

Three Key Alignments

To Improve your Farm's Management



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Life on the farm can be very rewarding when the planets align and the weather over a production season is perfect; when there are production shortfalls in other parts of the world and the markets respond positively; when you're able to price into market highs. This is a possible scenario but likely occurs once in a blue moon.

There are other alignments to keep in mind when farming; alignments that are much more within a **farmer's control**. **The alignments referred to being business direction, financial performance and management structure**. This is nothing new as these functions have impacted on farms for decades. What is new is the importance of more proactively understanding them and monitoring their alignment as a farm business moves through its lifecycle.

Business Direction

This alignment consideration is really about strategic direction. Farms and farm families should have written vision statements that provide longer term direction of the farm and family. A vision is the foundation of your future: what you want your farm business to become.

Technically, a vision statement should be a little cloudy and grand. Practically, it should describe where you see your farm business five years from now. It is not set in stone. Your vision will evolve over time and as situations change. It represents the direction of the business or where the business is headed. It becomes the roadmap – the 'you can't get there if you don't know where you're headed' reality.

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Financial Performance

Your farm has an existing financial direction. The reality is that it is headed somewhere financially. For most farmers, this is a reactive function meaning that your financial position in the future - say five years from now - will be an outcome of what will happen over that time frame.

The preferred approach is to define what you want, or need, your financial position to be. And then determine what can and needs to be done to achieve it. Think of it as creating your financial vision. It should include financial targets and investment guidelines. **There is a business adage that says that you can't manage what you can't measure.** How do you know if you are tracking to where you want to be financially if you haven't defined the goal?

Logically, there should be a significant degree of alignment between a business vision and a financial vision. I find myself in discussions with farm families where there sometimes is a disconnect between their ideas of where they want their farm to be in the future and their ability to get there financially. Having a dream and then after a time, realizing you can't afford it can be discouraging. Like setting out on a trip and part way along the journey, realizing that you don't have enough gas.

Create your financial vision to realize your goals.

Management Structure

The importance of understanding a farm's management structure, as farms increase in size, become more complex, and transition inter-generationally, has never been greater. The basic management functions on a farm are the same but what's involved in attending to those functions has changed and is changing. For many farms, this is a new and evolving reality.

Simply stated, what does the management structure of your farm need to look like five years from now so that it is appropriately aligned with your financial and business vision? Putting some structure around the management functions on a farm can be a very powerful exercise and doesn't have to be a complex exercise.

Align your management structure with your financial and business vision.

Start by drawing an organizational chart that best represents how your business is being managed. Determine who has responsibility for operations, marketing, financial and human resource management. Next, define what the tasks are in each of those management areas. Then, repeat the process that best represents what you think will be required 5 years from now, both in terms of the tasks and the responsibilities.

Three activities are required. Create your business vision. Put definition around your farm's financial future. Develop a management structure that reflects the current reality and future requirements. Once completed, you will be able to monitor their alignment and make adjustments that will be required to keep them aligned.



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Terry has an interest and passion in providing consulting expertise to farmers, focusing on managing growth and inter-generational transition. He helps farmers develop and implement a business management program that aligns strategy with managerial and financial performance.

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