

Advice you wish clients would take on board.

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Farm Planning



Dealing with change – using both the head and the heart

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Being a farm consultant can sometimes be frustrating. I present what I think is a compelling intellectual case for change, and it is rejected. I think the farmer just doesn't 'get it', so I re-work the argument, and it is still rejected. I may try speaking louder but that never works. What's going on?

Professor Marty Linsky, from Harvard University, who has spent his life studying leadership and change in organisations, provides an answer to my question. Professor Linsky was recently visiting Melbourne, where I had the pleasure of listening to some of his thoughts about attitudes to change.

Marty pointed out that the biggest mistake that people make when managing change is to treat it as a purely intellectual or technical exercise. It's not. Big changes on a farm, or in any organization, are adaptive in nature and involve changes to people's behaviors, or their beliefs or their values. Big changes on farms thus invariably involve emotional issues – heart, values, identity. For that reason change makes people

uncomfortable. It challenges their status quo and forces them to confront issues they'd much rather avoid.

Because emotions are very personal, it is difficult for any outsider to know, or even predict, what the emotional issues may arise through change. So, for example, one farmer may not like changing the management calendar because that involves doing something differently to how Dad farmed. It's disrespectful. Another farmer might not like a recommendation to exit a small cattle enterprise, simply because they really like having a few cattle on the farm.

So, back to my original example, the farmers who reject my 'compelling' intellectual case for change actually 'get' what I am trying to say – they just don't like it. And the reason that they don't like it is because the proposed change involves a change to their behavior, or beliefs, or their values that they are not prepared to make. That's why recasting the intellectual argument won't change a thing, nor will speaking louder. Rather, a way forward only becomes apparent if the emotional

issues that are challenged by change are identified and appropriately dealt with.

So what do you need to do? Here's a simple check list which may help you when managing change on a farm.

1. Accept that managing change is a necessary, positive part of farming
2. Accept that any big change will invariably involve a change in a belief, or a behavior, or a value.
3. Be prepared to leave something of emotional value behind in order to gain the prize you seek through change.
4. Be up-front and identify the emotional issue that is being challenged by the change.
5. Grieve your losses but celebrate your gains through change

Farmers need to adapt and need the courage to leave something of value behind in order to gain a better future.

The head - this is the **logical**, rational processing of information, the calculations and some realities we can face such as a financial position, age or health.

The heart – which captures the **emotional** aspects of a decision. They are value based and includes a farmer's goals, beliefs and preferences. Put simply they are a guidance system for decision making.

The gut – its **intuition**, shaped through experiences and knowledge. It allows us to make quicker decisions because it bypasses rational processes by linking past experiences and knowledge (both good and bad) with the present.

