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Management Mindset 2025: Respond, Execute, and Monitor

By: Dr. David M. Kohl

Producers often comment on the need to complete an updated balance sheet and projected cash flow in order to secure a loan from a lender. The farmer or businessperson who excels will utilize this same information for business management and to guide business decision-making. Often in a time crunched society, it is easy to get caught up in a check the box routine; completing a statement and filing it away in the cabinet. Managers who excel not only check the boxes, but they also follow through in the R.E.M. (Respond, Execute, and Monitor) game plan.

They will:

- Respond - develop strategies, tactics, and metrics.
- Execute - overlay the response with a strong action plan containing deliberate and defined outcomes.
- Monitor - establish a deliberate system or process of ongoing monitoring that allows for adjustments in a fast-paced, dynamic environment.

A 12-Point Management Mindset Game Plan has been developed. This assessment tool builds upon the Business IQ utilized by agriculture businesses over the past decade. Twelve specific areas require one to not only check the boxes but more importantly, move to the next level with the process of execution and monitoring.

Strategic Planning and Vision (#1)

First and foremost is establishing written goals for your business. This includes goals for the business, family, and personal life to provide critical balance for success in the long run. Once short term (less than one year) and longer-term goals (3 to 5 years) have been written, action plans to execute must be outlined. Throughout the year, you must monitor and check off the ones that have been accomplished or adjust expectations as conditions change.

For example, your goal may be to generate a 5 percent net return. However, both positive and negative weather conditions may require adjustments to expectations. In your personal life, you may want to develop a walking or running program three to five days a week. A simple chart may be useful in the execution and monitoring of that plan.



Financial and Resource Management (#2 - #5)

Of course, the next area is to develop cost of production and economic break-even scenarios for the various revenue centers in your business. In today's economic environment, geopolitics and changing consumer or societal patterns may require financial sensitivity and scenario planning. This provides strategic outcomes and guidance so that objective, versus subjective or emotional, decision-making can be emphasized in execution. Monitoring can provide a trend analysis of the past decisions and can provide perspectives in future game planning for possibilities of “tearing up the playbook” and moving toward a new paradigm shift in changes in enterprises or methods of strategic operations.

It is critical to develop monthly and quarterly cash flows in any operational plan. The peak performing manager will monitor specific areas or key metrics to provide guidance at least on a quarterly basis. For example, in our dairy creamery we share weekly cash flows. Items to monitor on a weekly basis in our businesses include:

- cash in and cash out
- accounts payable and accounts receivable balances
- inventory balances
- the balance on outstanding lines of credit
- weekly sales
- weekly labor cost

Close monitoring of key metrics ensures that owners, the management team, and employees know the financial position of the business. Of course, weekly cash flows turn into monthly, quarterly, and annual outcomes which go into short and long-term decision-making for capital expenditures, growth, and tax management for both the short and long run strategic decision-making.

Utilize Key Financial Ratios (#6)

In the Executive Marketing Program where I have taught for 20 years, I challenge producers to share five key performance ratios they use in their business. For our dairy creamery, we use the debt service coverage ratio, working capital to expenses, EBITDA* divided into revenue, and the debt to asset ratio. I also recommend using a ratio that is specific to your type of business. This sharing of performance data has been informative and useful in peer benchmarking, similar to the FINBIN database that many of you utilize. What is unique is that this group of peer sharing requires execution, monitoring, and “walking the talk” rather than just talking the talk and follow-up to their peers.



Marketing and Risk Management (#7 and #8)

The next two focus areas are marketing and risk management. Whether the business deals with commodities or value-added products, execution, monitoring, and objective judgment are key. Understanding production costs and break-even points are essential for guiding decisions throughout the year.

A written risk management strategy with standard operating procedures is often overlooked in cash flow management. For businesses experiencing financial difficulty, a cash flow is important but so is having a solid plan of production, marketing, risk management, and operations. In my experience, financial stress often stems from the lack of a clear operating plan or gaps in marketing and risk management leading to losses.

Connecting With Your Advisors and Mentors (#9)

An important aspect of the R.E.M. game plan is periodically meeting with your advisory team which may include your lender, farm management instructor, and other consultants. These meetings are necessary to provide input and guidance and help you step back from your day-to-day management silo. The key is to ask yourself the question, “Are you coachable?” Do you allow suggestions to challenge your thoughts and actions? At a conference last year, I heard Peyton Manning say, “One must be coachable to be successful.”

Transition and Estate Planning (#10)

Of course, transition and estate planning is the easiest to push off into the future. A third-party consultant or coach is critical for the process to continue. Their help in executing and monitoring the plan that is in place and providing guidance on updates every five years is essential as conditions and aspects change in the business.

Separate Family Living and Business Budgets (#11)

The other day in a seminar a participant asked, “Should we separate our business and personal family living budgets and when should that occur?” My answer was immediately! Co-mingling of expenses inhibits discovering the true cost of production and break-even point. It also provides a distorted view of family living expenses, which is often viewed as compensation.

Continued Education (#12)

Another important element of the R.E.M. game plan is a deliberate educational plan for owners, employees, and family business members. A plan to recharge the mind, body, and spirit can provide the necessary energy to maintain a positive, balanced attitude.



The Final Score

The final score, which determines your management mindset level, is based on how many of the boxes are checked. Many of you will check the box in the response category. Fewer will be noticed in the execution and monitoring areas. These two areas require focus and attention; where we often get caught up with what is urgent versus what is important in our businesses and life.

Whether you are interacting with your family business, farm management instructor, consultant, or lender, take on the challenge to complete this checklist for the continued health of your business! Remember, it is more than checking the boxes. Increasing your management mindset level requires responding, executing, and monitoring periodically to make the plan come to action.

**EBITDA is an acronym for Earnings Before Interest, Taxes, Depreciation and Amortization*



Management Mindset 2025

R.E.M. Gameplan

Respond = Development of strategy, tactics, metrics
Execute = Action executed with defined outcomes
Monitor = System or processes for ongoing monitoring

Check the appropriate boxes.

| Management Mindset Checklist | | Respond | Execute | Monitor |
|------------------------------|---|---------|---------|---------|
| 1. | Establish written goals: business, family & personal | | | |
| 2. | Know cost of production by enterprise | | | |
| 3. | Know breakevens on major revenue sources with operational plan in place to achieve outcomes | | | |
| 4. | Develop a monthly or quarterly cash flow | | | |
| 5. | Financial sensitivity & scenario analysis in production, cost, prices, etc. | | | |
| 6. | Utilize key financial ratios & business metrics in management | | | |
| 7. | Written marketing plan: commodity and/or value added | | | |
| 8. | Written risk management plan: insurances, SOPs, compliance, will, estate plan | | | |
| 9. | Informal or formal advisory team that meets periodically | | | |
| 10. | Development of a transition management plan | | | |
| 11. | Separate family living budget with investment plan or compensation plan | | | |
| 12. | Deliberate educational plan for owners, management & employees | | | |

| R.E.M. Gameplan Key | | |
|---------------------|-------------|------------------------|
| Score | Color | Mindset Level |
| 31-36 | Super Green | Mindset Master |
| 26-30 | Green | Advanced |
| 20-25 | Orange | Above Average |
| 15-19 | Yellow | Below Average |
| 0-15 | Red | Need Focus & Mentoring |

| | | | |
|------------------------|--|--|--|
| Total # of Check Marks | | | |
| Your Overall Score | | | |

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