

BUILDING YOUR MANAGEMENT PLAN

Where Do I Go From Here?

By Paul D. Ohlenbusch

The last three articles looked at the land, capital, labor, and management resources plus the need to develop records to document and evaluate management. All are valuable information needed in the process of developing a management plan which also should be a business plan. But there is more to building your management plan, a lot more!

In fact, a complete management plan is also a business plan. Ranches and farms are businesses just like the convenience store or the discount store down the road.

Over the years there have been a number of guides published on developing a management plan. To provide an overview of the process, there are four basic functions involved. Different guides break these up in various ways. The four functions are:

- Inventory and evaluate resources
- Develop management goals
- Develop management options and plans
- Implement and adjust

These appear to be relatively simple functions but they involve a lot of information, inquiry, and, in some cases, soul-searching (see Figure 1). The more complete the information and understanding of the process, the better the management plan can be. As a caution, if you have never done a management plan, they can take up to a year or more to do a really good job. After that, the updating can be less time consuming unless ownership or management changes.

Each of the functions has sets of information required or brought from the previous function.

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INVENTORY AND EVALUATE RESOURCES

The ability to develop detailed and accurate inventories for the land and capital resources provides three major benefits: where are we now, what is the potential, and provides a benchmark for future inventories and evaluations to document the results of the management plan. It is difficult to document change without data from the past. Financial data alone does not provide changes in vegetation and physical improvements nor does the land data document changes in the capital resources. All are needed. Another area that should be included is a marketing evaluation that includes commodities and customers. What is the future of the products sold and who are the current and future customers. Land, capital, labor, management, and financial evaluations only begin the process.

Labor and management resources are different in that they are evaluations of people. The documentation needed is who is involved (including the owner/manager), their abilities, their goals, and what the associated people(family) desire. The latter is usually the most difficult and often overlooked!

The person providing the management tends to put the needs of the operation before the family desires. An example is a family I knew who had never had a family vacation, that is Dad never went on the family vacation. He felt he had stay home and do all the work.

The family decided they needed a long term management plan to guide transfer of ownership and management across generations. With the help of a planner, the family's "quality of life" was developed. One item the family insisted on was Dad had to take a vacation with the family. The family pointed out that Dad often took care of neighbors places while they went on vacation so why couldn't he ask one of them to look after the place while he took a vacation. After much "hassling," Dad agreed to one week but he could visit some friends operations on two days. It was agreed and so the family took a vacation together for the first time. After the vacation, a request to change the agreement was made. Dad now wanted to take time off to visit other operations because he came back with new ideas and learned new information from the visits he made. After several years Dad and one child now go together as this child will probably take over the operation.

The last part of the example brings up another important part of the management evaluation. What has been done to update to expand the knowledge base of the owner and others. An inventory of recent meetings, conventions, tours, and similar events and potential events to attend is a good idea. Expanding one's horizons

is not only important but critical to improving the operation.

There is one more important part to the inventory and evaluate section. It is the need to write out the current management of each management unit in the operation. It should be the last item developed since it should provide insight along with other data and begin to define the goals and objectives for future management.

Note: The next two functions were detailed in the September-October 2009 issue by Robert Fears' article "The Nuts & Bolts of Writing a Ranch Business Management Plan". The following is a conceptual look at this process.

DEVELOP MANAGEMENT GOALS

The process of developing management goals is more than simply writing out goals. The items required include a vision statement, a mission statement, and goals or strategies.

The vision statement describes what is desired in the future. There are normally three main parts to the vision statement, values and reasons for the operation, what the future operation would like to become, and how the operation benefits the owners, employees, community, and society. The statement should be a guide for the operation through good and bad times.

