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IMPROVING MANAGERIAL CAPABILITIES OF
LIMITED RESOURCE FARMERS

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As farming technology in North America continues to advance and relative prices of farm products and farm inputs change, there is continued downward pressure on the real incomes of producers who do not make appropriate adjustments. As in the past, such producers frequently have relatively limited resources, even though the resource base and scale of farm operation of those currently in difficulty is typically larger than it was a decade ago. In Canada, approximately one-third of the country's 300,000 farmers had net taxable incomes of less than accepted poverty levels in 1974 (Darcovich, et al.). Of these, about 62,000 relied primarily on farming for their livelihood. The majority (85%) of this group had farm product sales of less than \$25,000.

Such producers typically face four options - give up farming and take up non-farm employment, develop their farming business into a larger and more prosperous enterprise, combine farming with off-farm work or some non-farm business activity, or continue to operate their farm much as they have done in the immediate past. Because of the technical skills required, and the relatively high unemployment rates in some non-farm sectors (particularly in regions where many of these farms are located), the first of these options is often not as viable as it once was, even though the numbers of farmers who potentially

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might take advantage of it is currently fewer. Furthermore, this option is usually inconsistent with such general social goals as maintaining a reasonably balanced population distribution and accelerating economic development of disadvantaged regions. The fourth option is particularly unsatisfying from both an individual and social point of view. However, it should be noted that much of the agricultural adjustment which has taken place in Canada over the last two decades has probably been achieved via this mechanism (i.e., by major changes in the organization of individual farms upon the retirement of operators who have adjusted little, especially during the latter part of their career).

If a limited-resource farmer is going to be an effective contributor to economic development, he must vigorously pursue either the second or the third of the above-mentioned options. In Canada, a variety of mechanisms have been employed to assist limited resource farmers in this regard. Some such programs have concentrated on technology transfer, others on capital expansion, still others on training in financial planning and economic decision-making. In the area of capital expansion, special credit and capital grant programs have been used. In the area of technology transfer, commodity-specific advisory programs and one-to-one counselling have been common. In the financial planning area, credit advisory and farm accounting services have been widely used. In some cases, a combination of two or more of these elements have been employed in the same program. Because of the

limited enthusiasm for part-time farming amongst Canadian policy makers, relatively few, if any, efforts have been made to assist low-income full-time farmers become higher-income part-time farmers.

While the net effect of all these programs has probably been beneficial, the programs themselves have generally exhibited certain deficiencies. Some of them have been very high cost in terms of the time and effort required for individual producers. Others, especially capital grant programs, while giving the appearance of generating significant changes and (not surprisingly) being very popular among program participants, appear to have produced little in terms of achieving a viable, self-sustaining farming sector.

While advisory programs have generally been effective in increasing farm incomes in the short-run, some have lead to situations where clients depended on advisors too heavily. In these cases, a withdrawal of advisory assistance was frequently followed by poor decisions which reduced or eliminated initial income gains. It is also significant to note that, even though many resources have been devoted to this problem area in the past two decades, we still have a limited-resource farm problem and, this is usually most noticeable in regions where the greatest effort has been made. Additionally, it is possible to identify a number of individual cases where special financial assistance appears to have actually made the program participant worse off.

This paper argues that the objective of such programs should not simply be to increase the incomes of program participants. It should be to develop their managerial capabilities to a level where they themselves will ensure that their businesses will continue to grow and develop. Thus, largely on the initiative of the individuals involved, these enterprises will continue to adjust so as to ensure that any short run income gains are not eroded in the future, and that these are, in fact, expanded and increased over time. It is suggested that, by focussing on such an objective, we shall truly be directing our efforts at making limited resource farmers both effective contributors to, and satisfied participants in, economic development.

If we are to pursue such an objective, we need to clearly identify what we mean by improvements in the managerial skills of farm operators, and to establish how the achievement of such improvements would differ from what we traditionally regard as farm management work. This is not to imply that traditional farm management programs have not brought about improvements in farm management capabilities. They undoubtedly have. However, a review of their nature and apparent impact lends one to advance at least one significant hypothesis regarding the effectiveness of this approach.

