

Leadership and Management of Farm Businesses

Fact Sheet 667

James C. Hanson
Extension farm management specialist
Department of Agricultural and Resource Economics
University of Maryland at College Park

Dale M. Johnson
regional Extension farm management specialist
Western Maryland Research and Education Center

Efficient management without effective leadership is like straightening deck chairs on the Titanic.

—Anon.

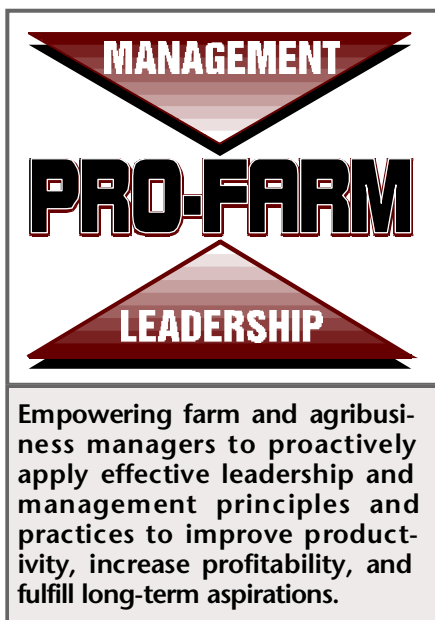
A farm without leadership is like a ship at sea with no clear destination. A farm without management is like a ship with a crack in the hull, soon to fill with water and sink. Leadership charts a sound course for the business operation to follow; management ensures that the business operation is sound.

The farm leader creates the vision and identifies ways to expand resources to carry out the mission. The farm manager efficiently allocates scarce resources to capture opportunities and solve problems. These

leadership and management skills can be applied to all areas of the farm business (Figure 1).

In most farm operations a single owner/operator or partners must carry out the responsibilities of both leadership and management. However, it is still useful for farmers to distinguish

between the two roles. As a leader, the farmer must focus on the long term, through effectively identifying the mission, assessing the needs, and developing a strategic plan for the farm operation. Where will the farm be 10 or 20 years from now? Will it pass on to future generations? What are the long-term goals for growth in net worth and profit? What types of livestock and crop enterprises does the farmer want to be involved in? How will land,



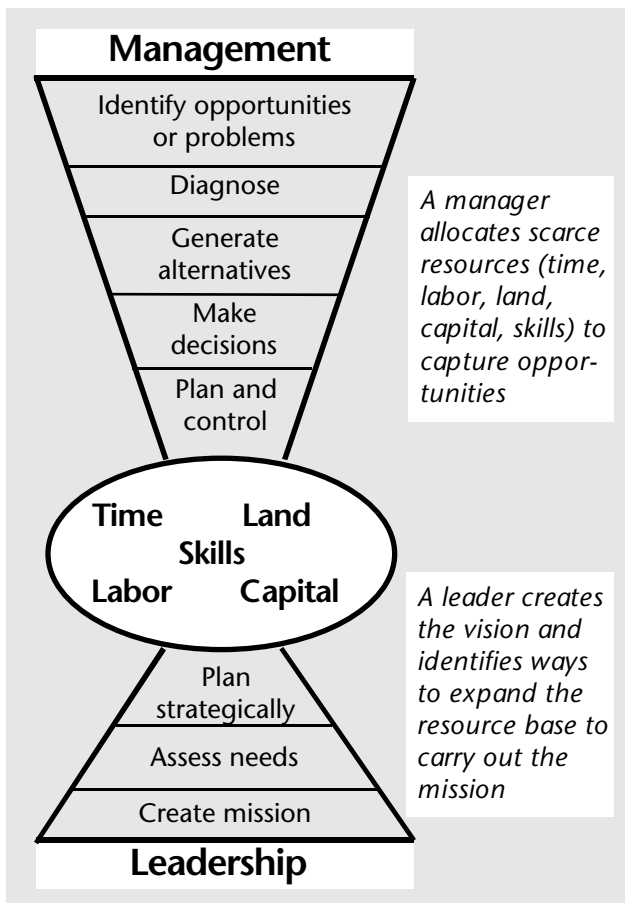


Figure 1. Important tools for effective leadership and management

labor, and capital resources be acquired or reassigned over the years to meet long-term goals? For the farm leader, resources are not viewed as constraints. Over time, resources can be acquired or reassigned.

