

BUSINESS MANAGEMENT ¹

by Charles H. Ingraham

*As The Case Is New, So We Must Think & Act Anew.*²

We are living in a time that may prove to be the most difficult and challenging for business of any period in history!

I have taken my text from an unimpeachable source, President Abraham Lincoln. You may recall that in his inaugural speech he answered critics of some of the changes he proposed with an observation that went about like this:

"The dogmas of the quiet past are inadequate to the stormy present. The occasion is piled high with difficulty and we must rise to the occasion. As the case is new, so we must think and act anew."

Businesses are operating in a new ball game. There is no manager of the past or present that has ever managed in an economic, social or political climate such as businesses are operating in today. In view of this new challenge a manager, regardless of the type of business he manages, must put management — what it is and what it is all about — in the proper perspective. There are two areas of knowledge a manager must master: 1) the nature of the business he is managing; and 2) the principles and techniques of management. Don't misunderstand me when I say the nature of the business he is managing. I did not say the technology of the business; I said the nature of the business.

Technical knowledge of a business is no longer sufficient preparation for the job of management. The manager of an agribusiness firm — and I classify your firms as agribusiness — in today's dynamic competitive economy must be trained in the processes of business management distinct and apart from the unique technical knowledge of the industry. He needs to understand his firm and the immediate economic environment in which it operates.

There is no question about the success of those managers up to this time whose main

interest was in a specialized area such as production, sales or finance. Those in the past who have done well without specific, organized or conscientious management training have done so because few others with whom they competed were any different and social and economic conditions and the number and scope of regulations were much different than today. In fact, for the most part they were nonexistent.

It's a new ball game today! The management who is not proficient in his knowledge and understanding of management principles and skilled in the techniques of management will be competing with a handicap. His chance of guiding his firm toward success will be far less than in the past.

The competitiveness of today's economy, the high cost of money and labor, and new regulations in EPA and OSHA does not allow sufficient time and latitude for acquiring management knowledge and skills on the job by trial and error. Too many would-be managers have expended their firm's wealth on the wishful fallacy of a magic machine to make management decisions only to find that the magic machine could not replace the human mind, and in some cases the cost of the experience broke the firm and put it out of the ball game.

The magnitude of the risks that can result from mismanagement is so great that management by intuition and magic machine is not a reality. Electronic data processing can be a valuable tool for managers to use to discharge their responsibilities but computers can't manage a firm.

Management of agribusiness firms is continually becoming more complex. Economic integration, the combining of economic functions, shortages, allocations, the cost of money, environmental controls and employment regulations have suddenly become

1. Presented at the 50th International Shade Tree Conference, Atlanta, Georgia, August 21, 1974.

2. President Abraham Lincoln, Inaugural speech

common place in our competitive economy. The necessary increased size and complexity of the firm that is required for it to compete or exist in today's climate creates new problems for which we have no previous data or experience in such matters as: financing, production, staffing, reporting, controlling and public relations.

There are many definitions of management. A few are:

The attempt to achieve a goal through the guided efforts of others.

The establishment and the achievement of objectives.

Management is the work of executive leadership.

Management is the determining of objectives and achieving these objectives with a group of people.

Management is a process consisting of definite functions.

Those who perform this process are managers, members of management, or executive leaders.

Management is grouping work and people, defining working relationships, and balancing the work structure so as to achieve desired results.

From the preceding and many other accepted definitions of management, it is apparent that all have common premises:

1. They deal with management as it applies to a group, and not to an individual.
2. There is an objective, either specifically stated or implied. Management deals with a specific achievement.
3. A manager must relinquish his desire to "do" things himself and get things accomplished through group efforts.

If management is the attainment of objectives through the efforts of other people, then it is important that the manager decide first of all what he wants his firm and its people to do. Then he must allocate the work to those most capable and make sure that all tasks are completed as planned.

To me there are five fundamental functions of management — planning, organizing, directing, coordinating and controlling — that constitute the process of management.

Planning is the selection of objectives and the determination of action to be followed to reach these objectives.

Organizing is the grouping of activities and the structural arrangement of persons, facilities, and equipment and the allocation of authority and responsibility.

Directing is getting the members of the group to carry out their tasks enthusiastically.

Coordination is obtaining and maintaining a balance among the essential activities and individuals involved to harmoniously and effectively reach the objective.

Controlling is seeing that activities conform to the plan.

All managers at all levels perform all five of these basic management functions (PODCC).

In practice, the agribusiness manager will find that these basic functions of management are interrelated. He will also find that the performance of one function may not cease entirely before the next one is started.

The five basic functions of management are not carried out in a particular sequence but are performed as the situation requires. For example, during a period of rapid growth, the organization function becomes a major concern to the firm. Managers of rapidly growing firms may find it necessary to spend a major portion of time realigning responsibilities and establishing new positions as their firm outgrows the more informal organizational structures that have served the firm satisfactorily in the past.

The order in which the basic management functions will usually be performed will be determined by the situations.

Each function affects the others, and five functions are interrelated to form the management process.

The basic functions of planning, organizing, directing, coordinating, and controlling are the activities involved when the true role of management is being performed. We must be careful, however, not to assume that all activities performed by management necessarily fall into this category, since in practice some may be of a nonmanagement nature.

In our new ball game, planning takes on increased importance. The gathering of acts to make decisions about the future has become most difficult. The imagination of the manager is challenged to establish premises upon which he will build his plans.

Planning is the thoughtful determination and systematic arrangement of all the factors required to achieve the goals and objectives of the business.

Planning is getting ready to do the work, not the actual performance of the work.

Planning is the thinking, judging, and deciding function of management. Planning is

considered by many persons as being basic in the management process because it precedes any course of action. Whenever there are alternatives, there is an opportunity to use the planning function.