In the past, much farm management work in Canada has grown out of advisory programs of a largely technical nature. Additionally, in the last ten to twenty years there has been an increasing emphasis on financial planning, and the application of conventional economic

decision-making rules and procedures. A major emphasis has been placed on farm accounting and a national, computerized farm accounting system (CANFARM) has been established. All of these efforts have been received with interest and enthusiasm by selected groups of Canadian farmers. However, many other farmers have expressed little interest in such programs. In some cases this appears to have been because these farmers did not need such assistance; and in others it seems to have been because they could not see the relevance of such programs to their particular situation. As already noted, special attempts have been made (with varying degrees of success) to involve limited resource farmers in some such programs. Meanwhile, many aggressive, commercial farm operators have often made substantial progress in developing their businesses with limited exposure to farm management extension programs. And, this progress was sometimes (or frequently?) achieved with little formal training in some of the materials being studied by their colleagues who were participating in such programs.

This leads us to put forward the idea that good managers have a conceptually different orientation to management than poor ones, and that this orientation is of a more basic nature than the standard technical, financial, and economic matters that are customarily dealt with in applied farm management extension programs. Such a managerial orientation logically leads good managers to seek out the technical and economic knowledge they require, to carry out the relevant sorts of analyses for different problems facing them, and to develop and apply effective managerial tools to assist

them in so doing. It is also hypothesized that farmers who readily participate in farm management extension programs have sufficient basic managerial orientation to identify their need for further knowledge and skill improvement. Successful managers who do not become involved in such programs have probably already acquired equivalent (or superior) knowledge and skills on their own. Poor managers who are not attracted to such programs have insufficient basic managerial orientation to appreciate their usefulness and to select the ones with the most relevance for their particular situation. Many, but by no means all, limited resource farmers appear to be in this latter category.

The advancement of such an argument logically leads one to search for a conceptual framework which enables one to describe, in simple, teachable terms, the essence of successful management. There are two approaches which, when combined, appear to have considerable potential for providing such a framework. These are the rational approach to management (such as that developed by Kepner and Tregoe), and the creative approach (such as that described by Prince). While both of these approaches have been developed largely for non-farm businesses, and usually applied to large organizations, they appear to have sufficient flexibility to permit adaptation to the management of farming enterprises. Furthermore, if used carefully, they will only complement, not replace, existing approaches to farm management work.

The rational approach described by Kepner and Tregoe suggests that the manager must deal with three distinctly different types of managerial situations:

- problem identification (what went wrong?)
- choosing an option (taking a decision)
- problem anticipation (what might go wrong?)

This framework reflects the temporal character of the management function. Managers must make decisions while looking both back and forward in time. The expected results on which decisions are based become the performance criteria against which projects, activities, or enterprises must be judged as they proceed. The monitoring of enterprises or projects, and the making of adjustments when things go wrong, is equally important as the taking of major decisions and the planning for how to implement these decisions. The problem anticipation function is really a mechanism for developing a successful implementation plan.

It would appear that a manager with a sound grounding in this approach who was asked to manage a farm, but knew nothing about farming, would very likely soon end up doing most of the things that we already know good farm managers do (McKenzie, 1977). He would get detailed information on the alternative enterprises possible, make a logical comparison of them, choose a plan of action, utilize performance criteria such as income, crop yields, livestock growth rates, etc. to monitor his plans and ensure that they were proceeding as required. General plans and performance criteria would be used to devise detailed, specific performance measures (e.g., is seeding

proceeding on schedule?) to guide day-to-day and week-to-week activities. The technical knowledge required to do this would be obtained by the manager through following a logical process of determining "what might go wrong" and assessing what he could do to prevent this, or minimize the impact of disasters he cannot control.

