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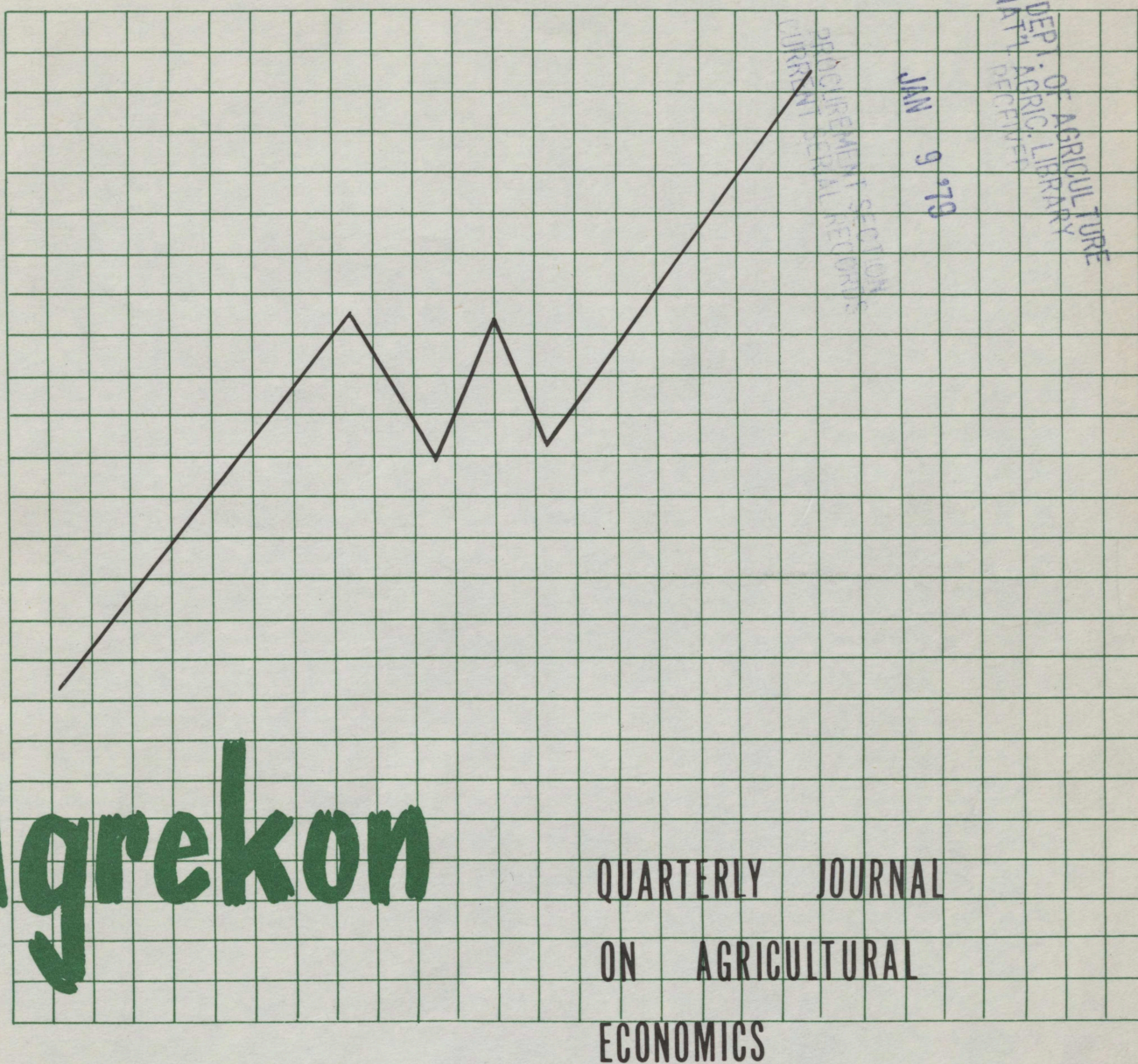
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# FARM MANAGEMENT FROM THE VIEWPOINT OF THE PRACTISING FARMER //

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## INTRODUCTION

No attempt will be made to discuss the functions of management, or to say what constitutes good management. This is the responsibility of the academic and the student of managerial affairs. Experience over the years has, however, taught us of several critical factors which are very important.

## CRITICAL FACTORS IN THE FARM MANAGEMENT PROCESS

### 1. Managerial style

Each individual has a managerial style of his own and he can achieve success in management only if he can find complete satisfaction. Because of this we find a wide spectrum of managerial styles which result in the most autocratic, centralised system, to the most democratic, decentralised management system.

