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CC312 Revised 1985 Goals for Family and Business Financial Management Part I : Overview and Self-Assessment

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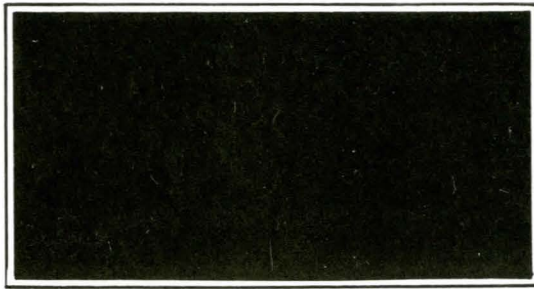
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GOALS FOR FAMILY AND BUSINESS FINANCIAL MANAGEMENT

PART I: OVERVIEW AND SELF ASSESSMENT

Paul H. Gessaman
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GOALS FOR FAMILY AND BUSINESS FINANCIAL MANAGEMENT

PART I: OVERVIEW AND SELF-ASSESSMENT

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and

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This is the first of a series of three Campaign Circulars intended to help you be a more effective manager. It starts with a background discussion of goals and goal-directed management. Self-assessment questions are provided to stimulate your thinking about several aspects of farming/ranching and family life. In case you are interested in being employed off the farm/ranch, or are thinking of changing work arrangements that you now have, a series of interrelated questions will help you assess your potential for other types of employment.

THE OVERVIEW

Imagine that you are on an airplane that has just taken off from Honolulu for a non-stop flight to the mainland. What would you think if this announcement came over the intercom:

Ladies and gentlemen, this is your captain speaking. We're now traveling east across the Pacific Ocean. If all goes well, we soon should be able to look down and see land below us. If we do, we'll hunt for a city that has an airport. When we find one that we think looks good, we'll land and find out where we are. Then, we'll decide where we want to go on the next leg of this flight. Meanwhile, folks, just sit back, relax, and enjoy the flight. The jet stream is behind us today, and we'll soon be traveling more than 550 miles per hour.

Would you want to ride on that airplane? How confident would you be that you would arrive safely and on-time? Would you wonder why it was an advantage to travel at 550 miles per hour when you weren't sure where you were going?

The pilot needs to know where the flight is going, how it is to travel (what route), and when it is to arrive. For effective management of your home and farm/ranch, you should be like a pilot that you'd be willing to fly with. You should know where you are going, how you are to get there, and when you are to arrive -- information comes directly from your goals.

If you've not identified your goals, or don't know how you are going to attain them, you are not alone. Most people hope for a better future, but few set goals describing the future they want and then manage for goal attainment. To help you be a better manager, this series of circulars provides a method of identifying goals and developing a goal-directed management plan,

Goals and Management:

If you and others in your family are like most persons, from time to time you may have pondered questions like these:

- What do we (I) really want in life?
- What can we (I) do that will be most productive and worthwhile?
- What are we (I) really trying to achieve through our use of time, effort, money, and management skills?
- When should we (I) be able to achieve these things?
- What can we (I) do when really important things conflict with one another? i.e. How are the inevitable conflicts among things hoped for and dreamed about to be resolved?

These fundamental questions of life are not easily answered. They are "goal questions" concerned with the hopes, dreams, and ambitions of yourself and the members of your family.

Goals are a very personal aspect of life. While your family life goals and goals for your farming/ranching operation may be similar to those identified by others, they will be unique to you (your family). They will reflect your values and beliefs, the resources you have to work with, and the opportunities and limitations that you face. Through their goals, each person, family, or business unit, identifies its aspirations for the future.

If goals really are this personal, you may wonder why we start a discussion of family and business financial management by focusing on goals and priorities. We do so because individuals and families seem much more likely to achieve the things they want in life if they know what they are trying to accomplish, how they want to carry out their actions or decisions, and when their efforts are to be completed.

In a practical sense, goals are statements of the things that individuals and families want to achieve. Choices among competing or conflicting goals are made through priority-setting decisions. Goals are attained through long-term and day-to-day management decisions that are goal-directed. If you know your goals and manage to attain them, your goals provide the principal basis for family and business management decisions. Goals are important.

It's also important to realize that goals, priorities, and management plans are not final and unchanging. When market prices change; family members marry; death claims a spouse, parent, or partner; land is gained or lost; or other changes come, you will be working under new conditions. The human, physical, and financial resources that can be used for farming/ranching and personal life may differ from that expected at the time a management plan was developed. Some of your original goals may be unattainable. New interests (and goals) will emerge, and priorities will change. When this happens, goals are modified, priorities are revised, and plans are updated. Despite the time

and effort that is required, this updating is important as it renews and improves your capability for effective management.