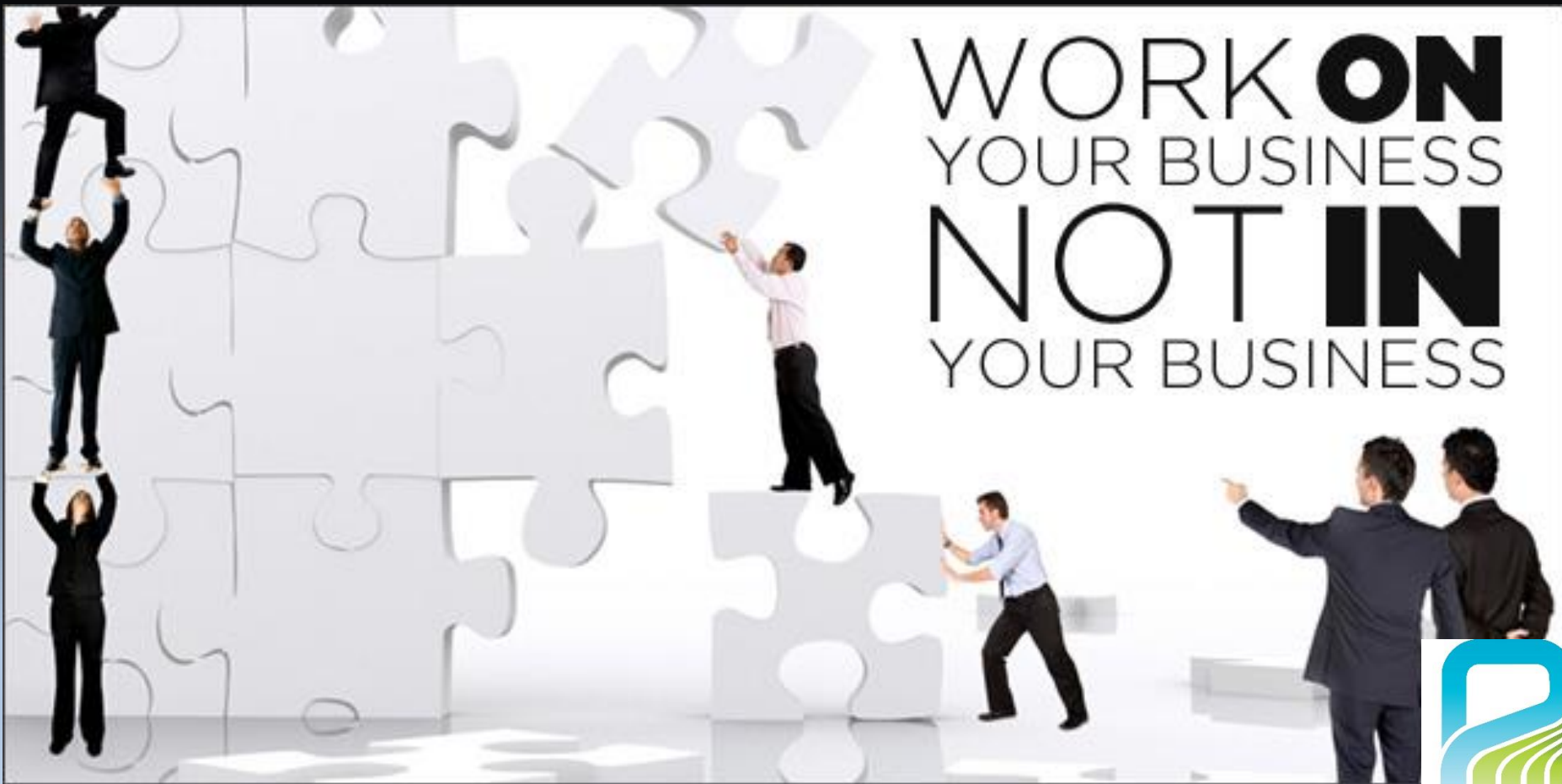
Intuitive decisions are usually right if they 'feel' right.



They tend to be acquired early in life, and are like attitudes, but are more ingrained and permanent and differ among individuals (even from husband and wife), and govern our perceptions and our behaviour.

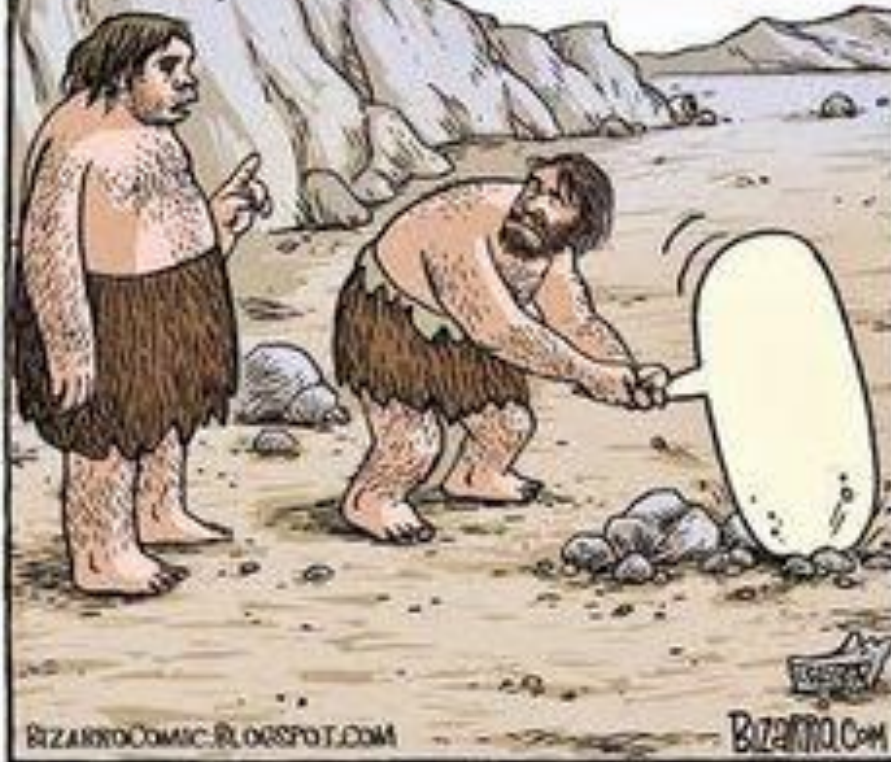
Source: Cam Nicholson, Nikon Rural Services

WORK **ON**
YOUR BUSINESS
NOT **IN**
YOUR BUSINESS



PLANARM

No. Use it for
talking. Like this.



