



Farmers as Plant Managers & General Managers: *Which Hat Do You Wear?*

*Craig Dobbins,
Michael Boehlje,
Alan Miller*

*Department of
Agricultural Economics*

Purdue University

*Purdue Extension
West Lafayette, IN 47907*

Management Roles

The rain last night is going to prevent fieldwork today. But Dan is glad to have a moment to sit and reflect on the events of the past two weeks. There is always a lot of activity on the farm at this time of the year, but the unexpected loss of an employee, his crop manager, has made things more hectic than usual. Because Dan is short an employee, he has found himself more involved in planting this year's crop than he had expected. In the past, he'd been able to devote time to making modifications to his marketing plan as the planting season progressed. Fortunately, the crop manager had used the winter period to make sure that all the machinery was in good working order and had also made all the necessary arrangements for input deliveries, so getting the crop in the ground was going along smoothly. Still, running the planter has been taking time away from other things that Dan knows are important.

Planting corn is providing Dan with some time to think about the job duties of the crop manager and the duties of his other employees. In a recent performance evaluation, John, another of Dan's employees, expressed an interest in taking more responsibility for crop production activities. Losing the crop manager might give Dan the opportunity to respond to John's interests.

Although Dan can think about these things while running the planter, it doesn't allow him the opportunity to modify the job descriptions or conduct the interviews that will be necessary to fill the vacant position. He wonders if he should contact an employment agency this time.

And then there is the opportunity for a seed contract. It had come up unexpectedly, and he has to make a decision today. Dan has talked with other farmers in the area about their experiences with contract grain production. The reports were mixed. Some thought it was good deal, while others felt that it was just a bunch of extra hassles that didn't make you any more money. Dan is good at producing bulk commodities, so he doesn't think that seed production will be that much different. Still, he wishes that there were more time to budget things through on his spreadsheet and to have his lawyer review the contract details before he has to sign.

"How do I get it all done—and done right?" Dan asks himself. "Life was a lot simpler when I had a smaller farm, no employees, less volatile markets, fewer regulations, less complex technology . . ."

Dan’s complex life illustrates that the farm business manager has several roles. One role is the plant manager role. This role is illustrated by Dan’s focus on production. Operating the planter, concern about the condition of the machinery, scheduling, and the arrival of input supplies are activities associated with Dan’s plant manager role.

But Dan also has another role—the general manager role. Activities associated with Dan’s role as general manager include deciding which products to produce, the review of the duties of the crop manager and his other employees, development of his marketing strategy, deciding if he should participate in contract production, and hiring the people needed to perform the work.

Changes in Management Skills

Why is distinguishing between the plant manager and the general manager important? Just as the production technology used in farming has changed over the years, Dan’s situation indicates that the management systems and structures required for success are also changing. For example, not long ago the question of what crops to produce on a Midwest farm was easily answered. Government policies placed limits on the acres of corn and wheat that could be produced. Farmers planted the maximum acres of corn and wheat that were allowed, and planted the remaining acres to soybeans. In this environment, technical skills needed to evaluate production systems and to effectively implement the selected system were critical. Being a good plant manager was important.

Today, the answer to the question “What crops should I raise?” is not so easily answered. Cropping decisions involve considering the type of products (commodity or differentiated products) to produce and the types of business arrangements (open market or contract) to participate in. For farmers like Dan, the question “What crops should I produce?” has become “Should we remain in the commodity business, or should we align the farm with one of the emerging food chains?” These issues require the skills of a general manager to adequately resolve.

While technical skills are still important in farming, conceptual and human skills have increased in relative importance (Figure 1). Technical skills represent the ability to use tools, techniques, and specialized knowledge to efficiently carry out production. Technical skills—those of the plant manager—are typically the strengths of most farmers. Conceptual skills involve the ability to analyze and diagnose complex situations—drawing heavily on the analytical, creative, and intuitive talents of the general manager. Human skills relate to our abilities to function well in inter-personal relationships.

Figure 1. Conceptual, Human, and Technical Skills Needed by a General Manager and a Plant Manager

	CONCEPTUAL	HUMAN	TECHNICAL
GENERAL MANAGER			
PLANT MANAGER			

Adapted from Higgins, James M., *The Management Challenge*, MacMillan Publishing Company, New York, 1994, p. 20.

One obvious indication that the importance of human skills has increased is the growing number of multi-operator farms and the increased number of employees found on farms. However, human skills are important in other areas. For example, there has been increased discussion of flexible cash rent leases. A farmer who has decided that a lease of this type would be advantageous will need strong inter-personal and communication skills to explain this type of lease to a landowner. Inter-personal skills are also important in maintaining good relations with lenders and input suppliers. These human skills are also used in negotiating favorable production contracts as qualified supplier arrangements, and in building and maintaining a network of business associates.