In the role of manager, farmers must focus on efficiency. They approach an opportunity or problem in which the constraints have been set, and they must work within those limits. Managers tend to deal with short run issues: What is the best crop rotation for this year? What ration should the livestock get? How can the grain harvest be efficiently organized to make use of available labor? Why do we have a consistent problem with mastitis in our dairy herd? Are we overapplying chemicals and wasting money or underapplying and losing yield?

Larger businesses divide leadership and management responsibilities among many individuals. The president and vice presidents of the organization assume the leadership roles, and mid- to lower level managers carry out the day-to-day management responsibilities (Figure 2).

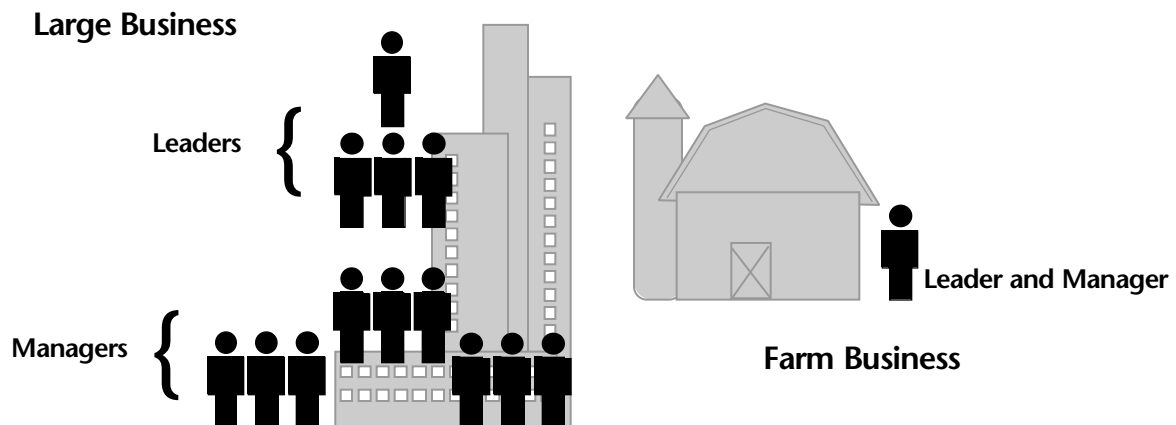


Figure 2. Unlike large businesses, farmers must carry out both leadership and management responsibilities

