



Determining business direction

Technical Note B05

Summary

This technical note examines the steps required when farmers are determining the future direction of their business.

Farmers occasionally need to reflect on where they are situated on the business lifecycle and revisit their values, visions, goals and farm plans for the future.

Every business goes through the business lifecycle stages, and different management strategies are appropriate for each stage. A farm family business that is in the rapid growth phase (looking to increase profits) will deal with uncertainty in a very different way to a mature family business that is looking to protect their equity.

Values form the basis of your preferred future or vision and determine how you will achieve this vision.

To make effective business decisions, it is essential to have a clear vision of your desired future. Having a vision gives a business direction and assists in assessing the pros and cons of different opportunities that arise. A vision also motivates people to succeed.

Once a vision has been identified for you and your family, it is important to write down some goals that need to be achieved so that your vision can be realised.

Goals are useless unless they are backed up with an action plan and the action plan is implemented.

Introduction

Queensland dairy farmers are living in uncertain times. New milk contracts with reduced prices and volumes for many, the future effects of government policies and increasing input costs are putting pressure on farm finances and morale. These and other pressures are resulting in many farmers weighing up their business future.

There is only a limited amount an individual can do about government, milk processor and supermarket policy. You can only change what you do and have some influence on the people close to you.

When farmers are challenged to reflect on what they wanted out of life, the response usually include the desire to build wealth, have a good family life and continue dairying.

Market forces in the Queensland dairy industry means that the profit that farmers deserve for their efforts is not always there. Some farmers may choose to change how they operate, some may choose to reduce expenditure and hold on until prices improve and some may choose to stop milking.

Farmers occasionally need to reflect on where they are situated on the business lifecycle and revisit their values, visions, goals and farm plans for the future.



Business lifecycle

Every business goes through several business lifecycle stages, and different management strategies are appropriate for each of the four distinct stages. Figure 1 shows the stages of the business life cycle and how efficiency changes over time.

A farm family business that is in the rapid growth phase (looking to increase profits) will deal with uncertainty in a very different way to a mature family business that is looking to protect their equity that has been built over many years.

The business lifecycle implies there is a start and end to most businesses. However, a business that has reached the maturity stage can choose to change what they are doing, for example they might intensify their feeding system to increase production and allow a new generation to become involved in the business. In this case, the business returns to the start-up stage.

Below the four stages of the business lifecycle are explained in more detail.

Start-up / Entry

The business is developing initial products, defining markets, and deciding what business structure to use and creating its first operational systems. The manager evaluates different alternatives, decides on investment that matches goals, objectives and management ability. Enough capital needs to be acquired and investment made. Often money is lost while the business establishes production.

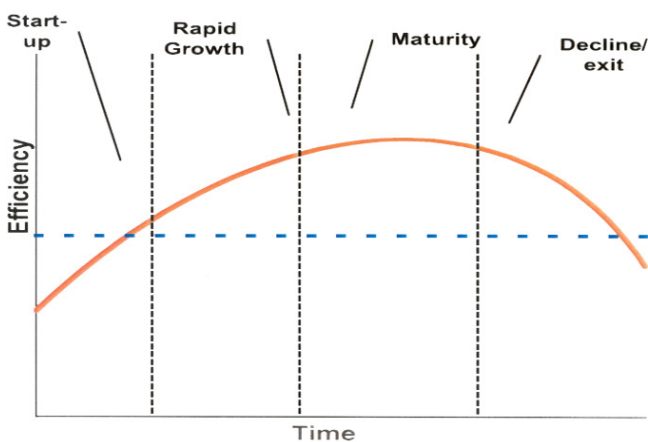


Figure 1. Levels of farm efficiency vary as a business moves through the stages of the business lifecycle



Rapid Growth / Expansion

Production is growing, more employees are needed, operational systems will soon be outgrown and increased revenue brings tax issues. The resource base is expanded through purchases and leases. New production techniques are evaluated and implemented. There is a continued use of external financing to expand business size as cash is needed to support growth requirements. Usually this is the most efficient and profitable stage.

Mature / Prosperous

Growth has brought cash reserves that require investment decision, operational systems need to be further refined and the importance of keeping key employees increases. Emphasis shifts from expansion to estate transfer and income stabilisation. Businesses have fewer opportunities or desires to profitably reinvest in the current operation. Tax liability management becomes a key activity of profitable businesses at this stage.

Transition / Exit

It's time to decide whether to keep the business in the family, diversify investment away from the business, sell or transfer the business or go in a new direction, revitalize or rebuild. This stage is usually not well planned. More cash is generated than can be reinvested. Usually the business is marginally profitable and production declines.

Values

Our personal and business values are beliefs that act as guidelines for life. Values, what we believe, maintain our integrity and assist us in choosing our purpose and direction in life. Examples of values include trust, freedom, equal opportunities for all and accomplishment. Values form the basis of your preferred future or vision (what you want) and determine how you will achieve this vision.

It is essential that you have a clear understanding of what you believe (your values) and what you want (your vision), to make the most effective decisions.

