

THEME REPORT



BORDERS MONITOR FARM Mindset Change and Objective Decision Making

THE CHALLENGE

During the monitor farm process there are some obvious changes, building new sheds, increasing or decreasing flocks/herds can be seen by all attending meetings and reading reports. However some of the important changes to a business cannot be seen from the outside and can be hard for those not closely associated to identify.

As with all businesses there is a need to continuously drive improvement of performance and efficiency. Part of this can be improved by technical efficiency but it also requires family business to make the most of their abilities and work effectively as a team. The Mitchell family have a very good working relationship and have always made decisions together. There are however times when there are differences of opinions and the decision making process can be slowed to allow for this.

This example manifested itself when Robert and Stuart were keen to replace a shed at Whitriggs which was reaching the end of its useful life. The options they considered were;



1. Build straw bedded shed?
2. Build slats or Cubicles?
3. Change system e.g sell stores?
4. Outwintering?

A new shed would also allow the cow numbers to be increased from 160 to 190 head and for finishing to continue. Stuart & Robert would also do some of the fabricating and building work themselves to ensure they got exactly what they wanted. The challenge for the family was to come to agreement as to the best outcome and how much to invest in the new shed. Each option would have its costs and benefits.

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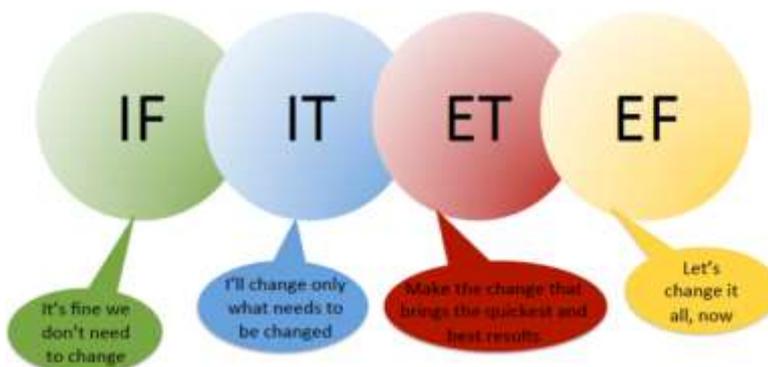
WHAT WE DID ON FARM

Part of the process of making decisions as part of a team is to understand the needs and thought processes of others. As part of the business group the family undertook a short personality profiling assessment based on theory developed by Myers & Briggs (www.myersbriggs.org). This was a series of questions about how they made decisions and how they thought about things. From the answers given, each person is described as a colour (or colours) which then allows them to understand their personality traits. Each colour has both positive and negative part to it. For example someone with “red” tendencies, will make decisions quickly and decisively, which is positive, however they may not think things through as thoroughly as others.



People also fall into one of two categories, either Extrovert or Introvert. Extroverts tend to want active involvement and to make things happen, often as part of a team. Introverts tend to reflect and ensure they are comfortable with a decision before action is taken, they also tend to prefer to work alone.

