SETTING GOALS

One of the most important aspects of business planning is the setting of goals. Properly defined goals can assist the operation's management team in determining whether the operation is moving forward. Goals can be either short term or long term, however, each short term goal should correspond to a long term goal, and each of these should move the operation towards fulfilling its mission statement. Goals should be incorporated into each of the financial, production and marketing components.

One common theme found in most business planning publications regarding goals is the concept of SMART goals. This concept suggests that goals must be **S**pecific, **M**easurable, **A**ttainable, **R**ewarding and there should be a **T**ime-frame specified for reaching each goal. Each of these is described in further detail.

> Specific: A goal must be specific enough to provide focus. A goal is specific when everyone knows exactly what is to be achieved and accomplished. Being specific means spelling out the details. For example:
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> > "Increase profit" is too general for a goal because it does not provide any specific details. There are multiple ways for an operation to increase profit, such as achieving a higher market price, reducing costs, or increasing yields. How does the operation intend to increase profit? "Increase profit by reducing variable costs …." provides a specific goal.
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> Measurable: A goal must be measurable or quantifiable. It must have a method for comparison that indicates whether or not the goal is reached. Doing something "better" does not provide the quantifiable measurement necessary to determine whether the goal is achieved.
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> > Working with the above goal, we can add "…by $10.00 per acre." Now we have, "Increase profit by reducing variable costs by $10.00 per acre." A comparison can now be made with past production costs to determine a measurement and to determine whether the goal was achieved.
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> Attainable: A goal must be attainable and realistic. Setting unrealistic goals for an operation creates frustration within the management team. An attainable goal is one that motivates the individual to achieve something. One of the many reasons for creating goals is giving credit where credit is due. As an employee of the operation, it would be difficult for me to reduce variable costs by more than $10.00 per acre without affecting the production level, yet the conscientious employee would see the challenge of achieving the goal. On the other side, a goal cannot be so simple as to not challenge the individual.

Bevers, Stan, Jason Johnson, Brenda Duckworth, Blake Bennett, Wade Polk, and Bill Thompson. Department of Agricultural Economics, Texas Cooperative Extension, Texas A&M University. September 2005.

Related: A goal must be connected or associated with other goals and ultimately with the mission statement. By reducing variable costs by $10.00 per acre, we have impacted the financial well-being of the operation.

Time- and Resource Constrained: Each goal must take into account both time and resources. Time constraints encourage action to get activities completed. Deadlines cause individuals to get things done. In addition, the goal must be resource constrained. In the above case, anyone could reduce variable costs by $10.00 per acre; however, can they do this without reducing production levels? Anyone can increase revenues; however selling the tractor does not make sense to an agricultural operator. The goal statement must contain resource constraints in order to ensure that there is a practical cost/benefit relationship to goal achievement.

> Working with the above goal, we can add "…without reducing yields by the end of the commodity cycle." Now we have, "Increase profit by reducing variable costs by $10.00 per acre without reducing yields by the end of the commodity cycle."

SMART goals ensure that all the necessary elements are included for creating well-planned and achievable goals. The SMART goal is:

> Specific: "…reduce variable costs…"
> Measurable: "…by $10.00 per acre…"
> Attainable: can be accomplished
> Related: relates to the mission statement, "Increase profit…"
> Time and resource constrained: "..without reducing yields by the end of the commodity cycle".

There are other issues that need to be outlined in order to clearly define goals. These include the type of goal, whether the goal is short term or long term, who is responsible, and the evaluation of goals.

The types of goals include production, financial, or resource. Production goals predominately drive the individual towards higher production levels, including higher yields, heavier weights, etc. Financial goals can focus on the financial position of the operation including a goal for some level of net income or rate of return on assets. Also, many producers set marketing goals for selling their commodities.   Resource goals include acquiring better machinery, more acreage, or improving the resources that you currently have, such as brush management. All of the goals are interrelated. Higher production goals should result in higher financial goals being achieved. Resource goals, such as brush clearing, should result in higher weights, which should translate to higher net income.

