



Formulating and Prioritizing Goals

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Outline

- Strategic Risk
 - Definition
 - Resilience
- Importance of Goals
- Setting Goals
- Examples of Personal and Business Goals
- Class Exercise

Strategic Risk

Strategic Risk

- Strategic Risk
 - Uncertainties related to government policy, macroeconomic conditions, geopolitical conflicts, and changes in competitive advantage.
 - These risks are present in all industries, but given its competitive nature are particularly relevant for production agriculture.

Resilience to Strategic Risk

- Resilience is a farm's ability to anticipate, absorb, accommodate, or recover from effects of shocks or stressors in a timely manner.
- Agility:
 - A farm's ability to quickly identify and capture business opportunities
- Absorption Capacity:
 - A farm's ability to withstand shocks from strategic risks

Resilience to Strategic Risk (% Agree)

Source: Resilience to Strategic Risk (farmdoc; 6/22/23)

Variable	Low Resilience	Medium Resilience	High Resilience
Low Fixed Costs	35%	74%	96%
Diversification	20%	56%	82%
Strong Balance Sheet	63%	94%	97%
Established Goals and Objectives	60%	94%	97%
Look for Opportunities	43%	87%	100%
Assess Advantages and Disadvantages	38%	72%	96%

Importance of Goals

Importance of Goals

- Goal setting is an important component of the strategic planning process because goals provide a reference point when making decisions and measuring progress.
- Family businesses typically set both personal and business goals.
- Individuals and families who operate business firms do so for a variety of reasons.

Importance of Goals (continued)

- Yes, goals are important.
- It's equally important to recognize that goals, priorities, and management plans are not final and unchanging.

Setting Goals

Questions to Ponder

- What do I (we) really want in life?
- What am I (are we) really trying to achieve through the use of time, effort, money, and management skills?
- What can I (we) do with our time, money, and business operations that will be most productive and worthwhile?

Questions to Ponder (continued)

- What should I (we) do in the business and family life to effectively use the interest and abilities of those involved?
- How can I (we) best build for the future, given our present economic base and the conditions that we now foresee?
- When should I (we) be able to attain the things I (we) want in life?

Questions to Ponder (continued)

- What can I (we) do when important things conflict with one another (i.e., how are the inevitable conflicts of life to be resolved)?

Dream versus Goal

- Dream: something you want or hope for
- Goal: something you want or hope for with action steps and a time line
- **To move from a dream to a goal requires action and writing it down!**

Identifying Goals

- Goals are statements of:
 - Where you are and where you want to go
 - How you intend to get there
 - When you intend to arrive
- Describe the conditions you hope to achieve
- Provide direction to management

SMART Goals

- Specific: is it short and to the point?
- Measurable: how will I know when I reach it?
- Attainable: can I do this?
- Relevant: does it apply to me?
- Timetable: how much time will it take?

Goal-Directed Management

- Casual observation and careful scrutiny of business and family life indicate that there is more to life than making profits.
- That's not to say that profits are not important; everyone knows that profits are vital to present and future well-being.
- But, nearly every individual, family, owner, and manager wants to achieve more than profits.

Goal-Directed Management (continued)

- The “64-dollar question” of life and management is as follows:
 - **What am I (what are we) managing to achieve?**
- Goal-directed management starts with the recognition that each person has goals, which may be shared or conflict with the goals of another individual.

Examples of Personal and Business Goals

Personal Goals

- To provide retirement income starting at age 65.
- To take at least one vacation per year where we can enjoy ourselves for 7 days.
- To buy a new pickup every 5 years.
- To reduce farm debt so that only minor borrowing for operating capital is required in a typical year.
- To have my machinery and/or land paid for when I retire.
- To support family members in continuing education or degree programs.
- To give 5% of net income to charity.

General Business Goals

- Maximize profits; get the best return on investment.
- Survive; stay in business; do not go broke.
- Maintain or increase standard of living.
- Own land; accumulate assets.
- Avoid years of low profit; manage downside risk.
- Pass the entire farm on to the next generation.
- Increase farm size; expand; add acres.
- Maintain or improve the soil health and/or water resources.

General Business Goals (continued)

- The goals on the previous slide are stated in a general manner.
- They would need to be made more specific before they would be useful to an individual business.
- Examples:
 - To increase the number of crop acres in our operation by 3% per year.
 - To obtain an average long-run operating profit margin ratio of 20% or higher.

Class Exercise

Top Three Goals

- For a business you are familiar with or directly involved in identify and rank your top three goals using the following general business goals:
 - Maximize profits
 - Survival
 - Increase standard of living
 - Own land; accumulate assets
 - Manage downside risk
 - Pass the farm onto the next generation
 - Increase farm size
 - Improve soil health

Goal Conflicts

- Do you think the ranking of goals would be the same for everyone in the business?
- Do any of these goals conflict with personal goals? If they do, how will you resolve these conflicts?
- **Address the following question:**
 - Which goals are so important that they should be attained even when attaining them will prevent you from reaching other goals?

Future Work

Future Work

- Conceptual Framework
 - Evaluate the effects of different tillage systems and cover crop options on net returns, downside risk, soil loss, greenhouse gas (GHG) emissions.
 - Both reduced tillage (e.g., no-till) and cover crops can be used to reduce erosion and GHG emissions. The net short-term cost of using cover crops is higher than the net short-term cost associated with reducing tillage.

Future Work (continued)

- Carbon payments can be used to offset the cost of adopting reduced tillage and cover crop practices. The carbon market is evolving. Future carbon payments are likely to be higher than historical payments.
- Also, there is a need to examine long-term farm goals and benefits. The long-run costs of adopting practices are likely lower than the short-run costs.

Questions, Comments

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