: *Management Musings*)

Setting Strategic Goals: Where Do I Start?

Managing the risks in a rural enterprise has never been easy. Changing regulations, coupled with new technologies, improved communication, and the "information age" combine to lead many mangers to ask "How do I even start to get a handle on it all?". This article provides a brief look at a process for setting goals. "Why bother with setting goals?" you may ask. The old adage says it best, "If you don't know where you're going, any road will get you there." Having clear, well-defined goals can help focus the energy and effort of the enterprise. While this may not guarantee success, it does make it more likely. "Doing the right things, right? is the key to getting to where you want to go.

Integrated management is a method of managing the rural enterprise as a whole, rather than as separate, unrelated activities. Some refer to this type of system as a method of 'holistic' thinking. No matter what the name, it provides a step-by-step method for working within the framework of information 'overload' and multitude of risks rural business managers face on a daily basis.



The process of integrated management relies on strategic goals for the operation to provide guidance in decision making and in deciding which opportunities to pursue and which are not a good fit. These goals include both business and personal goals. It may even include the goals of management, as well as personnel. Without goals, the business may be managed randomly. Yet few managers ever sit down and write out their goals. Goals can describe what the enterprise should be in 10-20 years, where management wants to be personally in 5 years, or the kind of education individuals might like to provide for their children. These sorts of goal statements are required if the people involved or the business as a whole is to ever reach the desired destination.

Setting Goals

The integrated management process relies so heavily on goal setting because it is a mission-critical activity. Goals form the very 'heart' of the management process. They describe the direction and timing of effort needed, as well as who will be involved. In addition, using goals, one can measure progress toward a destination. In addition, the individuals involved can determine if goals are realistic by considering the resource-base available to work with.

Goals should not be only for the business, however. Goal statements should also include personal dreams, ambitions and desires. Operator goals should include way of life, hopes for family, and life mission. In addition, the operator should consider challenges, feelings of purpose, and fulfillment in life.

The first step in goal setting is to determine who is the management team. Is it mom, dad, daughter and her husband? Perhaps it's a mixture of parents, uncles, brothers, sisters, and spouses all joined together in a corporation. It may be just an operator and their spouse. The important thing is to determine who is the management team.

Once it is learned who is on the team, everyone should be included in the goal-setting process. While this might be done without including everyone, it won't be nearly as effective without the input of all. If it is a family operation, include <u>all</u> family members. If the operation employs hired help, include the hired help and their spouses. The thing to remember here is that if the members of the team do not have ownership of the goals, they probably won't be working hard to help reach them. When listing who is on the management team roster, consider the following questions:

- Who's the coach? Is it Dad, Mom, Granddad, or someone else?

- Who's the quarterback? Is the quarterback Dad, Mom, the ranch manager, an uncle, or someone else?

- Who are other team players? Do the players include children, other family players, hired managers, or workers, parents, stockholders, or others? Does everyone who is actively involved in the operation really want to be involved?

- Are there players on the bench who would like to be in the game? Are there other children, family members, hired managers/workers, parents, stockholders, or others who would like to be actively involved in the operation? Have they ever been asked if they want to be involved?

Writing Strategic Goals

A management team will ordinarily draft a vision statement, a mission statement, and perhaps create a list of core values before setting about writing strategic goals. Developing these important ideas is covered in almost any how-to on business planning.

The next step in planning is drafting a relevant set of strategic goals. These might best be viewed as a roadmap to follow to reach the destination set for the operation. Strategic goals are long term goals. They are specific steps for reaching the general goal(s) held by the individuals involved in the family, the business, and especially the family enterprise. Strategic goals are typically written for 10-20 years in the future.

Good goal statements should be SMART. That is, they must be a <u>S</u>pecific statement of what is to be accomplished; they must be <u>M</u>easurable by some objective means; they must be <u>A</u>ttainable; they must be <u>R</u>elated to one another; and they must be <u>T</u>ractable over time. Setting SMART strategic goals will provide the tools to manage the operation to achieve the higher goals from the mission statement.

SPECIFIC-goals should be definite, focused, and descriptive of the actions to take place. This part of the goal tells *what* must be done in precise terms.

<u>Example:</u>

To generate enough income to allow us to maintain ownership of the operation.

MEASURABLE-goals should be easily measured. Such goal statements provide a benchmark against which to measure performance. This portion of the goal statement provides a means of knowing when the goal has been reached.

> *Example:*
>
> To generate a $3,500/year principal payment, allowing us to maintain ownership of the operation.

ATTAINABLE-goals are within the reach of the operation. They can be accomplished and are realistic. Setting unrealistic goals for the operation is not helpful.

> *Example:*
>
> To generate a $3,500/year principal payment, allowing us to maintain ownership of the operation.
>
> This goal is realistic for the operation, if it usually yields a return greater than $3,500 each year. However, if it provides only a few dollars of return over its expenses each year, this may be an *unattainable* goal.

RELATED-goals are connected or associated with other goals set for the operation.

> *Example:*
>
> To generate a $3,500/year principal payment, allowing us to maintain ownership of the operation.
>
> This goal is related to other goals that move toward ownership. However, another goal might call for expansion. If this requires outside capital, it would reduce ownership of the assets pledged to the lender, making the two goals *unrelated.*

TRACTABLE-goals are manageable. These goals involve factors and resources that are controllable. They can be handled using existing resources.

> *Example:*
>
> To generate a $3,500/year principal payment, allowing us to maintain ownership of the operation, while not requiring more time or new skills on the part of management.
>
> This goal is tractable if the current management can handle the operations necessary to generate the dollars. However, if reaching this goal means that the manager would need to spend 5 out of 12 months a year monitoring stock reports, while trying to run an ag operation, it would not be a very *tractable* goal.

Strategic goals form a roadmap to the destination for the enterprise and the individuals it includes. Strategic goals arise from the business' mission statement. They are carried out by the people involved and are nurtured by the principles they believe are important. They represent the specific steps the business must accomplish to reach its final objective. To do this, strategic goals must be prioritized.

Resources available to most operations are limited. Thus, not all goals can be reached at the same time. Working on many or all goals simultaneously is desirable. However, it may not be possible.

Prioritizing the goals is a way of making sure the most important things are done first. If additional resources exist, they can be applied toward reaching less important goals.

Once strategic goals are written, make them visible. Hang a copy of the goals in a prominent place where they can be seen by all management team members. The refrigerator in a family operation may be the ideal location. In a corporation, the main office may be the best place. Keeping the goals where the team can see them often helps everyone keep in mind what is truly important to the operation.

Strategic goals for an example ranch :

The strategic goals of the K Bar Y ranch are to:

1. Market grass through the sale of livestock and wildlife products.
2. Market recreational experiences by utilizing the ranch resources and ambiance.
3. Manage all ranch resources in a profitable way, allowing all people involved to enjoy the ranching lifestyle.
4. Be good stewards of all ranch resources, leaving them in better condition than they were when received.
5. Keep all buildings, improvements, and livestock handling facilities updated and visually appealing.

Next Steps

The next steps in planning for the family enterprise involve outlining how the strategic goals will be achieved. Following the Enterprising Rural Families™ model, these next steps include written tactical objectives and operational plans. A description of how to write sound tactical objectives and supporting operational plans will be covered in a future issue of the *Enterprising Rural Families Online Newsletter*.

(Strategic goal setting, along with drafting tactical objectives and operational plans is covered in greater detail in the **Enterprising Rural Families: Making It Work™** on-line course.)

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Goals form the very 'heart' of the management process.

They describe the direction and timing of effort needed,

as well as who will be involved.

Goals can measure progress.

Goals should be all encompassing.