

Milligan, Robert A.

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**Human Resource Management: Program
Needs in Organizing Farm Businesses**

Robert A Milligan

Staff Paper No. 89-28

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Department of Agricultural Economics
Cornell University, Agricultural Experiment Station
New York State College of Agriculture and Life Sciences
A Statutory College of the State University
Cornell University, Ithaca, New York, 14853

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HUMAN RESOURCE MANAGEMENT: PROGRAM NEEDS IN ORGANIZING FARM BUSINESSES*

Robert A. Milligan**

Introduction

The following help wanted ad appeared recently in a local paper (city and phone changed):

"WANTED: Full time hired man for dairy farm. 3 miles south of Anytown. Weaklings, wimps, and whiners need not apply. Should have the abilities of a nine year old at least. Call 555-555-5555."

The frequent existence of ads of this type illustrates the need for applied research and extension programs in human resource management. Unfortunately, very few faculty have research programs or are developing extension programs in this area. We would hypothesize that there is more money to be made by most farm managers from investing in personnel management education than any other area.

The objectives of this paper are twofold. The first is to establish a perspective on human resource management including its relationship to management and the rationale for the three components discussed in the symposium. The second objective is to discuss program possibilities in organizing the farm business.

Human Resource Management¹

In order to understand the field of management today it is useful to take a schools approach. The first modern school of management, known as the quantitative school or scientific management, arose in order to find the most scientific, rational principles for handling people, machines, materials, and money. The goal was to increase output and productivity per person by making work easy to perform. Workers were basically an addition to machines and were necessary to make them run.

* This paper provides background material for the AAEA symposium titled "Human Resource Management: Can Cooperative Extension Respond to Farmer Needs" presented on August 1, 1989 in Baton Rouge, LA..

**Robert A. Milligan is a Professor of Agricultural Economics at Cornell University.

¹ This section is a summary of major sections of Milligan and Hutt (1989).

The second view of what management is and how it should be studied is called the process school or classical school and traces its roots to Henri Fayol who is often thought of as the father of modern management technology. Fayol (1841-1925) first introduced the administrative operations of planning organization, command, coordination, and control. Fayol was one of the first to believe that management could be taught in a scholastic setting using a conceptual framework with principals derived from research and experience. Fayol's original fourteen principals of management included such familiar ones as division of work, authority and responsibility, unity of command, subordination of individual interests to the common good, centralization, hierarchy, and esprit de corps. Figure 1 is a diagram from Hutt, et al 1988, that illustrates the functions in a current context.

A third school of management, the behavioral school, has two branches, one being individual behavior or the interpersonal perspective, and the other being the group behavior or the social system perspective. Contributions to this school often come from the social sciences, including psychology, sociology, anthropology, social psychology, and industrial psychology. This school deals with such topics as motivation, leadership, personality and style, behavior and teams, power and authority.

In addition to the development of the three schools of management one can observe different philosophies of management emerging over time as the study of management has progressed. Each emerging philosophy does not completely replace the one which preceded it and is best illustrated in Figure 2.

The classical philosophy, which draws primarily from the quantitative school, does not develop a conceptual framework for management as people are simply an input into the production function. The human relations philosophy recognizes that people are a unique input and emphasizes how people are treated by the organization. The human resource management philosophy asserts that management is the management of people, including oneself, and that management has a conceptual framework that separates management from labor.