The Approach Used Here:

A three-part exercise in goal identification, priority-setting, and management plan development is provided in this series of circulars. This circular (CC 312, revised July 1985) is Part I. It starts with self-assessment questions intended to stimulate your thinking about the aspects of farming/ranching and family life that you enjoy (usually the things you will do well), and those you do not enjoy (and may do less well). A number of closely related questions will help you (you and your family) think about possibilities for other employment as a supplement or a substitute for your present involvement in farming/ranching.

Insights gained from the self-assessment will help you identify your goals. In Part II (CC 313, revised July 1985) you will develop brief written statements of your principal goals for business and personal life. Don't be surprised if your list contains goals that seem to be competitive or conflicting, as that's the case for most people.

In Part III (CC 314, revised July 1985) you will assemble information and make decisions about the priority you want to give to each of your goals. This approach will help you identify goals (or combinations of goals), that are the most important and most urgent. Part III also provides the framework for development of a management plan.

The management plan will bring together your insights about the needs and potentials of your farming/ranching operation and family life situation. The plan will link high priority goals and your family and business activities for the coming year. The worksheet includes spaces to record projected claims on resources and expected returns from each activity.

When completed, the management plan will reflect your goals, priorities, and plans for the future. Over the longer run, it will need amendment and updating as the future unfolds. In both its original and amended forms, it will provide an overall design for your family and business financial management activities.

THE SELF-ASSESSMENT

Is Farming/Ranching Your Best Occupation?

Is there anyone in farming/ranching who hasn't said at one time or another, "Why did I ever want to be a farmer/rancher?" While that question may be raised at any time, it is most likely to be heard just after events like these: (a) a hailstorm has destroyed a growing crop, (b) one or more of the young stock have broken through the ice and drowned, (c) the veterinarian has said, "We'll have to quarantine the whole herd," (d) grain must be sold because a loan payment is due and for two weeks the grain price has been declining, or (e) an already late harvest is hindered by freezing rain and wet snow in the first week of November. Under these and similar conditions, "Why did I . . . ?" is a typical human response to adversity and doesn't carry much meaning.

Under other conditions, "Why did I ever want to be a farmer/rancher?" can be a festering sore that weakens motivation, undermines enthusiasm, and brings unhappiness to the entire family.

No one but you (you and your family) can know whether you really want to be a farmer/rancher. Even if you do really want to be a farmer/rancher, it may not be possible for you to continue in farming. Or, if you are a person who wants to leave farming/ranching, your opportunities for other employment may be quite limited -- which could mean that farming/ranching may be the best choice for now. Whichever applies, the decision is yours, and yours alone.

Recognizing that farming/ranching and family life interact constantly, the self-assessment questions focus on the motivations, interests, abilities, skills, and satisfactions of each person involved in the farming/ranching and family life activities. When completing the self-assessment, each person initially records his/her answers without discussing either the questions or answers with others. Be as honest with yourself as possible, remembering that there are no "right" or "wrong" answers. Your objective answers are needed as the foundation for more effective management of farming/ranching and family life.

After each person has completed answering the self-assessment questions, family members and/or business associates can share and discuss their answers with each other. In the discussion:

- Be totally open and honest with one another;
- Resist the temptation to make value judgments about each other's statements;
- Refrain from reacting until the other person has fully expressed his/her ideas and point of view.

Use one copy of this circular to record the responses of family members and/or business associates. Where disagreement occurs, discuss the differences. If your discussion does not result in agreement, record the range of perspectives so you have a more complete inventory of the interests, skills, and abilities available within the family and/or business operation. Information and insights gained through the self-assessment questions will provide you with background information for your goal identification, priority setting, and management plan development activities.

Keep in mind that the self-assessment is not intended to tell you that you should, or should not, continue in farming/ranching. It will help in identifying family members' interests and motivations and improve your knowledge of family and business associates' skills and abilities.

SELF-ASSESSMENT

INTEREST AND MOTIVATION QUESTIONS

These questions will help you identify your interests and sources of satisfaction and motivation in farming/ranching and in family life. After you have completed these questions and the related summary statements, a second group of questions will help you inventory knowledge, experience, and skill resources that can be important if you are thinking about part-time or full-time non-farm/ranch employment.

