
Plan for Emerging Possibilities in Farm Business Management

Judge a man by his questions rather than his answers.¹

Business planning is about making choices to determine a path for going forward. These include how the business will position itself both in the industry and the market. As well, choosing which action best allows the business to progress toward goals and objectives.

In turbulent business environments, decision makers are not able to think through all possible outcomes to make choices with certainty. Deliberate planning focused on most likely scenarios and guided by check lists will not prepare a farm business for the uncertainty of a business environment with many moving parts. Similarly, planning based on reacting to problems and opportunities as they emerge can prevent decision makers from addressing the right issue at the right time in the right manner. A decision to finance a major capital purchase in order to gain operating efficiencies in a period of strong market prices may not be beneficial when the most significant issue for the business is an existing vulnerability to declining cash flows.

When facing uncertainty business planning can best be served by balancing the deliberate pursuit of likely outcomes and the flexibility needed to realize unexpected possibilities. The “Plan for Emerging Possibilities in Farm Business Management” series of documents will assist modern farm managers consider new perspectives and new possibilities in the context of business planning and decision making. Thinking ahead with different perspectives and different guiding questions can ensure planning and decision making processes address the right issue at the right time in the right manner.

Learning as a Competitive Strength in Farm Business Management

The ability to learn from experience is the main factor separating successful executives and professionals from those who achieve only middling results.²

Learning as a Means to competitive Advantage

Learning occurs in farm businesses when changes in skills and capabilities contribute to improved business performance. New capabilities are acquired through experience, training, experimentation and networking with peers. Learning contributes to competitive advantage when new capabilities enable a farm business to earn greater profit margins than other farms operating in similar circumstances.³

¹ Cadsby,T.(2014). *Closing the Mind Gap*; BPS Books. Original Source: Voltaire.(1994). *Letters Concerning the English Nation*; Oxford University Press.

² Russo, J. E. and Shoemaker, P. J. H; *Winning Decisions*; (2002)

³ The ARD document *Competitive Advantage Thinking in Farm Business Management* explores the perspective of competitive advantage in farm business management.

The Learning Process

Acquiring new capabilities through learning then gaining a distinct source of competitive advantage does not occur automatically. Learning is a self-directed process of inquiry driven by a felt need to make changes that deal with nagging problems or dissatisfaction with the existing situation.

Lifelong learners continuously pursue new experiences, integrate them with past experiences and implement changes in behaviour to determine if these changes provide solutions to the problem or dissatisfaction. When the changes in behaviour resolve these issues new capabilities are learned. For example, capabilities in grain marketing have often been developed by experimenting with forward contracting tools.

Learning processes for farm business managers have the following elements:

- Past experiences are the foundation for learning. Learning processes interpret what skills and capabilities were learned in past experiences. As well learning processes reflect on how these new capabilities contributed to the progress made by the farm business.
- Learning from past experiences also requires that individuals resist the urge to claim credit for good decision outcomes and attributing poor decision outcomes to bad luck. Learning processes embrace past mistakes as opportunities to gain new knowledge.
- Learning processes should instil the discipline to investigate why past decisions led to certain outcomes in order to avoid repeating poor decisions. Learning and developing enhanced capabilities requires considering why a particular past decision resulted in a particular outcome.
- Learning processes require effective means of evaluating whether changes in behaviour are providing solutions to the nagging problem or dissatisfaction.
- Learning processes should support thinking ahead to consider the skills and capabilities that are likely to be needed to cope with the changes occurring in the business environment. In particular thinking about the new skills and capabilities to capture emerging opportunities and to manage emerging threats.

The Art of Success is to Fail Productively.⁴

Farm businesses that invest in multiple small scale experiments can learn what adjustments in processes and strategies might work or not work in anticipation of changing circumstance. The learning strategy is to try new things where failure is affordable rather than a single large scale investment where the cost of failure is significant. This type of affordable experimentation to support learning, enhanced capabilities and improved business performance is evident in the following:

Crop producers engage agronomists to provide specific services on specific acres to determine if an improved understanding of soil/crop factors can increase productivity on those acres and increase margins for the whole farm business.

Crop producers implement programs of on-farm research to learn how their particular soil responds to different fertilizer or herbicide treatments. Over time these trials can provide the producer with new capabilities in determining economically optimal levels of inputs.

Crop producers may commit to a modest seed production contract to learn whether this crop alternative fits with the farm operations and provides an economic benefit to farm performance.

Livestock producers may take out a livestock price insurance contract to gain protection against price risk as well as gain skill in determining the combination of premium and coverage that is the best fit for the whole farm business.

Crop producers and livestock producers participate in research projects to learn whether advances in technology or new products might provide an economic benefit as well as fit with the farm operations.

⁴ Harford, T.; *Why Success Always Starts With Failure*; (2011)



Asking the Right Questions

A learning organization pursues new experiences, integrates them with past experiences and determines which new capabilities will contribute to improved business performance and competitive advantage.

The following questions can assist individuals incorporate a learning perspective into thinking, planning and decision making.

In assessing past performance what has worked well and **why**?

In assessing past performance what has not worked well and **why**?

How have past experiences including training, experimentation and networking with peers contributed to new capabilities?

How have these capabilities contributed to the progress achieved by the farm business to this point?

What new capabilities are needed to cope with the changes occurring in the business environment?

What experiences would support learning new capabilities to cope with a changing business environment?

How would learning processes assess whether changes in practices or processes resolve the need for new capabilities to cope with a changing business environment?

What are the opportunities to try new things where failure is affordable?

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