The following three sections of this publication provide different but complementary ways to understand the differences among the skills needed by plant managers and general managers.

Management Functions of the Plant Manager & the General Manager

Both plant managers and general managers perform four broad management functions: planning, organizing, leading, and controlling. Planning is the process of setting objectives and determining how the objectives are to be achieved in an uncertain future. Organizing is the process of determining how resources are acquired and allocated to accomplish business objectives. Leading is the process of making decisions about how to influence people's behavior and then carrying out these decisions. Controlling is the process of determining whether organizational objectives have been achieved and, if not, deciding what actions should be taken to achieve them in the future.

While a plant manager and a general manager both perform these four functions, the issues that each addresses are different. Table 1 provides example issues that each manager faces. Studies of non-farm businesses indicate that upper level managers, general managers, spend more of their time in planning, while lower level managers, plant managers, spend more of their time leading and controlling. Organizing and directing are about equally important for plant managers and general managers.

Note that the plant manager is closer to the everyday action of production, an aspect that action-oriented people enjoy. The plant manager is given a set of operational boundaries and strives to develop the most efficient production process.

The general manager is more concerned with the "big picture" items. The general manager needs to be able to see the business as a whole and have a vision of where the business is going. The general manager is less concerned about the specifics of production, the responsibility of plant managers, but the general manager must still use procedures for monitoring production processes. In addition, however, the general manager monitors beyond the business. For example, the general manager is concerned with the actions of competitors in land rental and specialty product markets as well as changes in government policies that may influence the business.

Table 1. Example Issues for Plant & General Managers

Management Function	Plant Manager	General Manager
Planning	Developing improved production methods Identifying tasks to be completed during the day	Determining which products to produce Developing a marketing strategy for products Developing a strategy for farm growth Selecting capital investments
Organizing	Ensuring input supplies are available when needed Developing a machinery maintenance program	Selecting production technologies that will be used Developing a joint venture to lower the cost of acquiring inputs Hiring the needed employees
Directing	Developing training programs for new employees Developing programs for motivating employees Making day-to-day work assignments	Developing and communicating a common vision for the business Developing the employee compensation program Developing personnel management policies
Controlling	Ensuring that expenditures stay within budget Ensuring that quality standards are being met Monitoring various stages of production to be sure that production is proceeding within an accepted tolerance level	Establishing the operating budget Determining the critical items that need to be monitored from the perspective of the whole business Monitoring the activities of competitors

Business Functions of the Plant Manager & the General Manager

Another way to understand the differences in the responsibilities of a plant manager and a general manager is on the basis of business functions. Table 2 lists the various business functions that must be performed in order to have a business operate successfully. Some items are the responsibility of the plant manager or the general manager, while, in other cases, responsibilities are shared.

Table 2. Business Functions Necessary for Successful Operation

Business Function	Plant Manager	General Manager
Procurement/ Merchandising	Has limited purchasing authority Is responsible for delivering products or receiving inputs	Makes pricing and purchasing decisions Maintains relationships with input suppliers and product purchasers Negotiates purchase and sale contracts
Production	Monitors production processes for efficiency Develops operating procedures for delivery of quality products Organizes production to get maximum thrupt	Establishes production targets Becomes involved if poor performance is detected Determines business structure Chooses production technology
Finance	Ensures expenditures do not exceed operating budget	Establishes debt level and debt structure for business Makes capital investment decisions Negotiates loan terms Evaluates alternative methods of financing business Determines type of business organization
Personnel	Supervises employees Provides needed employee training Schedules tasks for completion Conducts performance reviews	Defines staffing needs Determines employee compensation Develops personnel policies
Strategic Positioning	Implements operational dimensions of strategy Monitors operational performance of strategy	Sets the direction for the business Determines which enterprises to produce Develops a team of advisors that can be used to help evaluate ideas
Relationships	Coordinates receipt of inputs and delivery of products Maintains regular contact with input suppliers, service providers, and customers	Determines type and number of relationships to develop with business associates (lender, land owners, etc.)
Leadership	Motivates employees to do their best	Develops an appropriate business culture Serves on boards of community organizations Develops a network with other business leaders
Risk Management	Monitors production processes to prevent problems	Develops contingency plans Ensures that there are adequate levels of liability, fire, health, and life insurance Develops strategies for dealing with legal, human, and financial risks

Attributes of Outstanding Managers

Through his work with The Executive Program for Agricultural Producers, Danny Klinefelter of Texas A & M University has identified attributes that distinguish the best general managers from their competition. These attributes are summarized here.

