

The Business Of Farming: Managing for Change

It is not the situation but what you do about it that determines the future

By S. D. Parsons

As I write immediately after the elections, which have seen the first effective parliamentary opposition in almost 40 years, it is time to take stock of where we are headed and how to manage for what we want.

In previous articles I have distinguished between working on the business versus working in the business as well as on some aspects of economic and financial management. If there was ever a time to learn about those subjects, and more importantly to apply that knowledge, it is now.

Bill Clinton's rallying cry eight years ago was, *It's the economy stupid*. The same can be said for Zimbabwe today as the governing party determines what to do over the next two years. One thing is certain and that is that it will take time for the economy to recover. It will not happen overnight. Regardless of what the government decides to do, business people throughout the country must make decisions about where their businesses are headed. Leaving the future to chance and hoping for the best is a very poor second choice. As my by-line states, *It is not the situation but what you do about it that determines the future*.

You are probably as aware as I am of farmers who were apparently highly successful and who are now in trouble. It would be a sad event to see yet more well-established farmers going to the wall for lack of attention to these crucial aspects of management. I was amazed to hear a well-known farmer say that he could not afford a morning a week to manage his business. In this sense managing means working on the business, getting the economic and financial house in order and not just handling immediate short-term crises.

Will you down-size, or grow the business? Are you contemplating adding new enterprises or adding value to existing enterprises through direct marketing? Do you anticipate the next generation joining you? If so, who will make the management decisions and how will you resolve differences of opinion? What steps should you take now to minimise potential future risks? How will the business be financed now and in the future?

Those are just some of the critical questions that need to be addressed and answered as a first priority when working on the business. They don't go away because there is a crisis. On the contrary, attention to those issues becomes even more important and ever more urgent.

In various talks I have held around the country there are always one or two people who raise the obvious complaint that we sell at 38 cents and buy at 61 cents. That is true, and unless the government officially sanctions devaluation that is the environment in which we have to operate. There is no point in crying in our beer about that, but there is considerable merit in asking ourselves what we are going to do under the circumstances. Complaining will not make the problem go away so let us accept the things we cannot change and rather manage for those we can.

Some communities are doing just that. Just before the election I was invited to facilitate a meeting in Glendale attended by some 70 people whose express objective was to phrase the questions they will have to address to ensure a successful community ten and more years from now. For me, that meeting was a first. I have never before encountered a group of people, a community, who proactively make such far-reaching decisions. Their foresight is commendable.

Given the current state of the economy, the inflation rate and cost of money, every business, whether it be self-financed or dependent on credit, must inevitably take time away from farming to attend to the really practical issues of staying in business. Unfortunately our agricultural training, both formal and informal, does not equip farmers for working on the business instead of just in the business. Yes, Zimbabwean farmers are good technicians

well-versed in matters of agronomy and animal husbandry, but sadly deficient in economic, finance and strategic management.

In broad terms there are three types of business viz. cashflow businesses where the business is highly dependent on a positive cashflow to survive. This business is unable to cover opportunity costs on equity, and in reality the owner has merely created a job. The second is what we call an equity, or subsidised business. This business, also unable to cover opportunity costs, is sufficiently large so that the owner can live on capital despite a very poor return on investment. Both of these businesses can be considered lifestyle businesses. They do reasonably well when conditions are favourable but are likely to succumb to unexpected risks like those now facing Zimbabwe. This may be a good time to ponder whether you fall into either category.

The alternative to a lifestyle business is that rather rare breed which makes sufficient profit to cover not only cash expenses but also opportunity costs. If commercial agriculture is going to survive in this country we need more business of this type. And survive it will, but not necessarily with the same players. Grasping the nettle by facing reality and eliminating the deadwood may be painful in the short-term but it certainly beats the alternative.

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