Answer these interest and motivation questions without discussing the questions or answers with your spouse and/or business associate (if you have a spouse and/or business associate who also is participating). You will share your responses to the questions and discuss their meanings as you develop a series of statements described in the pages that follow Question 49.

BE AS ACCURATE AND OBJECTIVE AS POSSIBLE IN ANSWERING THESE QUESTIONS. AS BEST YOU CAN, IGNORE YOUR PRESENT WORRIES AND CONCERNS, AND FOCUS IN ON THE "REAL YOU." DO YOUR BEST TO RESPOND WITH THE PLAIN UNVARNISHED TRUTH. YOU NEED FACTS AS YOU STUDY AND WORK TO IMPROVE YOUR FAMILY AND BUSINESS FINANCIAL MANAGEMENT.

Please circle the answer that most closely describes your response to each question. The abbreviations mean:

SA = strongly agree

A = agree

U = undecided

D = disagree

SD = strongly disagree

- | | | | | | |
|---|----|---|---|---|----|
| 1. I'm glad to be living/working on a farm/ranch. | SA | A | U | D | SD |
| 2. On most days, I look forward to doing whatever work needs to be done that day. | SA | A | U | D | SD |
| 3. I'm satisfied with farming/ranching as my occupation. | SA | A | U | D | SD |
| 4. I enjoy farming/ranching for the variety of challenges that it presents. | SA | A | U | D | SD |
| 5. I think that farming/ranching is the best occupation for me. | SA | A | U | D | SD |
| 6. I think that being on a farm/ranch is the best situation we could have even if our income may be less than it would be elsewhere. | SA | A | U | D | SD |
| * * * * * | | | | | |
| 7. I like our home and our style of living. | SA | A | U | D | SD |
| 8. It's important to me that the entire family work together in the farming/ranching activities. | SA | A | U | D | SD |
| 9. During busy seasons, farm/ranch work comes before family and/or church responsibilities. | SA | A | U | D | SD |
| 10. It's not uncommon for me to delay work that really needs to be done so I can take family members to their high priority activities. | SA | A | U | D | SD |
| 11. Whenever money is short, basic family needs for food, clothing, shelter, and health care should be met first. Then, farm/ranch operations must have first claim on any remaining funds. | SA | A | U | D | SD |
| 12. If I have to make a choice between spending on higher education for family members or spending on farm/ranch expenses and machinery, I'll usually spend for farm/ranch purposes. | SA | A | U | D | SD |
| * * * * * | | | | | |

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|-----|---|----|---|---|---|----|
| 13. | I like to raise and/or care for livestock. | SA | A | U | D | SD |
| 14. | I like to work with machinery and equipment. | SA | A | U | D | SD |
| 15. | I like to raise and harvest grain and hay crops. | SA | A | U | D | SD |
| 16. | I like to keep my machinery, equipment, and vehicles in good well-maintained condition. | SA | A | U | D | SD |
| 17. | I like to keep the buildings and farmstead neat and well maintained. | SA | A | U | D | SD |

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|-----|--|----|---|---|---|----|
| 18. | In farming/ranching, I enjoy the office work that's required (records, paying bills, etc.). | SA | A | U | D | SD |
| 19. | I like to buy and sell livestock. | SA | A | U | D | SD |
| 20. | I like to buy and sell grains and hay. | SA | A | U | D | SD |
| 21. | I enjoy trying to keep costs down when purchasing supplies, small equipment, and other inputs. | SA | A | U | D | SD |
| 22. | I enjoy the business dealings required when purchasing or selling vehicles and equipment, or negotiating with lenders and dealers. | SA | A | U | D | SD |
| 23. | I enjoy looking ahead and planning for long-range management decisions. | SA | A | U | D | SD |

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|-----|--|----|---|---|---|----|
| 24. | Compared to others, I think I get better yields and/or higher levels of livestock production. | SA | A | U | D | SD |
| 25. | Compared to others with similar operations, I think my net income usually is greater. | SA | A | U | D | SD |
| 26. | Compared to others with similar operations, my debt level is less. | SA | A | U | D | SD |
| 27. | Compared with others in the community, I believe I work more and manage better. | SA | A | U | D | SD |
| 28. | Compared with others in the community, I have less difficulty in recruiting and retaining capable employees. | SA | A | U | D | SD |