An exercise used during the “Weighing up your Business Future” workshops can help you identify what is important to you. It can be found at

<http://www.selfcounseling.com/help/personalsuccess/personalvalues.html>

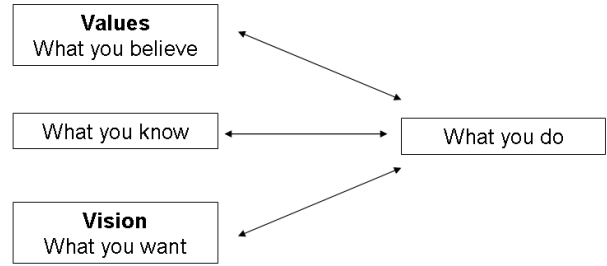


Figure 3. What you believe, know and want all affect what you do

Vision

To make effective business decisions, it is essential to have a clear vision of your desired future. Having a vision gives a business direction and assists in assessing the pros and cons of different opportunities that arise. A vision also motivates people to succeed. If you don't know where you want to take your business in the future, how do you know the decisions you are making today will take you in the right direction to maintain a viable business?

There are three things to remember to ensure a vision will work for you. A vision should be:

- Shared and supported by your family
- Comprehensive and detailed – include how, when, why and what so that everyone knows and understands what their contribution is and how to participate
- Positive and inspiring – to motivate one's self and others to take up the challenge.

The process used in the “Weighing Up Your Business Future” workshops is to first choose a time frame for the vision. Most people choose 5 or 10 years. To define your vision, take a blank piece of paper and complete the following statements.

This is my vision for ____ years time

The year will be _____

I will be ____ years old

Next write down the names of the most important people in your life and how old they will be?

Now draw a picture of your vision of your future. Put in where you will be living, what you will be doing and who is around you. Think about family, the farm and your finances.

Don't forget to share your vision with your family.

Worksheet 2

Values

This exercise is designed to help you reach a better understanding of your most significant values.

Step 1: What I Value Most...

From this list of values (both work and personal), select the ten that are most important to you-as guides for how to behave, or as components of a valued way of life. Feel free to add any values of your own to this list.

Achievement	Having a family	Power and authority
Advancement and promotion	Helping other people	Privacy
Adventure	Helping society	Public service
Affection (love / caring)	Honesty	Purity
Arts	Independence	Quality of what I take part in
Challenging problems	Influencing others	Quality relationships
Change and variety	Inner harmony	Recognition (respect from others, status)
Close relationships	Integrity	Religion
Community	Intellectual status	Reputation
Competence	Involvement	Responsibility and accountability
Competition	Job tranquility	Security
Cooperation	Knowledge	Self-respect
Country	Leadership	Serenity
Creativity	Location	Sophistication
Decisiveness	Loyalty	Stability
Democracy	Market position	Status
Ecological awareness	Meaningful work	Supervising others
Economic security	Merit	Time freedom
Effectiveness	Money	Truth
Efficiency	Nature	Wealth
Ethical practice	Being around people who are open and honest	Wisdom
Excellence	Order (tranquility, stability, conformity)	Work under pressure
Excitement	Personal development	Work with others
Fame	Freedom	Working alone
Financial gain	Physical challenge	
Friendships	Pleasure	
Growth		

Step 2: Elimination

- Now that you have identified ten, imagine that you are only permitted to have five values. Which five would you give up? Cross them off.
- Now imagine that you are only permitted four. Which would you give up? Cross it off.

Figure 2. A useful exercise to help you identify what is really important to you and your family

Goals

Once a vision has been identified for you and your family, it is important to write down some goals that need to be achieved so that your vision can be realised. There are three categories of goals: strategic, tactical and operational.

Strategic goals

Strategic goals are long term goals and often relate to the direction of the business. For instance, increase income so that profits can sustain two families within five years.

Tactical goals

Tactical goals are medium term goals and often relate to changes on the present production system. For instance, change calving pattern over the next 18 months so that milk production better meets market demands.

Operational goals

Operational goals are short term goals and often relate to the day to day running of the business. For instance, improve pasture in the front block within six months.

SMART goals

Good goals need to be SMART

Specific	Who, what, where
Measurable	How much, how many
Attainable	It must be realistic / achievable
Relevant	It must be worthwhile?
Timely	By when



Action Plan

Goals are useless unless they are backed up with an action plan and the action plan is implemented. A good action plan identifies what needs to happen, how it will happen, when it will happen and who is responsible for it happening. These are all steps to achieving a particular goal.

It is important that everyone involved in the business are involved in planning. In particular, if someone is identified as being responsible for activities in the action plan, make sure they know this.

Review

Once a year it is important to review your progress. Think about what happened in the previous year, what worked well, what didn't work well and what did you learn. It is important to celebrate your successes, which might be a BBQ or even a holiday for yourself and those who make the plans a reality and helped you achieve your goals and moved you towards your vision. This review will usually lead to more goal setting and action plans.

Further information

Contact the DAFF Customer Service Centre by Phone 13 25 23, or Email callweb@daff.qld.gov.au

More technical notes can be found at: www.dairyinfo.biz

Values worksheet: <http://www.selfcounseling.com/help/personalsuccess/personalvalues.html>

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