To my mind this managerial style is inbred, in contrast to the functions of management which can be gleaned, learned and perfected by application. Furthermore, management techniques which can be applied successfully to any management style have been developed. Techniques such as target management can be applied equally successfully to an autocratic or patriarchal system as well as to a decentralised system although it is more easily adapted and retains its vitality in a decentralised system of management.

Management style is of paramount importance in the process of managing, especially in large firms. What is of importance is that each manager builds a team around himself, which enables him to make a success of practical management. There are many examples of a successful manager being replaced by an equally successful manager with a different managerial style, with complete chaos in the short term as a result. A team built up by a manager who prefers the centralised style consists of people with the same bias. They tend to wait for orders, are scared to act and make decisions, but are, as a rule, hard workers who can go through a lot of work in a very short time, and very efficiently, when asked.

If this team were to get a new leader who wants to introduce a decentralised system, it would

lead to great frustration and inefficiency. The team waits for guidelines and orders, and few are forthcoming. The team thinks they have a weak leader, and the leader thinks he has a weak team.

In the same way, if a decentralised team is taken over by an autocrat, it leads to great frustration. The leader thinks each member is acting according to his own dictates and not acknowledging him in their daily decisions. He starts limiting their authority. The team dislikes the presence of the manager in what they regard as their own territory, and the result is a conflict situation which can carry on for years and result in great instability.

This principle applies to all levels of management, even for Black overseers, and not only at the highest level in an organisation.

### 2. Chief characteristics of a good manager and of firms with good management

#### 2.1 Good human relations

A manager must build up a team around him with whom he can maintain a good relationship. It would be wrong to say that a good manager must have good human relations. There are good people with whom a good manager could never maintain good relations.

From this comes the whole principle of personnel selection which reduces to the placing of not necessarily the best candidate, but the candidate who will best adopt to the team, therefore also to the managerial system.

Job satisfaction starts here. Job enrichment for people with a managerial style based toward centralisation cannot take place in a decentralised system.

The phenomenon of a person remaining with a certain organisation even at a lower remuneration can be ascribed chiefly to the fact that that person's own managerial style is compatible with that of the head of the firm. All workers prefer to work in an atmosphere of approval, something not possible when managerial styles clash.

Special mention must be made of the relations with Black workers. The Coloured and Indian fit in with the Western way of thinking while the Black is a person who must be approached differently, as he

is motivated by forces different to those which motivate the White. In order to understand and motivate him to greater efforts requires extensive study. It is for this reason that the intelligent manager will leave the handling of Blacks to Black overseers. All economic activity revolves around people, and because farming is so very labour-intensive, we will have to accommodate these people efficiently in our agricultural sector for a very long time. The most important principle is that those aspects which can be seen as motivators of the Black, namely a good wage, just treatment, interest in him and his family, and optimal involvement in the job situation as well as decision-making must be emphasised. The practice of anything which could assail his dignity or hinder him from sharing any opportunity for self-improvement must be done away with. Paying him a sub-standard wage falls in the same category as above.

## *2.2 Setting goals*

The importance of setting goals and targets cannot be overemphasized. Target management is a technique which could be applied successfully to any large firm. Without setting goals as well as a plan of how to achieve these aims within a certain time, no firm can survive, and one wonders at times whether this aspect gets enough emphasis.

By setting goals which must be achieved within a certain period of time, employees commit themselves to achieving certain results and this constitutes one of the strongest motivating forces for success in a firm. Whether a formal system of target management is followed or whether goals are merely laid down - no good firm can do without this.

## *2.3 Financial planning at a high level*

Financial planning includes setting up budgets, keeping records, getting credit, calculating the cash flow and adapting the firm's activities to accommodate a healthy cash flow.

Setting up budgets to fit the technical demands of production and keeping records are activities which find increasing application in practice today. No firm of reasonable size can be without them. Their contribution to successful farming is, however, far smaller than some economists and accountants would think.

They are, however, handy aids for getting credit and for measuring progress. The level of profitability is an indication of how correct past decisions were and if financial results corresponds to planning it gives the creditor trust in the farmer, and builds up the self-confidence of the latter.

The most important single factor in planning remains the calculation of the cash-flow of a firm. So many firms encounter difficulty as a result of problems with cash-flow, and not necessarily because of a lack of solvency. Many farmers do not realise the disciplinary value of forecasting cash-flow for the following year. The lack of such a forecast

easily leads to making impulsive decisions and farmers can possibly lose everything at a time when in reality they should have had many assets. Estimates of cash-flow are of much greater value to successful farming than accurate accounting of production costs of various activities or setting up accurate budgets. Cash-flow estimates are a very important factor in survival strategy, especially in times of economic stagnation. Impulsive decision-making, and especially buying necessary assets such as tractors and implements at the wrong time could stall a farmer and undermine the trust of his creditors.