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|-----|--|----|---|---|---|----|
| 29. | I could enjoy working in an occupation other than farming/ranching. | SA | A | U | D | SD |
| 30. | I could enjoy working on a farm/ranch operated by someone other than myself. | SA | A | U | D | SD |
| 31. | Having at least one member of the family working off the farm/ranch would be a good situation for my family. | SA | A | U | D | SD |
| 32. | I would encourage my spouse to be employed off the farm/ranch if he/she wanted to do so. | SA | A | U | D | SD |
| 33. | I would encourage my spouse to be employed off the farm/ranch only if we badly needed additional income. | SA | A | U | D | SD |
| | * * * * * | | | | | |
| 34. | Before making decisions, I prefer to discuss financial management issues with family members and/or business associates. | SA | A | U | D | SD |
| 35. | I enjoy developing a step-by-step plan for responding to the financial management needs of our farm/ranch and home. | SA | A | U | D | SD |
| 36. | I am involved with my spouse and/or other family members in planning for retirement. | SA | A | U | D | SD |
| 37. | I'm comfortable with the level of communication on financial matters that we have achieved within the family and farming/ranching unit. | SA | A | U | D | SD |
| 38. | When financial management decisions have been made, I find it relatively easy to stay within the intended pattern of spending, borrowing, and repayment. | SA | A | U | D | SD |
| | * * * * * | | | | | |
| 39. | I'm satisfied with the educational opportunities that are available for the persons in our household. | SA | A | U | D | SD |
| 40. | I am satisfied with my level of involvement in community activities and organizations. | SA | A | U | D | SD |
| 41. | I'm satisfied with my level of contact and interaction with friends and family members who do not live with me. | SA | A | U | D | SD |

- | | | | | | | |
|-----|---|----|---|---|---|----|
| 42. | I'm satisfied with my opportunities for work, recreation, self-improvement, and service to others. | SA | A | U | D | SD |
| 43. | I'm satisfied to live with the level of claims on my time and energy that I've experienced in recent years. | SA | A | U | D | SD |
| | * * * * * | | | | | |
| 44. | I enjoy the office work needed to keep the household operating in good shape throughout the year (keeping records, paying bills, etc.). | SA | A | U | D | SD |
| 45. | I enjoy managing to keep costs down when purchasing groceries, clothing, supplies, appliances, and all the other things needed to keep the household operating. | SA | A | U | D | SD |
| 46. | I find it satisfying to do the cooking, cleaning, organizing, and managing of time and effort required to run a household. | SA | A | U | D | SD |
| 47. | Farm/ranch work is so important that I don't mind changing my day-to-day activities to ensure that the work is done when it is needed. | SA | A | U | D | SD |
| 48. | I enjoy being the farm/ranch "go-fer" during busy seasons as it is important to the smooth operation of our farm/ranch. | SA | A | U | D | SD |
| 49. | I enjoy receiving assistance with household activities and responsibilities during the less busy seasons of the year. | SA | A | U | D | SD |
| | * * * * * | | | | | |

In the next portion of this activity you can develop written statements that summarize your thinking about several aspects of your farming/ranching and family life experiences. Insights drawn from your responses to this series of 49 questions will help you formulate the statements.

SELF-ASSESSMENT

INTEREST AND PREFERENCE STATEMENTS

In this part of your self-assessment you will develop a series of nine statements about your farming/ranching interests and preferences. These statements will be based on responses to the 49 self-assessment questions and insights gained through the discussions with family members and others who are involved in your farming/ranching operation.

This process will be easier if you consider the questions and responses a few at a time. Before writing anything down, examine and discuss your responses and those of your spouse and/or business associate (if any), so you have as complete a perspective as possible of the interests and motivations of those involved in the farming/ranching operation. Be sure to follow the discussion procedures described on page 6 of this Circular. Remember that the objective of these efforts is to EXPRESS IN YOUR OWN WORDS the interests and preferences of all persons involved in the farming/ranching operation.

When you have discussed the responses of all who are involved, write down the insights that you think are most important and representative of the interests and motivations of the entire "team" of persons involved in management of the farm. You will have one such statement for each of the nine groups of questions (each of the nine aspects of farming/ranching and family life). Examples that demonstrate the types of statements that might be appropriate have been provided for statements one and two to help you visualize the intended results.

Statement One -- Questions 1 through 6 focus on your feelings and reactions to being involved in farming/ranching. Look at your responses to these six questions, and discuss them with your spouse and/or business associate, and read the example. Now, write two or three sentences that sum up the farming-related interests and motivations of those involved in your operation.