The problem analysis function is facilitated by defining a problem as an undesirable deviation between what should happen and what actually does happen. This permits generalizing the analysis function to apply at any level in the farm business. Day to day problems include such things as tractor breakdown and sick animals. More general problems include low crop yields and, of course, low net returns. The Kepner-Tregoe version of the rational approach emphasizes the logical determination of problem causes under the assumption that the manager will often be able to eliminate these or reduce their impact on desired results. For many farming problems, (e.g., low prices and low yields due to poor weather), farmers can do nothing about eliminating causes. Thus, greater emphasis on adaptive action and strategies for dealing with risk are required. Nevertheless, the logical determination of problem cause still is relevant for, without knowledge of this, appropriate solutions are frequently not discovered.

Most rational approaches to the basic decision-making function contain similar concepts to the basic micro production economics we are all familiar with. Some lead one to consider non-monetary consequences much earlier in the process. Kepner and Tregoe emphasize the segregation

of values into two basic categories - "musts" and "wants". The latter increases decision-making efficiency by forcing one to discard irrelevant alternatives quickly. Basic micro production theory can have the opposite effect if not applied carefully.

Potential problem analysis involves the detailed examination of selected courses of action to determine what might prevent their successful execution. As a result, the manager may either return to re-examine his original decision or develop a detailed implementation plan for the proposed course of action. Such a plan will include a variety of preventive measures as well as different types of insurance or contingency plans for problems whose cause may be beyond the control of the manager. For example, if harvesting is a critical point in the farm operation (as it often is), the successful manager will likely have several back-up plans prepared in advance for such problems as major machinery breakdown or loss of hired help.

The concept of a problem can be inverted to provide a useful definition of an opportunity. An alert manager with established measures of performance for his business will continually be looking for ways to improve these indicators. He monitors new technical information sources looking for ways to improve crop yields, reduce costs, increase labour productivity, improve machinery effectiveness, and so on. When he identifies a potential opportunity, he swings into a decision-making mode and assesses the new idea against what he is already doing. It is a simple and easy step once the concepts of problem identification and decision-making have been mastered

and a comprehensive set of performance indicators for the business have been established.

The combination of creativity with a rational management process such as that developed by Kepner and Tregoe provides one with a powerful conceptual framework for developing managerial training programs. Creativity may be viewed by some people as an inherited talent rather than one which can be developed. It may also be considered as an essential characteristic of the artist or the advertising specialist, but not really necessary for a successful farm manager. Nevertheless, it must be acknowledged that there are really only two ways to identify opportunities for improved business performance - copy something someone else has done, or come up with a new idea yourself. As individual situations differ, the first possibility frequently breaks down. It is often not a case of doing exactly what someone else has done but one of adapting it to one's own situation. Additionally, the unique features of some smaller farms dictate that, without creative ideas, there is little hope for much income improvement.

The process of creative thinking can be broken into two elements - one pertaining to the establishment of goals, and another focussed on identifying how to achieve these. The goals are, of course, closely related to the performance indicators established by the rational manager. They may, however, include both new measures of performance and, in the case of existing indicators, levels of performance not previously conceived of as possible. The ability to quickly conceive of such goals can be

readily cultivated. The process of quickly sorting such goals to establish priorities and identify goal hierarchies can also be developed. The mechanisms for discovering new ways of goal achievement are more complex, but there is evidence that these can be developed as well.

In summary, this paper has argued that:

- increasing the managerial skills and capabilities of limited-resource farmers is a potentially effective way of enabling them to contribute to, and participate in, economic development;
- conventional farm management extension programs, by themselves, are often not highly effective in achieving the required increase in managerial capabilities;
- it would appear that, for many limited-resource farmers, a different basic managerial orientation often needs to be developed prior to, or along with, conventional farm management training.
- a combination of the rational and creative approaches to problem-solving and decision-making currently being used in industry appears to have the potential for providing a conceptual framework upon which to base programs directed at fully developing the basic managerial orientation of limited-resource farmers.

FOOTNOTES

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