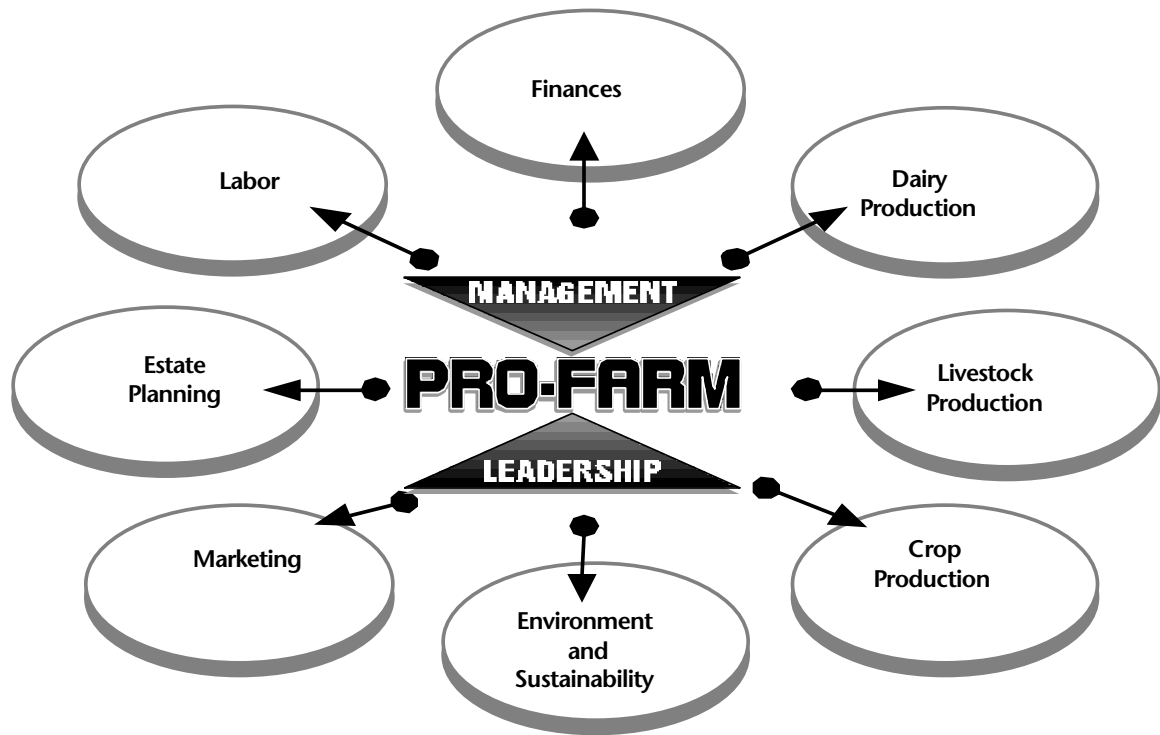


Figure 3. PRO-FARM leadership and management skills have wide applicability to many farm situations

Farmers may have to fulfill both the leadership and manager roles, but they do not exist in a vacuum. Spouse, children, employees, veterinarians, feed salesmen, integrated pest management scouts, and others make up the farmer's team. A farmer is a better leader and manager when he or she includes these people in decisions. Although farm leaders and managers are ultimately responsible, decisions that reflect collective input and shared responsibility are far likelier to succeed.

How does a farmer become a better leader and manager? The process begins with self-evaluation and participation in educational courses such as the PRO-FARM workshop. In PRO-FARM, farmers develop leadership skills. They learn how

to create a mission statement that encapsulates the major purposes of the farm operation. They identify important roles that they and team members play and assess major needs of the farm operation. The farm leader develops a strategic plan and sets goals that will satisfy major needs and ensure the successful completion of the mission.

Through PRO-FARM, farmers also fine tune their management skills. They learn to accurately identify and diagnose farm problems and opportunities, to generate alternatives, and to select the best ones. Using tactical planning and control systems, they can solve problems and realize opportunities. PRO-FARM leadership and management skills have wide applicability to farm situations (Figure 3).

The successful farmers of the future will possess both leadership and management skills. They will determine where they want to be and how to get there. They will not only do things right, but they will do the right things to enhance

their chances for business success and prosperity. Understanding how leadership and management skills differ is essential for farmers to effectively master these skills (Figure 4).

Leaders	Managers
Create the vision and identify ways to expand resources to carry out mission	Efficiently allocate scarce resources (time, labor, land, and capital) to capture opportunities and solve problems
Focus on strategic planning	Focus on tactical planning
Determine where they want to be	Determine how they will get there
Do the right things	Do things right
Focus on the long run	Concentrate on the short run
Find the best ladder to success	Efficiently climb the ladder of success
Are effective	Are efficient
Don't stop thinking about tomorrow	Make the best use of today
Lead from the right side of the brain (the hemisphere of the brain that operates creatively)	Manage from the left side of the brain (the hemisphere of the brain that operates analytically)

Figure 4. Characteristics of leaders and managers