In this paper I argue that a human resource management approach implies that management is essentially the management of people, including oneself, and that management is differentiable from the technical. Both can be illustrated by an example of analyzing why a herd of dairy cows is thin. The usual answers -- cows not receiving enough feed, feed ration not balanced, forages of poor quality -- are technical. If one continues to ask "why," answers related to management will be detected:

- no one has devised a feeding plan
- no one is monitoring the cows intake
- there is no one responsible for feeding
- the individual balancing the ration is not capable
- no one has told the feeder how often to feed the cows

Figure 1

FUNCTIONS OF THE FARM MANAGER

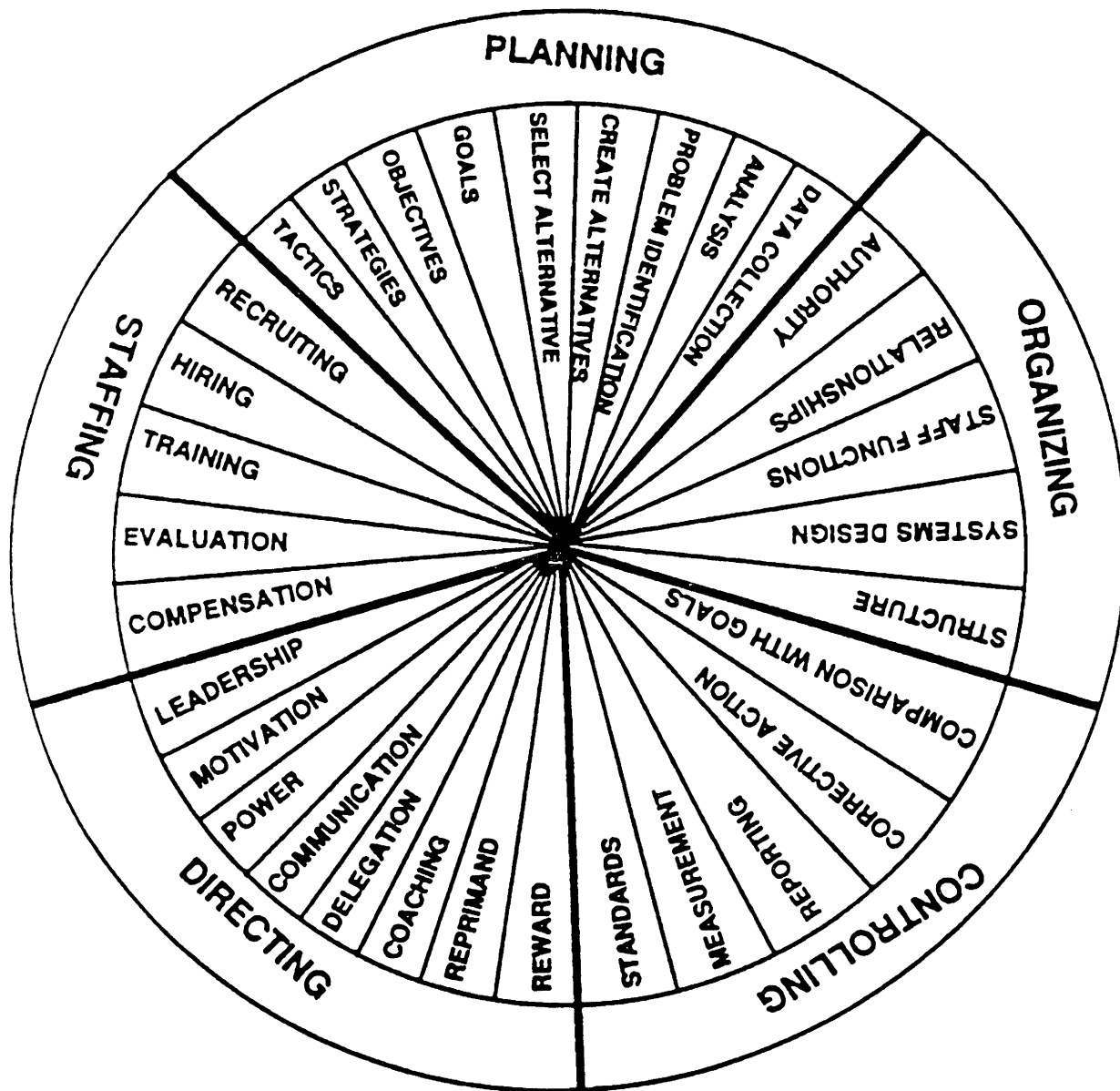
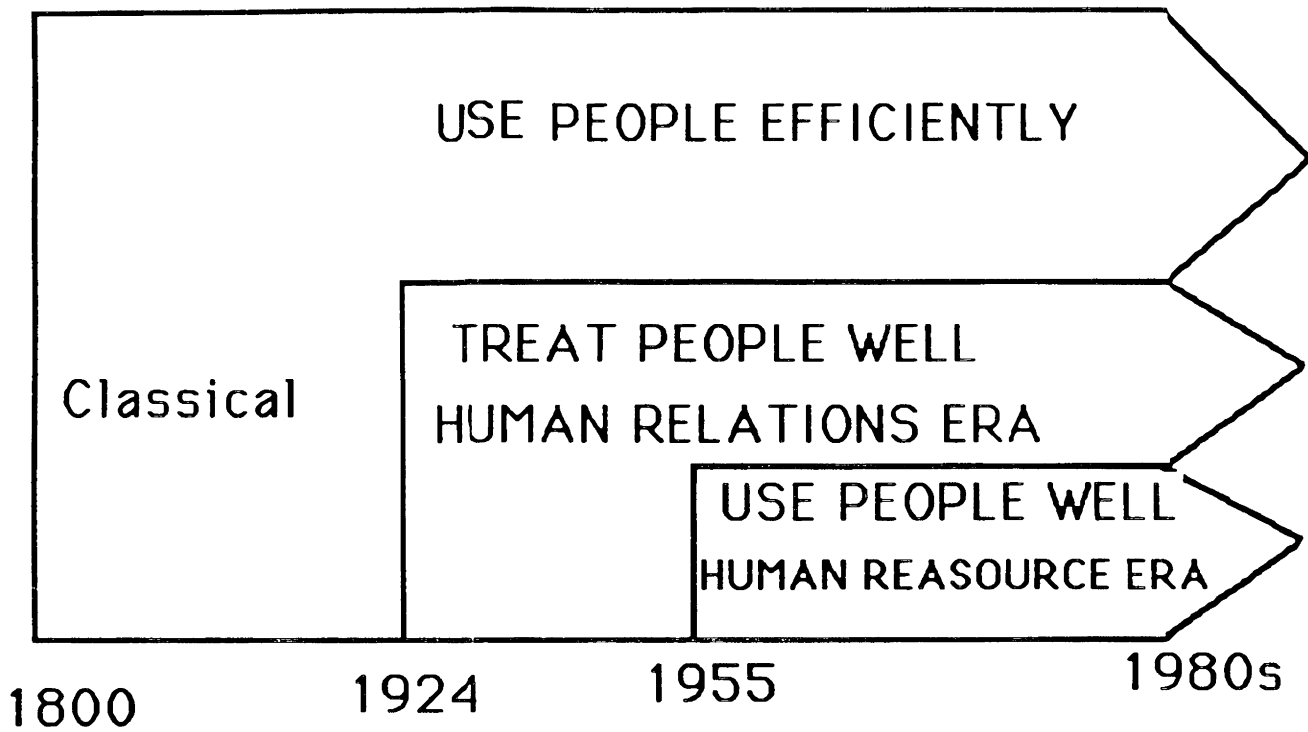


