

How to **THRIVE** in the Future

Management consultant shares advice for adapting to change.

by **Kindra Gordon**

Given the economy's turbulence during the last two years, most farm and agribusiness owners can agree that the business climate is not what it once was.

So, how can businesses get back on track and find profitability and prosperity? Minnesota-based business management consultant Bob Milligan says it will require "going to a new level" by owners and managers. Milligan, who is an emeritus professor from Cornell University's agricultural economics department, has some advice for adapting to this changed economy.

Why is it not the world it was two years ago?

First, Milligan says business managers must recognize that many factors have changed and will create a long-lasting effect. He says, "The hole is deep." Using dairy as an example, Milligan shares that a financial analysis completed by Farm Credit found that the 2009 average per cow loss on the 544 Northeastern U.S. dairy farms was \$386.

Depending on production per cow, that is \$1.30 to \$2 per hundredweight (cwt.). It will take most dairies two or

more years to recover that loss and get back to where they were. Milligan says, "Although most other animal ag industries were not hit as hard, most have some ground, and in some cases large accounts receivable, to recover."

Milligan explains that ag business owners and managers must accept a new economic reality. He says, "Hopefully, we will never again see the swing in economic conditions that we have seen in the general economy over the last two years. That said, nearly all of the conditions that created the swing — agriculture in the energy business, global market adjustments, inelastic price, the increasing rate of change — remain. The oil spill in the Gulf and the economic crises in Europe add even more uncertainty. High unemployment will likely contribute to weak consumer demand and a sluggish economy for the foreseeable future. In addition, the continuing price variability potential and the lessons of the last two years are resulting in reduced availability of credit."

Additionally, Milligan points out that external threats have intensified. "For reasons that we do not understand (but need to), modern

agriculture has become a punching bag of the media. Will Rogers may be best known for his quote: 'All I know is what I read in the newspaper.' Today the media is much more than the newspaper; however, the quote reminds us of the power of the media," says Milligan.

A plan to adapt

Given those circumstances, what will business owners have to do to thrive in the future?

Milligan suggests it starts with being much more keenly aware of the external environment. Milligan says, "Wayne Gretzky is called 'The Great One' because he is the greatest hockey player to ever play the game. He always attributes his success to passing the puck to where the player will be — not to where the player is now. Similarly, business owners — farmers, ranchers, agribusiness professionals — must make decisions based on their best judgment as to where their industry and the business environment will be — not to where it is today."

He adds, "To know where 'the player will be' requires an understanding of the business environment in which your business operates."

Secondly, Milligan says management at a new level will be needed. He explains, "One of Albert Einstein's most famous quotes is 'The significant problems we face cannot be solved at the same level of thinking we were at when we created them.' This quote applies to the current situation in the sense that we must take our management to the next level. This new level must include even more efficient and quality focused operational management; however, the greatest strides in management are likely needed at the leadership level."

Most importantly, Milligan tells owners and managers, "You cannot do this alone."

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— **Bob Milligan**

He adds, "One of the greatest needs that has become apparent in businesses we have worked with over the last two years is more attention to the CFO (chief financial officer) and CEO (chief executive officer) roles."

As well, Milligan says this will require more reliance on other members of your workforce and also on trusted advisors. He concludes, "Greater attention to attracting, retaining and developing an exceptional workforce will be key to success."

Avoid frustration

Lastly, Milligan says to trade in frustration along the way for determination and focus.

He says, "Frustration that the recovery is so slow and so shallow is the prevailing emotion currently expressed by many farm and agribusiness owners. I am very confident that managers can move to the required higher level. The first requirement is recognition that change is needed. You must then summon the determination to compete under the new economic realities and then maintain the focus necessary to succeed." **HW**