Another important measure is never to finance long- and medium-term purchases with short-term money, unless liquidity is very high. In the past few years this practice has increased - the farmers' cash-flow has deteriorated and judicial sales have increased.

Knowledge of the Income Tax Act or the use of expert advice in this regard is essential to a successful farming enterprise. Aspects of importance to healthy growth in a firm are tax avoidance or delay, as compared to tax evasion which is illegal.

The economy is subjected to cycles which also influence the farmer. These cycles cannot be ignored, even in controlled sectors, because all inputs are influenced by the cycle. There are times of growth and of stagnation, and managers must adapt to the ruling conditions.

Therefore each firm must have a growth strategy and a survival strategy. Such strategies are of cardinal importance in the agricultural sector in South Africa. In a growth strategy total production costs, but more important prices, must be carefully estimated beforehand and must be monitored throughout. In a survival strategy variable costs are of the greatest importance. Even though it can be proved beyond doubt that it would be economically viable to sell an old asset such as a bakkie or a tractor and buy a new one, it could still be in the farmers' best interest not to buy. Cash-flow and not production costs influence the decision in this case.

## *2.5 Technical efficiency at a high level*

With the passing of the years one becomes increasingly convinced that technical efficiency is one of the most important factors in a successful farming enterprise. While economics teaches of the importance of choosing between alternatives such as enterprise, crop, scale of production and marketing techniques, the knowledge of the agricultural scientist and the application thereof determine profits. After having decided what to produce, the most important aspect is to obtain high production of high quality per unit surface area. It has been proved over and over that although the farmer has to be cost-conscious there is little that he can do on the cost side to enlarge profits.

## 2.6 Timeliness of work

There are 365 days in a year and each one is important if maximum profit is the goal. The most successful farmer realises that profit is influenced to a great extent by the activities which take place in the first few days and weeks of the growth cycle. Lost days cannot be regained, not even with a permanent crop such as sugarcane. Output will be lower at the end of the growth cycle.

## 2.7 Specialisation

The bigger a firm, the more important specialisation becomes. Managers do not all have the same capacity to manage. Near the limits of the maximum span of a manager's managerial ability specialisation is of paramount importance. There are obviously exceptions. In cases where a manager has great ability but a shortage of capital (common enough with new firms), diversification can play a big role in increasing farm profits. There are obviously also areas between crop and stock production regions where mixed farming is the norm. A lot can also be said for introducing a high-risk, high profit-potential product onto a farm which has a stable product as its chief output. Such a product can be of great value on a farm, especially where it not only uses surplus inputs of the main product, but also improves cash-flow to make it more evenly spread through the year.

## 2.8 Staying with one enterprise

A well-known farmer once told me, after I had enquired as to why he had changed enterprises, that if a horse collapses under you, one must saddle up again. This statement is true, but many more farmers have faced bankruptcy because of jumping from one enterprise to another. If an enterprise is adapted to an area and the farmer likes his work, stay with that enterprise. Experience and the concept of "paying your dues" must never be ignored. Many farmers pay their dues their whole life long, and still go under. Generally, the one who perseveres wins.

## 2.9 Price-consciousness

The successful farmer must be aware of long-term trends in prices, especially of factor prices, so that timely adjustments can be made to the composition of inputs. In recent times the energy crisis has become important, and it has become necessary to know what price trends and price expectations of energy sources such as fuel and electricity are, and how much energy is needed to put food on the housewife's table. It is also necessary to be aware of the long-term cost to the country in terms of energy use, a large part of which has to be imported.

## 2.10 Effective management

One of the chief characteristics which a good manager should have is the ability to distinguish

between what is important and what is less important, and one of the most important principles is to ask oneself daily whether the activity which you are at present engaged in, or about to be engaged in, is the most important task for that day.

The ability to identify the most important task and to complete it successfully can be described as effective management. This is the manager who undertakes the right task, as distinct from the manager who does things correctly. It is, however, far more important that the right thing be done at the right time, and this is not always so easy to achieve.

The person who concentrates on doing a job properly can, at any given point in time, be busy with a very unimportant task which will not lead to profit maximisation. The most successful manager is the person who does the right thing at the right time.