Figure 2

MANAGEMENT PHILOSOPHY TIME LINE



The management answers are 1.) more amenable to a solution and 2.) people oriented. It is crucial to point out that even though management is people oriented, it is still critical on the small farm where the primary management is of oneself.

One way to disaggregate human resource management is into organizing the business, personnel management, and labor regulations. Organizing (Figure 1) is establishing an internal framework of the roles and activities required to meet the goals of the farm. The manager must decide the positions to be filled (job design) and the duties, responsibilities, and authority attached to each one (organizational structure).

Personnel management includes the staffing and directing functions (Figure 1). Labor regulations involve explaining the federal, state, and in some cases local regulations concerning farm labor to farm managers. It also includes making recommendations on labor management to comply with the laws and to manage in accord with the laws.

Extension Program Needs in Organizing Farm Businesses²

Perhaps the most significant change as farm businesses become larger is the increasing organizational and managerial complexity of the business. Two specific changes are the increasing size of the management staff and the increasing proportion of time managers spend managing. Farm businesses with two levels of management (managers under the supervision of managers), which were almost non-existent not too many years ago, are fairly common today.

As illustrated in Figure 1, the organizing function has several components. In addressing programming opportunities, I will discuss the stages of business development, organizational structure and the organizational chart, and multiple levels of management.

Stages of Business Development

Like managers, organizations grow and develop over time and problems often arise when the organization and the manager are "out of sync" with one another. Farm managers often find it easier to think of changing something physical than to think of changing the very manner in which things are approached or the attitude that is expected or needed in order to affect positive change. A good manager must, however, take the reins of the enterprise and guide it using the management tools of Planning, Organizing, Directing, Motivating, and Controlling.

² This section draws heavily on Milligan and Hutt (1988).

An excellent example is seen in the case of the Apple Computer Company. The company was founded in a garage by an entrepreneur who was full of good ideas and technology. As the business expanded and more people were hired, it became apparent that the founder was not evolving into a corporation manager and had no desire to do so. As a result, he hired a business manager who knew a little about computing but a great deal about management and organizations. The founder of Apple Computer eventually left the company and has begun another new venture where his strengths are maximized (Gentile, 1987). In contrast, the founder of the world's largest abrasive firm, Bay State Abrasive, began with the entrepreneur hand mixing and kiln firing individual grinding stones in a small brick oven. As the company expanded, the owner continued to change management roles and develop new areas of management expertise while delegating the other spheres of activity to employees and eventually to partners.

Figure 3 divides the continuum of the evolution of a farm business into three stages for five concepts of organizational and management evolution. This continuum is designed to enable the farm manager to better know him or herself and the characteristics of the business that is being managed. The user must understand that the differences found among these components are not meant to have a value judgement attached. One end of a continuum is not considered better or worse than the other, merely different. It is of greater importance that a business work effectively than that it be in a particular place on a continuum. One might better look at each continuum and ask if their business or management is struggling with problems or crises caused by moving too soon or too late from one phase to another. In addition, blocks to growth can be spotted if a particular component is lagging in its development in contrast to the rest of the farm. As farm businesses grow they will tend to evolve through these stages. The development of extension programs to assist farm managers in managing business development has great potential.

Organizational Structure and the Organizational Chart

This describes the structure of business and how it is organized to perform the functions of the business. Most farm businesses progress from the informal family patriarchy to a fully developed, functionally specialized, and decentralized hierarchy (Jackson, et al, 1986). The structure can vary from informal to centralized to decentralized (Milligan and Hutt, 1988).

The type of structure employed on a farm is a function of management philosophy, the ability and availability of middle management, and the size of the organization (Killen, 1977). Structure in its highest form becomes a tool in the hands of the strategic manager to influence all other aspects of the business, employee performance, and productivity.

Figure 3

BUSINESS DEVELOPMENT

	<u>STAGE 1</u>	<u>STAGE 2</u>	<u>STAGE 3</u>
MIDDLE MANAGEMENT	NONE	TIGHTLY SUPERVISED	AUTONOMOUS
MANAGEMENT DELEGATION	NONE	SPECIFIC RESPONSI- BILITIES	AUTHORITY
MANAGEMENT GOALS	UNDE- VELOPED	INFORMAL	FORMAL, WRITTEN
COMMUN- ICATION	CASUAL TOP DOWN	INFORMAL TOP DOWN	OFTEN FORMAL TWO WAY
MANAGEMENT FOCUS	THINGS	INPUTS	OUTPUTS/ HUMAN

The portrayal of organizational structure is the organizational chart. The dearth of farm managers with formal or even informal organizational charts is indicative of the lack of priority on development of the organizational structure of the business. The need and potential for programming in this area is almost unlimited.