The mission statement describes what the operation is about and why. Developing the mission statement requires evaluating the current operation from multiple perspectives. These may include how do other people see us, how our financial partners see us, what are we good

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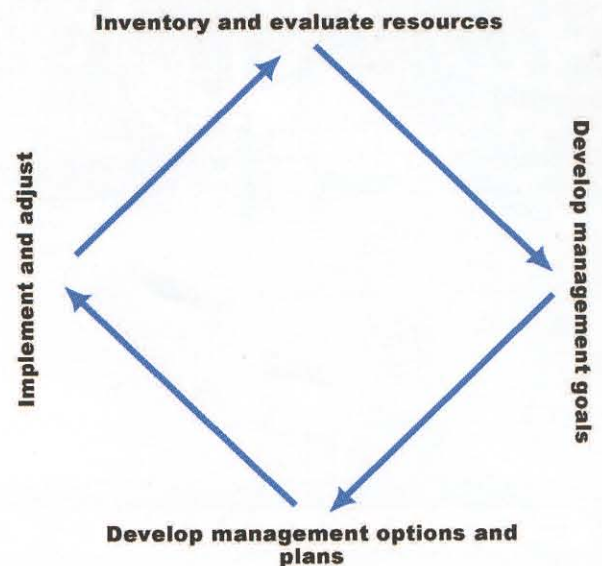


FIGURE 1. A conceptual depiction of a management plan.

at, can we improve our resources and/or value, and how do we see ourselves. Each of these perspectives are important to gain an understanding of what our mission should be and combined provide guidance for developing each goal.

The goals or strategies provide the direction the operation will go in the future. Each goal must define a specific outcome, be measurable both short and long term, be attainable, can be realistically completed, and be trackable (records) over a specific period. In addition, the goal should be appropriate to the operation and easy to document (records). Usually, a goal will use several trackable characteristics to meet the measurement of the goal. If more than one goal uses one or more of the same characteristics, the goals should be linked. One management plan guide lists six possible goal areas that can be used. They are learning and growth, natural resources, commodities and production, customers, financial, and lifestyle. Other approaches use these or similar approaches if they are a comprehensive approach. Regardless, the ability to see the operation through other perspectives is critical.

DEVELOP MANAGEMENT OPTIONS AND PLANS

Once the goals or strategies have been developed and the options to attain the goals have been defined, one or more management options should be identified. Now each of the options must have the operational details of the management developed and the expected outcomes identified. Then budgets for management time, labor time, cost and capital requirements, land resources required, together with projected outcomes and income must be developed. A requirement in the next function, Implement and Adjust, is this monitoring. What, how and when monitoring is to be done should be a part of the plan. If it is not included, the monitoring will rarely be done and the accomplishments of the plan will remain only a 'seat of the pants' evaluation. Try explaining that to a banker who is bank rolling the changes!

After all the goal options have been developed, the next requirement is to determine which options provide the best overall management plan to meet the goals. In determining the best plan, use the perspectives above, that is learning and growth, natural resources, commodities and production, customers, financial, and lifestyle to guide the selection. By returning to the perspectives, the overall plan can be fully developed. The outcome is to try to view the operation from outside.

Part of the process includes developing the practices or resources to be used to change management, particularly when the changes require shifting from one practice to another. This is critical since the budgeting process must

account for the all the costs and returns during the change over.

IMPLEMENT AND ADJUST

What appears too be the last function has been reached. However we will find it doesn't end here. This function is actually three functions, implement the management plan, monitor the progress over time, and adjust the plan to compensate for weather, economic conditions, market changes, and similar factors.

Implementing the plan is usually not a 'throw out the old and dump in the new.' The implementation should be a "phase out the old while phasing in the new." This can be a delicate process if the changes are radical. When radical changes are planned, how the process should occur should have been developed in the Develop Management Options and Plans function. If the changes create different outcomes, return to the budgeting and related changes to update the plans.

The need to monitor the progress over time is to insure the plans are accomplishing what is expected. Monitoring should be done periodically based on the goals and expected changes. Blending the records of the physical (natural resources), financial, labor, and management monitoring make the monitoring a routine part of the operation.

Adjusting the management plan results from two major factors, the plan doesn't progress as laid out or the weather, economic conditions, market changes, and similar factors have changed in unexpected ways. There are also adjustments dictated by the health and abilities of the management, changes in employees (even kids leaving for education, etc.). How these changes impact the management plan may require changing the plan to fit the new environment.

THE BOTTOM LINE

Building a management plan is not a function by function process but a continual process requiring monitoring and adjustment to changing factors (Figure 2). Even when creating a management plan for the first time, you will find the need to update or change data, information, or perceptions during the process.