1. *Four patterns of behavior consistently emerge when you look at the most successful managers.*

These outstanding general managers are willing to adapt to the changing needs of their markets, they are open to exploring new ideas, they operate more as resource managers than as producers, and they recognize the importance of networking and developing alliances across the value chain.

2. *They are strategic thinkers.*

Most farmers are good at tactics and operations. But these outstanding general managers recognize that to be successful, you first have to clearly define what you want to accomplish, then let that determine how you do it.

3. *They are able to objectively and accurately assess strengths and weaknesses in people, including themselves.*

Looking at our own deficiencies is something most of us aren't very good at. There is a tendency to develop blind spots and to err in being either overly critical or overly confident.

4. *They operate in a continuous improvement mode.*

Regardless of how well the business is doing, these general managers realize that there is always a better way. The behavior of these managers reinforces the notion that if your competition is walking, you need to be running.

5. *They look at things from a systems perspective rather than a component perspective.*

It is a matter of not looking at things or decisions as independent stages or events. The general manager has the ability to see the big picture and how things fit together, not just within their own business but across the value chain.

6. *They are calculated risk takers and excellent risk managers.*

These managers realize that successful management is to a large extent successful risk management and that high rewards involve high risks. Because they tend to push the envelope, most have made their share of mistakes and experienced their share of failures, but they're not crap shooters. They do their homework, consider their options, and develop a strategy before undertaking any new venture.

7. *They spend more time thinking about "what if" scenarios and developing contingency plans.*

These general managers don't dwell on the negative, but with every decision, they think about what could go wrong and what they will do if it does. For every entry strategy, there needs to be an exit strategy.

8. *They are more likely to seek input and expertise from outside the business.*

Successful general managers seek out other successful people with whom they can talk openly and from whom they get candid feedback. This often means getting outside their commodity group and away from their home territory.

9. *They see change and challenges as opportunities and don't tend to view themselves as victims.*

If things weren't changing they would be bored. These managers realize that change can create windows of opportunity for those who are prepared to act.

10. *They see themselves more as the head coach than as the boss.*

The general manager tends to lead rather than drive people. A major part of the general management job is to develop and motivate people so that the team is greater than the sum of its parts. As important as incentives are, successful general managers often accomplish as much or more by concentrating on finding ways to remove barriers and impediments to performance, and on communicating to everyone in the organization how what they do relates to other parts of the business and how it affects the overall performance.

11. *Their approach to management is balanced among key performance areas.*

The most successful executives are those who build a management team and develop a management philosophy that emphasizes being good across the board. This includes production, finance, personnel, and marketing (both buying and selling).

12. *They spend more time on measuring and analyzing performance.*

General managers recognize that most major difficulties occur not because problems or opportunities aren't recognized, but because they are recognized or acted on too late. Spending more time on diagnosing problems and analyzing successes also assures that they are treating the cause and not a symptom of the problem.

13. *Their decisions are based more on reason and judgement and less on emotion.*

This doesn't mean they aren't emotional, but rather that they have the ability to separate emotion from reason when it comes to making business decisions.

14. *They are more creative and innovative in their approach to business.*

In particular, these general managers are better able to grasp the key elements of one situation and see how it could be adapted or applied to other situations. They actually seem to seek out situations that challenge their thinking and force them to think outside the box.

15. *Finally, they work hard at communication.*

These general managers realize that one of the biggest roadblocks to progress in most businesses is secrecy. Without a clear understanding of what is going on, a shared vision, and a sense of ownership, it is almost impossible to get commitment and a total team effort. Employees and family members want and need to know what they are expected to do, why they are doing it, and how they are doing.

Final Comments

Production or technical skills continue to be important to the success of the farm business. But an increased level of business risk, the development of food chains, new and more complex leasing arrangements, the structure of compensation packages, creating a vision of what the business will become, development of an appropriate organizational culture, etc., are complex problems faced by today's farm business manager. Addressing these issues requires new management skills. What steps will you be taking to acquire the farm business management skills needed for success in the 21st century?

This publication is part of the Farm Business Management for the 21st Century series. Other publications in the series provide information about the evaluation of management skills, measuring and analyzing financial performance, and applying strategic management to the farm business. For the most current information about Farm Business Management for the 21st Century publications and other supporting materials, visit our Web site at <www.agecon.purdue.edu/extension/fbm21>.

