Chapter 2

# Organizational Planning

Management of human resources begins with the overall business plan. Company characteristics, such as business purpose, form of ownership, commodities produced, and acreage or scale of operation, have a fundamental influence on organization structure, the feel of the work environment, and the approach to labor management.

Production technology and scale of the operation dictate roughly how much of what kind of human work is to be done when, over the course of a year, and they have obvious influence on the size, skills, stability, and supervision of the workforce. The relationship between top manager and production-level worker in a small family dairy with a year-round need for four or five hired employees, for example, is quite different from that in a multi-location, fruit-growing subsidiary of a diversified conglomerate with actively traded shares of equity.

To paraphrase management theorist Peter Drucker, every organization needs to operate from a "theory of itself as a business," with knowledge (or at least good working assumptions) about three fundamental dimensions: its environment, its mission, and its core competencies. Such working knowledge is the basis for setting realistic business goals and planning strategies to achieve them. Sometimes a candid review of environment, mission, and competencies generates a determination to change one of them. Ideally, it launches a deeper examination of how the business is doing and why.

## Taking Stock

Many agricultural managers start to diagnose problems only after feeling a symptom of pain in their organization—or in their family. Taking stock regularly, however, contributes most to identification and reduction of labor-related risks. Whether routinely scheduled or triggered by an alarming event, conducted as a structured audit or an informal collection of data and perceptions, the process is key to planning in any organization. Its essence is answering questions about results from the business operation (see third and fourth columns of Chapter 1, Fig. 1.1, "Personnel Management in Context") such as:

- What was our net income or loss last year, and how does it compare to previous years?
- Did we incur any large expenses that could have been avoided?
- How do our labor costs per unit compare to other local growers'?
- Do our products command a market price commensurate with high quality?
- Are employees clear about what we expect of them and what they can expect of us?
- Is every employee capable of performing his or her job?
- How often are employees absent from work?
- At what rate do employees leave for other jobs in the area?
- What is our workers' compensation experience rating?
- How long does it take for us to fill job vacancies when they occur?
- How many constructive suggestions did we receive from employees last year?
- How well do people generally get along with each other here?
- Is anything impeding better performance by individuals or crews?
- Can workers here meet their own needs while serving our business objectives?
- Is it worth our personal time to be in this business?

Available indicators of business status and performance are both quantitative (e.g., sales volume, profit-loss statement data, insurance claim experience, absenteeism and turnover rates) and qualitative (e.g., casual conversation with employees or a sense of harmony or hostility in the family).

In general terms, the organizational planning process is a cycle of taking stock, assessing adequacy, setting goals for stability or change, devising strategy, acting on it, and taking stock again. Creation and maintenance of the "business plan" naturally accompany this process. Guidance through the steps of developing a plan for agricultural businesses is offered in Terry Smith's article, "Developing a Business Plan" (found in the September / October 1998 issue of *Midwest Dairy Business*). An expanded version is online at *AgHelpWanted.org*.

Personnel planning starts with a description of such recent results or current conditions as turnover rate, workforce capability, labor costs, and family togetherness. When the status quo either is not acceptable or is okay but vulnerable to foreseeable threats, it is time to consider new goals and strategies to achieve them.

## Ian and Melanie Smithers Take Stock

The Smithers' family dairy had done well since Ian took it over from his father 10 years ago. Along with his wife Melanie, their daughter, and his brother, Ian successfully expanded the operation from 200 to 750 head over the last several years, adding hired employees as the growth progressed. He would like to milk as many as 1,500 cows within four years to realize more economies of scale.

While cow productivity at the dairy is above average for the region and the Smithers' profits are good, Ian and Melanie have a number of concerns. They have had difficulty keeping new staff, especially the milkers on the night shift. Two of their longer-term employees are having trouble supervising newer hires and coping with the additional responsibilities that they have taken on during expansion. Also, it seems that not a day goes by without Ian noticing a dairy worker and supervisor in a heated disagreement about something.

Last year Ian and his family placed their expansion plans on hold until they could get these issues sorted out. They decided to follow his father's longstanding advice to "get better first, before getting bigger." Getting better had usually meant improving the herd and controlling the cost of feed, but in this situation, it meant doing a better job of managing the workforce.

Ian and Melanie's first step was to take stock of their organization and to look critically at the content, application, and results of their management policies. After a three-week period of observation, casual conversations with individual staff members, and a review of records in the office, they took a day off to discuss and write down the most important things they discovered. Among these findings were:

- Multiple supervisors were assuming responsibility for some of the same tasks and employees, while none felt in charge of employees performing certain other tasks.
- Several employees had received conflicting instructions from different supervisors and often felt that they were caught in the middle.
- Pay for the milkers was less than for field equipment operators, even though Ian thought that milking involved more responsibility and required more training.
- Long-term employees who had been placed in supervisory roles, although very good at the production part of their jobs, had little prior experience managing others and felt uncomfortable giving directions. Some supervisors were "letting things slide," not giving any performance feedback or trying to maintain discipline, while other supervisors tended to "jump all over employees" about minor issues.
- Supervisors had very different understandings about what the rules were, how to deal with problems, and even who could take disciplinary action.
- Employees were not aware of the plans and goals that Ian had for the business. They also were uncertain as to how they were doing at their jobs and what kind of future they might expect working at Smithers.
- Ian and Melanie did not know much about the interests, abilities, and goals of most of their employees.