## 3. The role of outsiders in farming

3.1 The importance of outsiders for the successful implementation of healthy systems cannot be over-emphasized. Good technical advice is very important in this respect. Farming can never be successful unless a high level of technical efficiency is maintained. It is for this reason that the extension officers of the Department of Agricultural Technical Services, the co-ops and private firms play such an important role. Private firms, such as the fertilizer companies and manufacturers of insecticides and herbicides play a big role in innovation, although they at times create imbalance, while officers of the Department and the co-ops restore balance more than play a role in innovation. It is very important to get the right advice from the right source. To know where to get the right advice as well as what to accept and implement and what to reject is an art which can only be improved through experience.

3.2 Nevertheless, the results of technical efficiency are measured in economical or actually in financial terms. In this regard the creditor could and should play a big part. It is especially the lenders of short-term money, such as the commercial banks and the co-ops which have a big contribution to make. Actually this is the biggest deficiency in our whole farming sector, and very difficult as it has to do with the farmer's most private affairs. The co-ops could and should play a bigger part, especially if a farmer's affairs are not going according to plan. For the more successful manager who does not wish to discuss his money affairs with a reasonably junior official, the banks with their tradition of confidentiality are the ideal place for financial planning. We do not realise what important role these institutions can play in successful farming.

In my opinion bank credit should, especially for beginners, be given and controlled on the strength of a cash-flow statement. This is important to the bank, as it represents an unofficial

undertaking on the part of the client to communicate with the bank, especially when things do not go according to plan. At the same time it represents a valuable service to a valuable client.

The co-ops, especially specialised co-ops, play a big role in giving technical advice, but it is a pity that the important function of giving credit for production purposes is not tied to a better service for providing advice on financial planning. In many cases the limit to a farmer's credit is the ceiling he himself places on the scope of his activities. The co-ops are too interested in their own turnover, and take too little interest in the individual farmer. There are too many auctions of property of farmers who got easy credit. These are as much a reflection on the co-op as on the managerial ability of the farmer.

### THE TASK OF THE AGRICULTURAL ECONOMIST IN THE FUTURE

The agricultural economist of the future will have to be better equipped to:

1. Give direction to development.
2. Identify leaders and to improve the managerial ability of entrepreneurs by extension and training.
3. Be better equipped with technological knowledge so that more balanced analyses can be made, and proposals not be aimed at only short-term financial results.
4. Have more background to the handling of Blacks. Race relations will play a far greater role in successful management than in the past.
5. Play a greater part in the socio-economic-political conditions in the country. The economist of the future will not be able to distance himself from the development of managers in homeland agriculture. We have a very challenging duty in Africa. We need people who can describe the economic life of the Black, as well as people with new ideas for developing homeland agriculture.
6. Play a greater part in the intensification of agriculture as regards the small farmer or the sub-economic unit. Agricultural economics is the only discipline which wishes away the very problem which should justify its existence. It has become necessary for the agricultural economist to apply himself to aiding the small farmer rather than planning, mouthing and conniving his downfall.
7. Make a greater contribution to the study of the possible rather than the study of what has been. Too much research end up on the

bookshelves of our universities where other researchers use it to do research which also ends up on the bookshelves. The principle of the allocation of scarce resources to the most productive use can be applied fruitfully by agricultural economists on their discipline. We can justifiably ask if what agricultural economists are doing today is the most important task which they should perform for the country.

8. Give attention, as regards the use of energy, to the possibility of using more labour and mechanising more slowly. If scientists tell us that the world consumes fossil energy at a rate 200 times faster than nature can produce carbon, the basic element of fossil energy, then we must take cognisance thereof in agriculture since agriculture has experienced a huge increase in the consumption of energy during the past few years.

### SUMMARY

Through the years it has become clear to me that building up a team which is compatible with a certain managerial style is one of the most important requirements of success in farming.

From this naturally flows interpersonal relations, good human relations and the acceptance of common goals, and conflict-situations are avoided. This is the case for both Black and White workers.

Another important factor is that financial planning must be good, and that estimates and control of cash flow are of special importance. In this regard the commercial banks as well as the co-ops can play a big part in ensuring success in farming.

A high standard of technical efficiency which ensures high output of high-quality products remains the basis of profitable and successful farming, and a good basis is important in this respect.

Dividing attention among a large number of enterprises should be avoided at all levels of management, and especially at the lower levels. Furthermore, the fragmentation of work is undesirable, and the greatest job satisfaction is attained when the whole task is performed, and the work is not divided functionally.

In the final analysis the successful manager is the one who works hard, but especially the one who can distinguish between what is important and what is not important, and who does the task which most needs doing every day.