Planning is the thinking process that precedes action or the doing process in order to achieve the most effective results. Today's manager must avail himself of every possible source of new ideas and evaluate forecasts and predictions as he prepares himself.

Successful managers create change — unsuccessful agribusiness managers react or resist change. The difference lies in planning. The successful agribusiness manager establishes objectives and goals, and determines the best way to achieve them.

The planning function of management is the thinking process for selecting that alternative that will best achieve the firm's objective.

Planning is the job of making things happen that otherwise would not occur.

The planning function starts with viewpoint and objectives of the firm and predetermines:

- What will be done
- Why it must be done
- Where it will take place
- When it will take place
- Who will do it
- How it will be done

Planning is always done with a goal in mind. If desired results are specified, but no goals are set, we have an idea—not a plan.

Management by Objective

What are you trying to do? Did you ever ask yourself that question? If your agribusiness has a well-defined objective, you probably asked yourself that question as one of the steps you used in setting this objective. You had used the same question when setting objectives for yourself, too. Personal objectives are rarely stated in written form, but objectives for a business should be so that all will know the direction they should move the firm.

To compete today your firm will need the services of a professional manager. Even if you are the owner or principle stockholder you may need to step aside and hire a manager and give him sufficient authority to manage. A professional manager will delegate responsibility and the necessary authority. A capable manager

may request the services of an accountant, a lawyer, a financial manager, a personnel manager, an environmentalist, a production specialist, a computer specialist, a political lobbyist, etc. To expect one person to possess all these skills today is unrealistic. As an owner you can have an important roll advising and consulting with the manager. Set up the firm's objectives, establish goals, prepare a profit plan often called a budget, set up controls to measure your progress.

Your manager may elect to manage by exception. That is to establish goals and measures to make certain that the firm moves as planned. Once the goals and accepted measurements or controls are established the manager will want to delegate responsibility and let each subordinate manage as long as his results are within the prescribed measurements. If the results exceed the prescribed measurement, the top manager will want to give his close attention to this area to see how the firm can capitalize on this apparent good fortune. When results are below the accepted level, the top manager will also give attention to the area to reduce losses. Prompt attention must be given to those areas that are not within the accepted range — by prompt it may be within the hour. All this does require records and reporting and here is where the computer can serve the firm — and the computer and its program must serve the firm rather than the firm serving the computer.

The changes we see about us and anticipate in the future will be more costly and in many cases cannot be implemented without adequate credit. By 1985 agribusinesses must become oriented to capital use and control rather than ownership. Heavier use of credit, increased leverage, cash flow, management, budgets and a financial mix for more effective use of invested capital are important planning tools that will be in the limelight.

Agribusiness by the middle of the 1980's will be more sophisticated and will predictably be more intensive than it is today. Credit will be needed in greater amounts to acquire the new technology, factors of production, and to meet regulations.

Planning for this new era will entail new freedoms and concurrently new risks for the manager making his own decisions. These

added risks may be translated into greater danger of losing money.

One of the greatest pressing needs is now and will be for financial planning.

Financial management is important because it is requiring more money at higher costs. More capital resources are needed to sustain a business today than a few years ago. Facility costs for land, buildings, machinery, and equipment are high and they are increasing. Peacetime shortages are requiring some inventories to be kept at a higher level and customers are demanding larger and more diversified stocks of goods which result in larger investments of capital.

Labor costs have increased as salaries have increased with inflation and with extra labor costs as a result of OSHA, EPA and other regulations, capital requirements for labor become extra important.

In this whole field of financial management and financial planning many managers, generally speaking, are sadly lacking. Today's managers must recognize that they are operating in a highly competitive field and that modern management of financial resources is a must. The major tools to be used in financial management are budgets, cash flow projections, and projected balance sheets.

Some managers, like myself, may find it advisable to employ the services of a financial expert to assist him in this important area.

Growing concern about the quality of our environment will be a phenomenon of the immediate future and this will be one more area that will impinge upon the manager and leaders and how they use their dollars. Those who use chemicals have become increasingly aware of

the regulations and potential regulations that may change the way they do things and ultimately increase their costs of production.

The cost of meeting the existing regulations and the uncertainties of future requirements may affect debt repayment capacity and add another element of risk. The rapid obsolescence of facilities, equipment or inventory due to changing technology and regulations must be planned and priced for.

The manager must take time to manage and have the skill to effectively blend people, land, materials, money, machines, methods and markets — always keeping in mind the firm's objective to establish goals, to plan the mix of these factors of production and their employment, to organize within his constraints these factors of production, to direct these factors of production toward the established goals and by preestablishing controls maximize returns. The manager must coordinate the activities of his firm while recognizing the ever present pressures of the owners, the public, the government, other competitive firms, new technology, and the national and world economy. Machines, persons, money, and land must all be fitted to the tasks they are expected to perform.

Successful managers will recognize that "As the case is new, so must we think and act anew."

You've come a long way baby, but you ain't seen nothing yet.

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ABSTRACT

Roberts, B.R. 1974. **Trees under moisture stress.** The Buckeye Arborist 5(6): 4-6.

There are four methods which could be utilized by plantsmen for measuring the status of water in plant material. These techniques, which are neither complicated nor time consuming, can, if used properly, provide a useful estimate of plant water balance. However, we should remember that any measuring procedure has its limitations, and whatever method is employed, the use of representative and comparative samples is very important. The four methods are pressure equilibration, liquid equilibration, stomatal aperture, and relative water content.

Although there are many other techniques for estimating plant water status, the methods reviewed represent the most expedient procedures for use in the field and/or with limited supplies and equipment.