



Economic Toolbox

Hybrid Vigor: The Magic of Consulting Teams

Businesses that excel do things better. Better vision. Better problem solving. Better management of the operation. These results are often obtained because of better information concerning the problem at hand. Well run businesses know the value of correctly identifying the problem before applying the solution.

Farms are complex businesses and farmers rely on expert advice from the professionals they hire for problem identification, problem solving and implementation of solutions. Their equipment dealers, agronomists, veterinarians, feed consultants, lenders, accountants and others provide value by giving information and advice. Managing and using this team of professionals is as important as hiring and managing employees, especially as farms grow in size and sophistication.

Professionals that work with farmers today are highly trained specialists by necessity. Almost as a natural result however, and unlike the generalist of years gone by, today's professionals tend to lose the understanding of the whole picture. In doing so, it becomes more difficult for them to present solutions to problems that meet the constraints facing other areas of the farm business. When this happens both the farmer and his professionals are set up to experience frustration.

The Traditional Approach

Here is an example of how problems are often approached when a dairy producer takes advice from several non-interacting professionals. The business consultant determines that the farm needs to increase production to 64 pounds of milk per cow to meet all cash flow obligations. The dairy producer meets with his nutritionist to see what can be done to the feed ration to help improve milk production. A "hotter" ration is formulated. After three months of tinkering there is no noticeable improvement in milk

production and there are three frustrated individuals. The business consultant sees no progress on the income side although feed costs seem to be inching upwards. The nutritionist sees his credibility slip. The dairy producer is in a worse financial condition. Unaware of the ration changes, the veterinarian begins to see problems with the herd's reproductive condition, wonders what's going on and begins recommending management changes. The producer alters herd management with few results. The veterinarian gets frustrated.

Spring is approaching. The crop consultant wonders why the new minimum tillage adapter has not been purchased. The farmer and he agreed that this would be a sound investment after reviewing last year's harvest results. None of the professionals are aware that the banker is in no mood to lend more money to a business that is already struggling to meet cash needs. To make matters worse, the lender is considering a justifiable increase in interest rates to offset his perceived increase in risk. Finally, the farmer fires his business consultant. At least now it's easier to ignore the bad news.

The Consulting Team Approach

Bringing your individual professionals together as a team once a year or more often if necessary can prevent many of the problems we just encountered. Let's say the dairy producer invited all of the above players to a business meeting in early winter. The business advisor again shows the need to make 64 pounds of milk in order to meet cash flow requirements. As before, the dairy producer wants to adjust the feed ration. This time however, a fundamental change occurs. A discussion between the professionals ensues and it's determined that cow comfort is limiting production, not the feed formulation. (Isn't the feed always to blame?) The banker agrees to fund improvements in facilities to address the cow comfort issue. Next, your crop consultant helps you explain how a minimum tillage attachment pays for itself in two years. In three months milk production has improved and the banker funds the new tillage equipment without increasing interest rates.

Communication - A Manager's Role

Just as the orchestra needs a conductor, the professionals on your team need leadership. The farm manager must first communicate the mission and goals of the farm business. By learning about your mission and goals as a team, your professionals have better information on which to base their recommendations. They are able to see the effect of their recommendations on other parts of the farm business, and are in a better position to tailor solutions that fit within the constraints of the whole farm.

As your team helps you devise strategies to meet your goals, your business plan takes shape. With this clearly defined blueprint for meeting the goals of the business in the coming year, it's important to communicate your progress or lack thereof to your professionals. Financial statements, actual to budget analyses, yield and production records all play a part in measuring the effects of management changes. Without these tools in place, neither the farm manager or his team of professionals can know the results of their actions. Good information communicated in a timely manner can help the manager and the professionals improve their performance.

Hybrid Vigor

For farms experiencing cash flow and other problems, the transformation of suppliers, lenders and others from adversaries to allies is amazing when a consulting team approach is implemented. Part of this improvement is because of better communication. For most people, no news is worse than bad news communicated on a regular basis. More importantly, this transformation of adversaries into allies occurs because the farm manager presents himself or herself as a serious player in addressing issues facing the farm business. Everything is on the table and everyone knows it. With a well-functioning team of professionals you will discover that in this case, the whole is greater than the sum of its parts.