Family as well as business!

Secret to keeping it in the family

DAMON KETNEY THE AUSTRALIAN MAY 27, 2014 12:00AM



David Smorger and his son Ricky: 'Family traditions and customs are hard to break down' Source: News Limited

“If you are a family business, you need to spend as much time on family discussions and family issues as you do on business ones”.

“Key – give every member of the family the entitlement to have their own dreams and aspirations. You can’t alienate them if they wish to do their own thing”.



Evidence Based



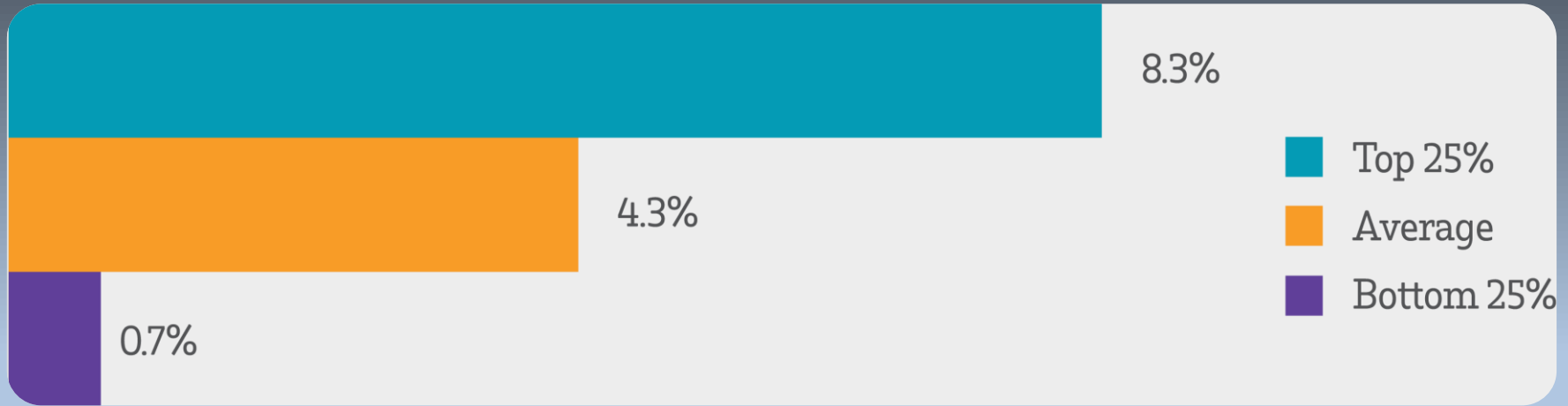
Planfarm Bankwest Benchmarks

- Annual farm business analysis of 532 farm businesses throughout broadacre regions of WA
 - Show that good management can generate very good returns
 - Clients understand their business better and identify improvements
 - Lift the profile of agriculture