Multiple Levels of Management

The complexity and difficulty managing with multiple levels of management is illustrated by the simplistic chain of command in Figure 4. We are all familiar with the correct and incorrect chain of command structures with one level of management (Figure 4, top). The basis of the distinction is that a worker can have only one boss. When the business requires two levels of management, developing a chain of command where each worker has only one boss is challenging. In particular, when a middle manager (B: herd manager, crop manager, etc.) is a supervisor of workers, he or she must be the only supervisor and the general manager (A) must intervene only as a supervisor of the middle manager (A) or in extreme circumstances. Otherwise the structure becomes like that on the bottom right of Figure 4.

As the author has worked with large farm businesses, he has observed that many of these farm businesses have chain of commands that are incorrect (Figure 4). The consequences are that the middle manager has responsibility without authority, the workers lack clear supervisory channels, and personnel management problems are created or worsened. As farm businesses employ middle managers, the need for extension programming will increase.

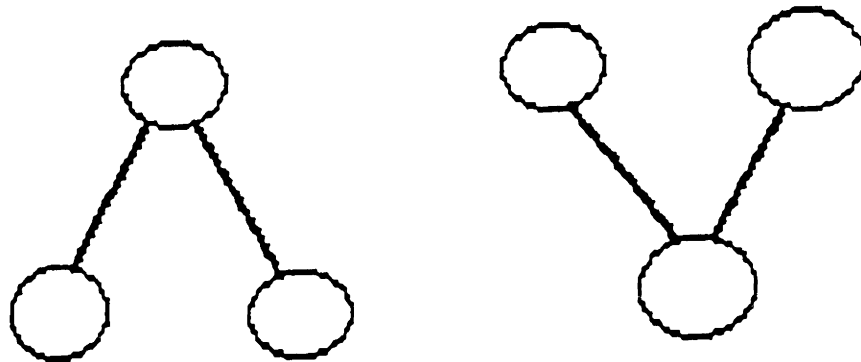
Conclusion

We as professionals have traditionally viewed labor management/ personnel management as one of many components of management. In this paper a conceptual framework is developed where management is the management of people including oneself. In this framework human resource management becomes the focal point for management of the business.

Figure 4

Correct and Incorrect Chain of Command Structures For one and two Levels of Management

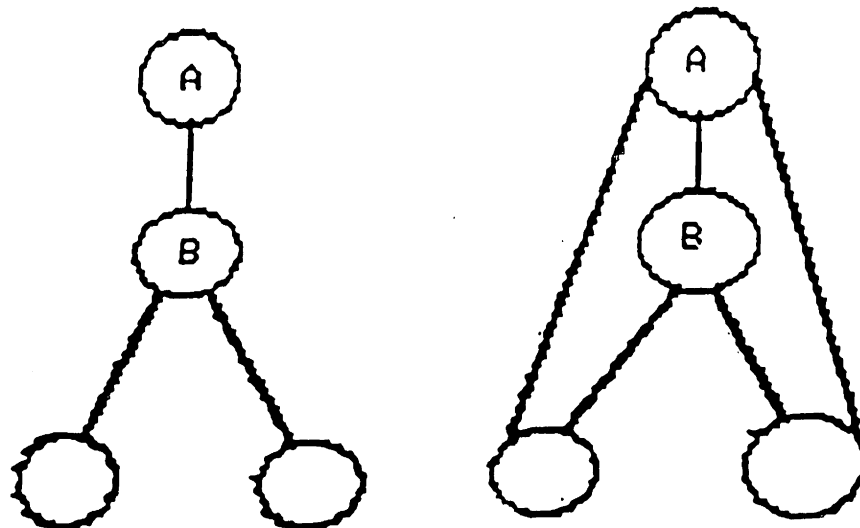
Chain of Command Structures:
One level of Management



Correct

Incorrect

Chain of Command Structures:
Two Levels of Management



Correct

Incorrect

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