

David M. Kohl

Professor, Virginia Tech

Agricultural Finance and Small Business Management

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The Sixth C: The Difference Maker

By: Dr. David M. Kohl

In the agricultural finance world, many lenders assess credit requests based on the five C's of credit: cash flow, collateral, conditions, capacity, and character. While these are important criteria, a sixth "C" of credit pertaining to In management is the cranium. This was a term coined by a highly respected ag lender, Denny Everson of South Dakota. I totally agree with his assessment and find that the sixth C, cranium, is often the difference maker when considering all of the C's of credit. Let's explore some of the elements of the sixth C of credit. As we conduct this assessment, see how your business or your clients stack up.

The HUT Principle

The first component of the sixth C is the HUT principle. No, this is not Peyton Manning, the Denver Broncos quarterback, calling an audible at the line of scrimmage. Does the manager *hear, understand* what is heard, and then *take action*? The difference makers are those that not only "talk the talk" but "walk the talk" or execute, monitor, and take proactive action. Frequently managers will not take action and make decisions because they are afraid to make a mistake. Exceptional managers learn from their mistakes, but do not continually repeat the same mistakes.

Record System

Second on the list is a basic but often overlooked management principle. Does the business have a record system that can determine the cost of production by enterprise or business unit? The astute managers will know cost of production at various production, cost, and efficiency levels.

Risk Management

Next on the Sixth C list is an intangible component, a risk management program. Yes, this is a sound marketing plan that is executed, accepting consequences within the parameters of expense, debt obligations, and profit aspirations. However, risk management is more than just marketing plans and crop insurance in the short run. The manager that excels will use his or her "cranium" to think long-term and have the necessary insurances ranging from liability and disability insurance to life insurance in place on key individuals in the business. The Sixth C manager will occasionally update the plan as the business evolves and the financial situation changes.



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Taking a Punch

From the lender's standpoint, the next component of the Sixth C is very important. Have the owners and managers taken a punch? (This was explained in a previous article.) How did they adjust? This part of the Sixth C equation will play out amongst young producers specifically in the grain industry. Now, the punch could be illness, death, accident, fire, divorce or calamities outside of economics that play an important role in the sustainability of the business.

Advisory Team

The next component of the Sixth C is one of the fastest-growing trends in farm management: an advisory team. Many managers will say, "No way!" to this concept because they do not want others knowing their business. However, the ability to work through other people for continued improvement and counsel is a best management practice that is such a tremendous difference maker. The key is to be organized, meet regularly, and make incremental adjustments to the business.

Management and Skill Transition

The Sixth C list would be incomplete if I failed to mention the element of transition. While an estate plan is very important, the transition of management and skill sets are the difference makers. The Sixth C manager will assess skill needs of both family and non-family people and align them in the business. The book *Good to Great* by Jim Collins says it all: Get the right people on the bus in the right seats and kick the wrong ones off. However, Coach K, the famous Duke and Olympic basketball coach, adds to this idea. Also, you must have the right bus driver with the right directions, and they will direct you to the right destination. This sounds simple, but these six steps regarding personnel management will be a difference maker for peak performers in agriculture.

Goal Setting

The Sixth C includes goal setting and balance. Some research finds that only one in 25 people have written goals and carry them out. The Sixth C difference maker will have a balance of business, family, and personal goals, both short term (less than one year) and long-term (five years or more). More young farm and ranch families are seeking balance in life and family which is conducive to a sustainable business model. Do not forget yourself in goal assessment. That is, set mental, physical, and spiritual goals also. A colleague of mine, Dr. Tom Payne of the University of Tennessee-Martin, often says, "If you're going to lead, you must read to maintain the mental edge." In addition, taking time for exercise and taking technology breaks to "hear the silence" are critical elements for long-term success.

How do you stack up regarding the Sixth C of Credit, the Cranium? Remember, success in business and life is not a sprint, but often a marathon with yard markers along the way. Having a game plan and some of these Sixth C "difference maker" components can help lead to business success and life satisfaction.



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