>10%

6 Year Average Return on Capital



0.7%

Land Values + 6 Year Returns

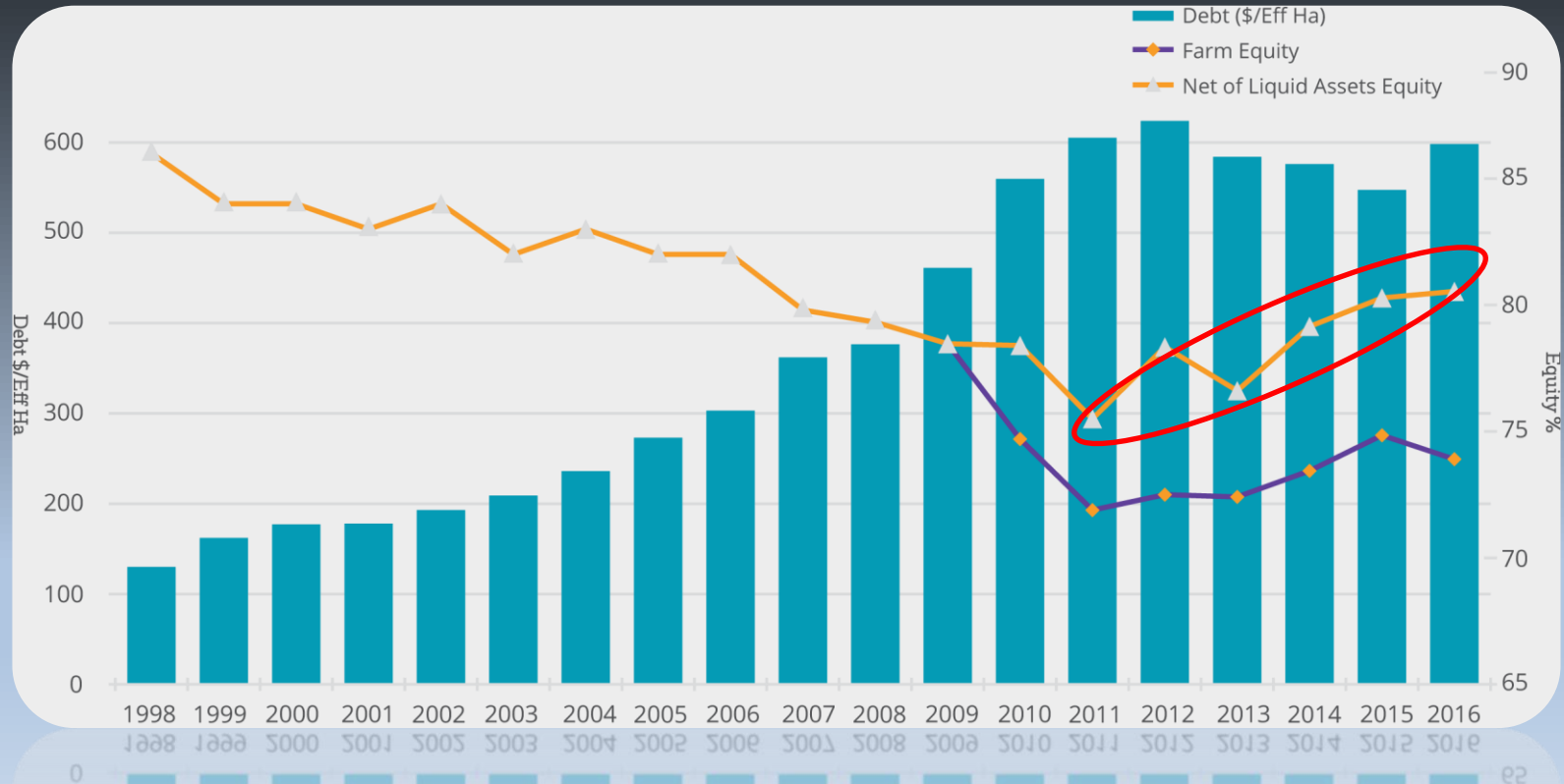
6 YEAR ROC LAND VALUE TOTAL FARM
CHANGE RETURN

| | | | |
|---------|------|----|-------|
| Top 25% | 8.3% | 2% | 10.3% |
|---------|------|----|-------|