While all goals should have a time-constraint, it simplifies the exercise by dividing the goals into short term or long term goals. Short term goals can be evaluated at the end of the financial year or commodity cycle. Long term goals require more than a year to accomplish and evaluate. Most production goals tend to be short term goals, while resource goals tend to be long term goals. Financial goals can be either short or long term.

Every goal should have an individual responsible for it. This responsibility would include setting the goal, working towards the goal, and finally be involved in the evaluation of the goal.

Goals have to be evaluated as to whether they were accomplished or not and credit given or taken away. Most analysts perceive two possible outcomes as to whether a goal was met or not; yes, the goal was met, or no, the goal was not met. However, there are really three possible outcomes, the goal was met, the goal was exceeded, or the goal was not met. The reasoning here is best illustrated by the above goal of

> "Increase profit by reducing variable costs by $10.00 per acre without reducing yields by the end of the commodity cycle."

If the individual responsible for this goal reduced variable costs by $9.50 per acre while maintaining the current production level and within the end of the commodity cycle, he did not meet his goal. However, by applying an error, plus or minus 5 percent, he in fact met his goal. The goal was not exceeded. The point is he clearly worked towards the goal and the individual should be acknowledged for this effort. Giving the individual the credit for his effort will make him more acceptable to planning the next goal and working towards it as well. If the goal was not met, an explanation of circumstances surrounding why the goal was not met would be required by the responsible party.

Finally, just like the mission statement, the goals to be accomplished should be posted in a prominent place for everyone to see. Everyone should be continually reminded of what the operation is trying to accomplish.

Short Term Goals

Goal	Production, Financial, or Resource	Whose Responsible	Long Term Goal Support	Evaluation Date (or period)	Exceeded, Met or Remains

Long Term Goals

Goal	Production, Financial, or Resource	Whose Responsible	Supports Mission Statement	Evaluation Date (or period)	Exceeded, Met or Remains

Short Term Goals
TTAP Enterprises

Goal	Production, Financial, or Resource	Whose Responsible	Long Term Goal Support	Evaluation Date (or period)	Exceeded, Met or Remains
1) TTAP's 2006 Wheat for Grain will be sold for at least $3.45 per bushel.	Financial	Thomas	1 and 3	7/1/06	
2) TTAP Enterprises will achieve a return on its assets of 5.25 percent during 2006.	Financial	Everyone	1 and 3	1/2/07	
3) TTAP Enterprises will reduce its debt to assets ratio to below 43.0 percent during 2006.	Financial	Thomas	1 and 3	1/2/07	
4) TTAP Enterprises operating expense ratio will not exceed 65 percent during 2006.	Financial	Thomas/ Catchum	1	1/2/07	
5) TTAP Enterprise will wean an 85 percent calf crop during 2006.	Production	Catchum	1	11/15/06	

Short Term Goals
TTAP Enterprises

Goal	Production, Financial, or Resource	Whose Responsible	Long Term Goal Support	Evaluation Date (or period)	Exceeded, Met or Remains
6) TTAP Enterprises will reduce brush problem in southeast 100 acres from 80 percent coverage to 45 percent coverage.	Production / Resource	Catchum	2	11/1/2006	
7) TTAP Enterprise will harvest 25 head of whitetail does during the 2006 winter months.	Resource	Catchum	2	2/1/07	

Long Term Goals
TTAP Enterprises

Goal	Production, Financial, or Resource	Whose Responsible	Supports Mission Statement	Evaluation Date (or period)	Exceeded, Met or Remains
1) TTAP Enterprises will build its Net Worth to over $2.0 million by January 1, 2015.	Financial	Everyone	Yes	1/2/15	
2) TTAP Enterprises will increase the carrying capacity of the ranch from 481 animal units to 520 animal units by January 1, 2005.	Production	Catchum/ Thomas	Yes	1/2/15	
3) Thomas and Julie Rancher will have a new four bedroom house built by January 1, 2015.	Resource	Ranchers	Yes	1/2/15	