Change Approach

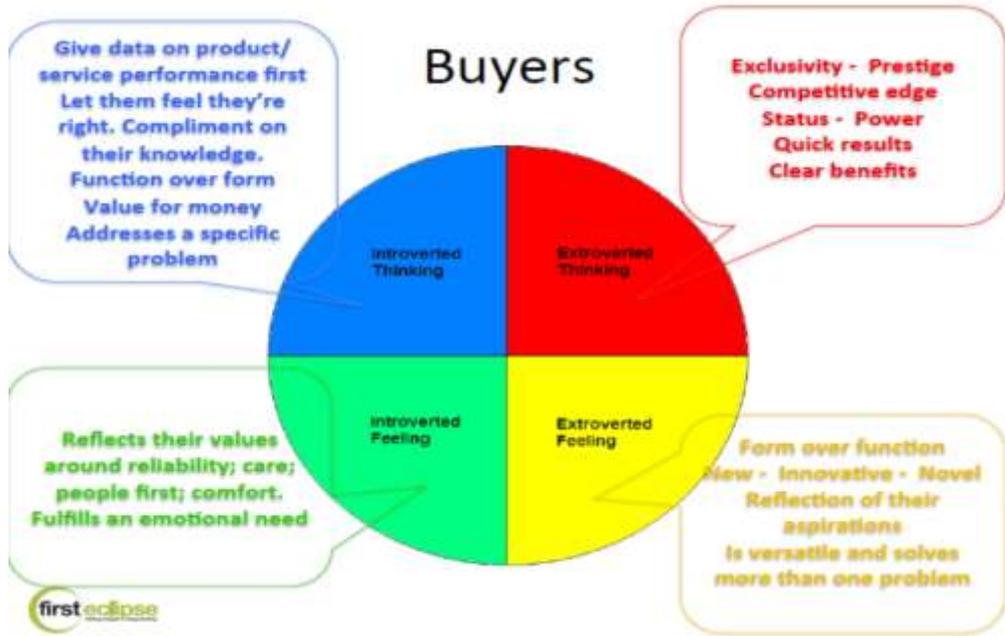


The other segmentation is Thinking vs Feeling. Someone in the Thinking category would tend to make decisions based on evidence and logic, where the truth is more important than being tactful, decisions made with the head. Whereas those in the Feeling category would tend to think about how a decision would affect others and make decisions with their

heart.

All of these factors have a direct effect on how decisions are made and how change occurs within a business.

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Alongside looking at how people react to challenges and how they make decisions the group also looked at techniques which aid subjective decision making. Tools such as partial budgeting were used to assess the viability of new ideas, whereby the costs and benefits are clearly stated and the decision can be aided.

Gross output analysis.

Gross Output Analysis, is a simple technique where the farm 'Profit and Loss' account can be analysed and compared to the figures expected for a mixed arable/livestock farm. All the costs are calculated as a % of the total Gross Output (G.O.). This is a quick guide to the pluses and minuses of the cost structure of the business. The information is based on experience of the normal cost/output relationships in many farm businesses - it is a form of simplified comparative analysis

	<u>% of G.O. (norms)</u>
Total Output	100
Variable Costs	30-40
Gross Margin	60-70
Labour	15-18
Power	15-18
Overheads	4-6
Gross Profit	30
Fixed Charges (Rent & Interest)	15 max
Net Profit	15 min

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Comparative Analysis

A range of benchmarking and comparisons were undertaken to understand better the business situation at Whtriggs, by using QMS enterprise costings alongside AHDB FarmBench software it was possible to pinpoint areas for improvement. All of these tools are available to all farmers, however there requires a mind-set to understand the importance of the cost of production and a will to improve and make use of them.

Once current performance is fully understood it then makes it easier to evaluate opportunities. Such a situation presented itself with the potential to establish a deer herd at Whtriggs but there needed to be a change in system as either the sheep, cattle or arable enterprises would need to be reduced to accommodate this. Only by understanding where profitability comes from within the business is it possible to make that decision.

THE RESULTS

As a result of the profiling it was discovered that both Stuart and Robert were “Yellow” meaning they saw the big picture and were keen to be innovative and involved in new things, displaying extrovert and feeling tendencies when looking at opportunities or problems. This when played out in the scenario of the new shed, became apparent as they were excited by the prospect of a new build and were keen to start as soon as possible, driven by the outcome of having more cattle while making their lives easier feeding and bedding cattle in a modern facility.

By contrast Lesley was a “blue”, which meant she took a more pragmatic approach, looking to understand the full costs of the project, and quantify what the benefit would be. A more introverted and thinking mindset, challenging the more extrovert family members to justify and provide evidence that their ideas would work. This led the group discussion from “what shed should we build”, a step back to “do we need to build a new shed?” The group decided that after working out the cost of a potential new shed against the benefit it would be better to look at alternatives such as selling store or out wintering cattle.

The personality assessment was carried out with the business group, not surprisingly the majority displayed similar tendencies to Lesley in that they sought detail and rigour when making a decision. This is perhaps unsurprising given they had joined a group which would look at figures and a greater understanding of their business.

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WHAT HAS CHANGED ON FARM

The Mitchells still have a very strong family management system, where decisions are made jointly. However there is now a better understanding of where each other are coming from when questioning. When Stuart saw an opportunity to establish a deer herd on the farm, he researched it thoroughly, prepared budgets and went on training courses to ensure he had a deeper understanding of what was required and was able to present a business plan to his parents. This in turn gave Lesley more confidence to agree to the investment.

“as a family we communicate better with each other, and think about how we present ideas” Stuart Mitchell

Beyond this there have been changes within the community group:

70% agreed “I am more confident in my business decision making”

82% said “The meetings helped me identify ways to improve my business.”

“the way I approach problems has changed, I tend to step back and think more before looking for a solution. Im also more likely to use this group to talk about an idea.” Management Group Member

“the MF has given me the confidence to broaden my knowledge and helped my business and me personally when engaging with farmers” Management Group Member

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