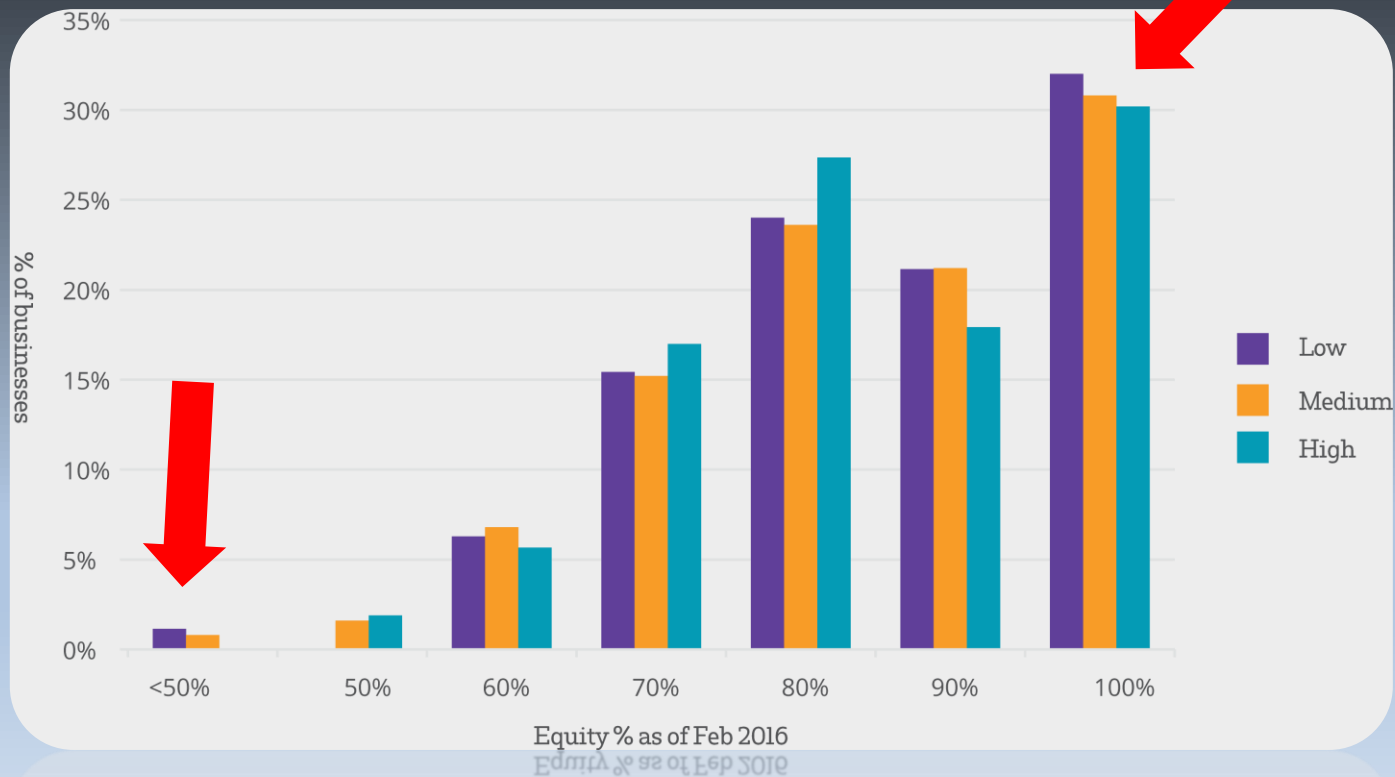
| | | | |
|---------|------|----|------|
| Average | 4.3% | 2% | 6.3% |
|---------|------|----|------|

| | | | |
|------------|------|----|------|
| Bottom 25% | 0.7% | 2% | 2.7% |
|------------|------|----|------|