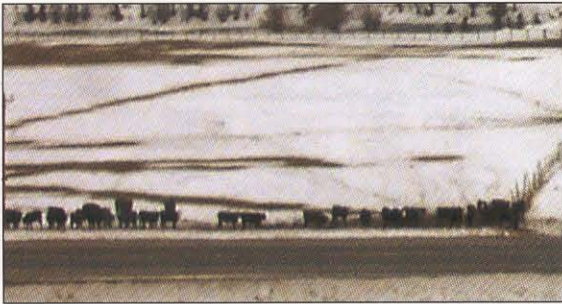
Nature, people, natural resources, environment, and economics are dynamic. As the situation changes, management must adjust as needed.

I work with a graduate forage class that spends two weeks every other year on a bus visiting universities, producers, and industries related to forages. At one producer stop several trips back, a rancher friend hosted them. After being introduced, he welcomed them and

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MANAGEMENT NOTES

JANUARY THROUGH MARCH



Remember, water is critical. If drought is still with you, carefully monitor winter water sources to insure availability. Develop options if sources appear to be less than optimal. Also, begin evaluating water for next year.

Monitor rainfall history for the past 12 months, the forecast for the next 3-6 months, and current soil moisture status. If soil moisture is good, projected plant growth will probably be below average. Plan for below average growth in 2010. (It could fool me!)

Evaluate the status of grazing and browse use for 2009. The amount of use on highly desirable species over winter is critical. If use is heavy, plan to reduce 2010 stocking rates to allow the preferred species to improve..

Finish evaluating grazing and economic management results for 2009 and make adjustments to the 2010 and 5-year management plan based on past weather together with current and potential economic conditions.

Evaluate broadleaf and woody plant control results for 2009. Finish formulating plans for 2010 control needs.

Evaluate the need for prescribed burns in 2010. Finalize the burn plans if growth and burning conditions appear they will be safe.

Develop management options for 2009 seeded areas that need improvement in 2010 as well as long term management.

Consider updating or starting a land resource record. If you use photographs, establish points that you can go back to and photograph at least every year.

Above all, manage for today and the future based on what has happened in 2009, not just today. Management is not easy! Develop a management plan if you don't have one!

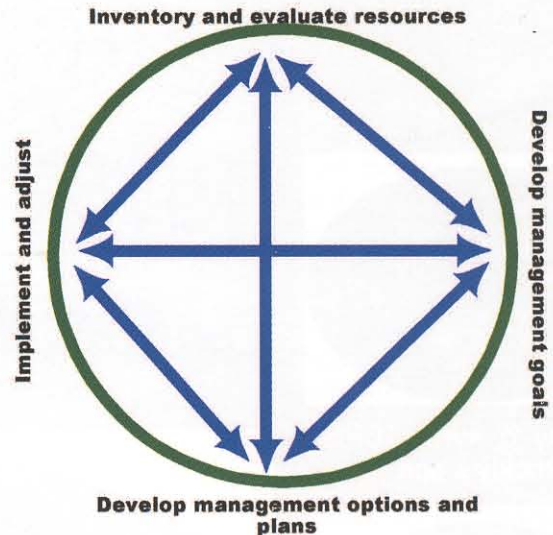



FIGURE 2. A diagram of the process and interactions within the building of a management plan.

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then read the operation's vision statement, mission statement, and summarized the management goals. The class had never heard anyone relate their management plan. As we toured the operation, the students could see how important the management plan was to the operation. Over the years, the rancher has had ups and downs and continues to implement, monitor, and adjust his plans. He even downsized the operation to be more efficient while being environmentally, ecologically, and economically sustainable.

Another example of how people change is a rancher who was asked on a tour in the late 1970's why he called himself a businessman. His answer was 'I am a businessman so I can live the life I love.' About 20 years later, following some serious financial set backs, I privately ask him how we would answer the question. After some thought, his answer was 'I am a businessman so I can live in the country and let my wife work in town!' His attitude and perceptions had changed over the years. The changes made to recover from the set backs were deliberate and planned with adjustments as needed.

Note: Documents used in developing this article can be found on my web site (www.grassbydesign.com/TDA).

Next time, a look at what is happening to water quality both surface and below the surface. 

Editor's Note: Paul D. Ohlenbusch is a grazingland and Vegetation Management Consultant (www.grassbydesign.com). Additional readings and previous articles are available at www.grassbydesign.com/tda.