AN EXAMPLE STATEMENT: We both enjoy farming/ranching and generally look forward to our work. Despite current financial conditions in agriculture, we are satisfied with what we are doing and want to continue.

Statement Two -- Questions 7 through 12 address your feelings and beliefs about your home, the importance of farm/ranch work in comparison to family responsibilities, and the use of money for farm/ranch and family purposes. Discuss your individual responses to these questions, then sum them up in your own words by writing two or three sentences here:

AN EXAMPLE STATEMENT: We like to live and work together on our farm. We agree that when time and funds are short, after the necessities of life are taken care of, most effort and money must go to keeping the farm operating. But, we want to have at least one family vacation each year.

Statement Three -- Questions 13 through 17 focus on the types of farm/ranch work that you enjoy (or do not enjoy). These questions are intended to help you identify the aspects of farming/ranching in which persons involved in your operation have a "built-in advantage" because of their interests. Overall, what can you do together if each specializes in doing the things that he or she does well? In the same fashion as before, sum up your insights in two or three sentences and write them here:

Statement Four -- Questions 18 through 23 ask for your reactions to some important management activities. In the same manner as previously, what are the management activities that can be done well if each person does the things that he or she is interested in and able to do? Put your summary here:

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Statement Seven -- Questions 34 through 38 are intended to generate insights that indicate your approach to decision making about financial matters, and the style or approach you use in involving family members in financial decisions. Summarize the insights here:

Statement Eight -- Questions 39 through 43 focus on your satisfaction with the the farming/ranching way of life, and the opportunities for social contacts and self improvement that are available. Sum up the insights gained from these questions by writing a few sentences here:

Statement Nine -- Questions 44 through 49 ask for your reactions to some important household management activities. In the same manner as previously, what can be done well if each person does the things that he or she is interested in and able to do? Put your summary here:

These nine statements provide you with background information for use when you identify goals and set priorities for the future management of your farming/ranching operation.

Before going on to Part II (CC 313, revised July 1985) for the goal identification activities, please complete the final section of this circular. It will help you identify alternatives for part-time or full-time employment in case you want to supplement your income from farming/ranching.

SELF ASSESSMENT
RESOURCES AND ALTERNATIVES QUESTIONS

These questions will help you identify special skills and experience or knowledge resources that could be used in your future management and/or employment activities. These questions are focused on your skills and alternatives for off-farm/ranch employment. Such employment might be used to supplement your farming/ranching activities, or might be a substitute for your present self-employment in farming/ranching.

TAKE CARE TO BE AS OBJECTIVE AS POSSIBLE WHEN YOU RESPOND TO THESE QUESTIONS. YOU NEED FULLY ACCURATE INFORMATION AS THE BASIS FOR YOUR GOALS AND MANAGEMENT PLAN.

Resources and Alternatives Questions:

1. What is the highest level of schooling that you have completed?

___ grade school ___ high school ___ some college
___ two-year degree ___ B.S. or B.A. ___ graduate degree

2. What of these types of vocational or specialty education have you completed?

___ Vocational/technical training in _____
at _____ (school) for _____ years.
___ Vocational/technical training in _____
through on-the-job or in-service training.

2. What part-time or full-time jobs have you held during the last 10 years?

3. Are you now, or have you ever been, licensed or registered for any occupation such as nursing, barbering, plumbing, etc?

_____ Yes _____ No If yes, what _____

4. If yes, is the license or registration currently valid?

_____ Yes _____ No

5. Would you be willing to go to school or to take on-the-job training to establish or renew your qualifications for off-farm/ranch employment?

_____ Yes _____ No

6. If you could shift from farming/ranching to whatever type of work you would like, what would you do?

7. In what city and/or state would you like to live while doing this type of work?

8. Would you be willing to move to a location away from your present home in order to secure employment?

_____ Yes

_____ No

9. How much income would you require to meet your family's needs and to be satisfied with your job?

\$_____ per month, OR

\$_____ per year

10. What do you believe to be the three or four (or more) most important reasons that you would find it difficult to change your type of employment if you wanted to do so? (What barriers to change do you face?)

#1 _____

#2 _____

#3 _____

#4 _____

#5 _____

#6 _____

11. How might those reasons be reduced or eliminated?

Reason #1 _____

Reason #2 _____

Reason #3 _____

Reason #4 _____

Reason #5 _____

Reason #6 _____

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