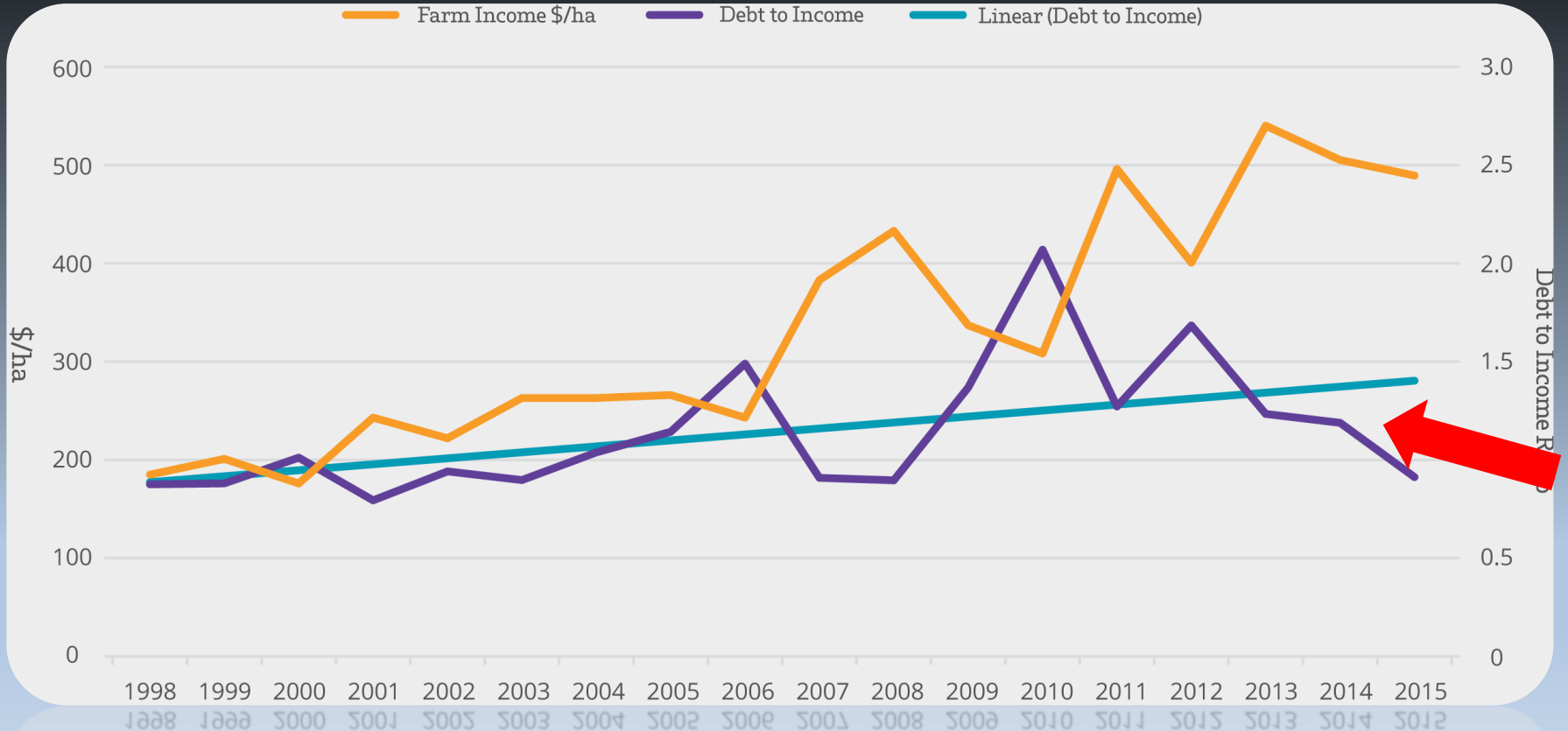
Farm Debt and Equity



Farm Equity Distribution



Debt to Income



Key messages

- The Top Performers:
 - Adopt a long term approach
 - Generate excellent returns
 - Manage their land, labour and capital effectively
 - Plan and implement well - small things collectively make a big difference
 - Are well capitalised
 - Have the best water use efficiency

WUE & profit

| 2012 | Top 25% | Average | Bottom 25% |
|-------------------|------------|------------|------------|
| GSR (May-Oct) | 178 | 178 | 178 |
| WUE | 16 | 11 | 8 |
| Wheat yield | 2.1 | 1.5 | 1.1 |
| Operating surplus | 174 | 109 | 41 |

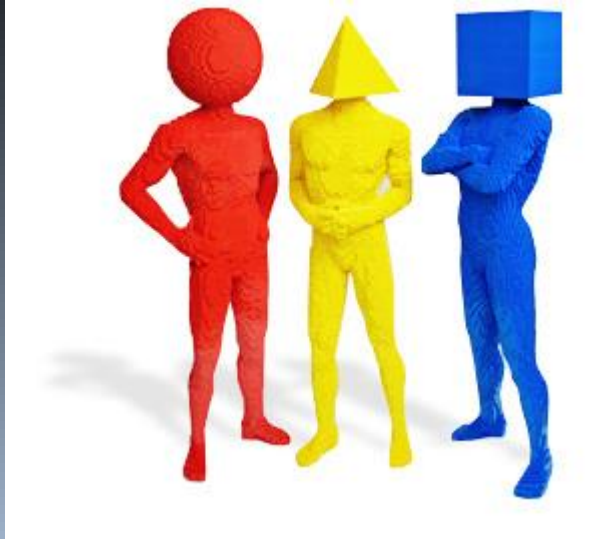
WUE & profit

| 2013 | Top 25% | Average | Bottom 25% |
|------------------------------|------------|------------|------------|
| GSR (May-Oct) | 247 | 249 | 236 |
| WUE | 16 | 12 | 8 |
| Wheat yield | 3.2 | 2.4 | 1.5 |
| Operating surplus (\$/ha) | 341 | 227 | 108 |

In Closing



it's tough to make a
living when all we do is work
★

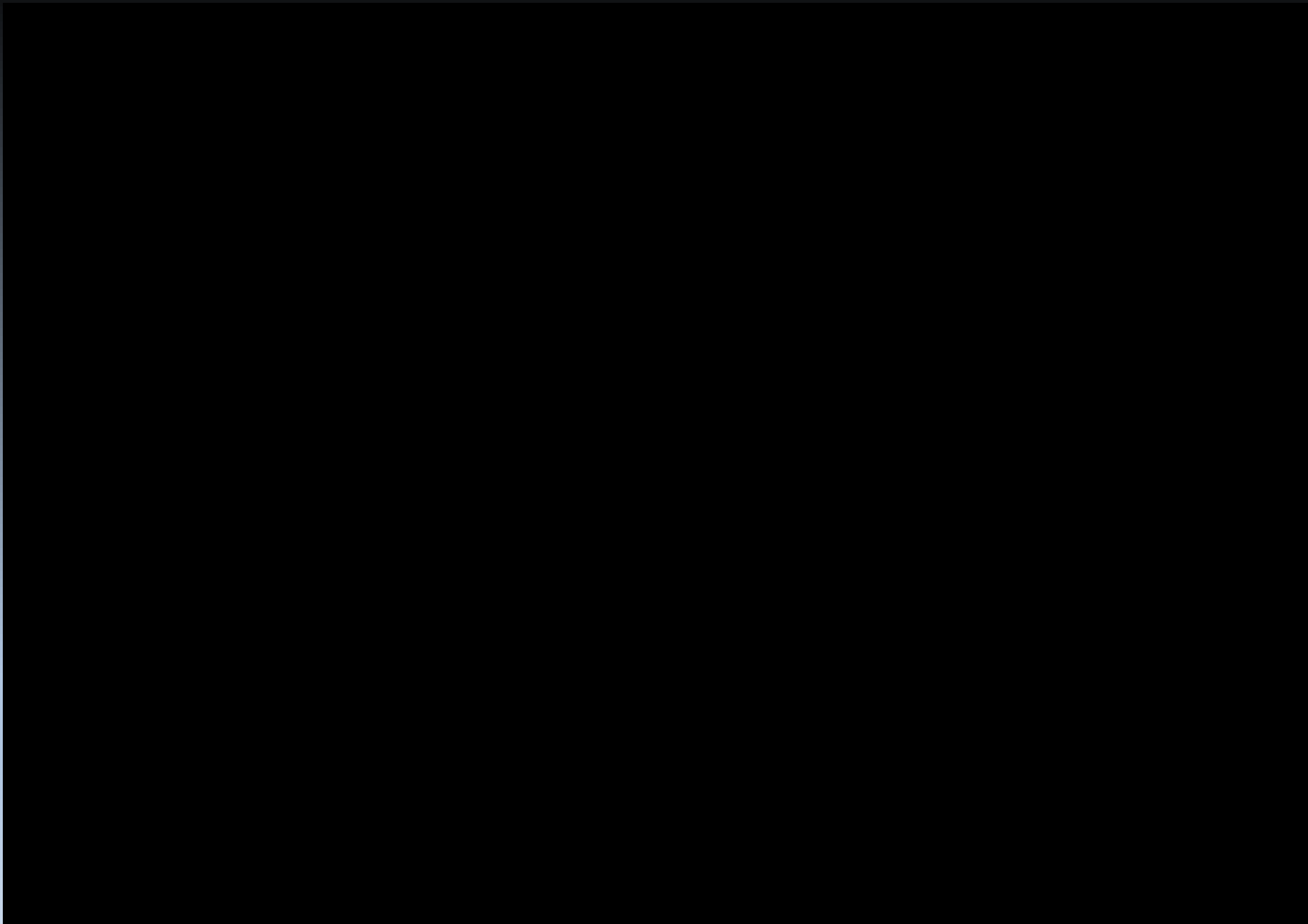


- Advice is just that – advice!
- With advice invariably comes personal biases.
- Bring your advisers together regularly.

Summary?

- Make time to work on the business.
- Communication (especially within the family).
- Farming is a long term business – understand the long term returns.
- Balance – work to live!
- Bring your advisers together.





Thank you