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## Information Management

### Quick Notes...

Access to current information is a key to making profitable decisions.

Successful businesses have a systematic way of storing, retrieving and quickly assessing information.

Information is no longer ancillary to a successful business; it is part of the core.

Traditionally, farmers and rancher's primary information management concerns were maintaining adequate financial records to complete income-tax returns, breeding records for livestock, grain production records to satisfy government farm program requirements, maintaining files of key financial documents, and maybe a file or stack of magazines that contain new "how-to" production information. During the past decade, sometimes called the "information age", available information has radically increased. Market and weather information is now available almost instantaneously, via electronic satellite systems at the farm or ranch office. With the internet a multitude of data can be accessed from around the world.

Satellite television systems are available for rural residences that rival the multitude of programming options available in any metropolitan area.

The challenge in managing any business is sorting through this "explosion" of information to reach an understanding of the information necessary for the success of the farm or ranch business. This is information management.

In economic terms, access to current information is key to making profitable decisions in a competitive market place. If a producer is late in acquiring, understanding, and implementing new production and market information, all profit potential may have already been taken advantage of by other competitors in the market place.

### **Types of Information**

#### Internal Information

Much attention has historically been focused in farm and ranch management on this type of information. This is also true of other small businesses and major corporations. Internal information is information created by the ongoing operation of enterprises that make up the business. Financially, keeping track of expenses, income, assets, liabilities, inventories and production efficiencies have been the core of the focus. This necessitates the organized filing of receipts, as well as a multitude of income tax returns, government program records, titles of ownership, loan documents, etc.

In the most desirable situations, summaries of financial records in the form of balance sheets, cash flow statements and enterprise budgets

were completed annually to summarize the essence of financial success or failure, or at least to satisfy a lender. If computers were adopted on the farm or ranch business, this could greatly aid the computation of key financial summaries and assist in researching other possibilities. Farm program software or self-developed spreadsheets allow for a multitude of ways to analyze production or financial efficiencies. These efficiency measures, coupled with financial measures like the cash flow statement, income statement, balance sheet and enterprise budgets really become the decision making tools. These tools should capture, at a glance, the size, scope and financial performance of your business. New developments in software as well as in computer hardware, have virtually made the storage, retrieval and analysis possibilities of internal information limitless.

#### External Information

It used to be that the primary source of external information to the farm or ranch business was limited to farm magazines, radio market reports, and some university technical information. Much of the printed information was six months to one or two years old by the time it was received, read, understood and possibly adopted for its profit potential.

In recent years the availability of external information related to the farm or ranch business multiplied many-fold in content and timeliness. Living in a remote rural area is no longer a reason to not be well connected to current business data and research from anywhere in the world. Low-cost subscriptions to satellite delivered market and weather information is available on-farm, anywhere in the U.S., bringing information to the farm and ranch office only ten minutes after trades are made at the world's major commodity exchanges. Agricultural research, business data, and multitudes of other information can be accessed around the country and the world via the personal computer. The time required to sort through

and comprehend information relevant to the farm business is probably the only limiting factor.

#### **Strategic Management - Utilizing Information**

Probably the most dramatic change in recent years in business management, from major corporations to successful small businesses, is in how information is viewed and utilized. Information systems in major corporations used to be viewed as a service department in the company that assisted key operational departments by storing and analyzing data.

Successful businesses of this "day and age" have a systematic way of storing, retrieving and quickly assessing the "bottom-line" of what internal and external information is signaling. These signals are then used to develop new business strategies or change existing strategies to successfully achieve business objectives. This everyday use of processed information for strategic decisions is probably the heart of the new business philosophy. Information is no longer ancillary to a successful business; it is part of the core. A business manager can be overwhelmed by the onslaught of information or he/she can master it. This is accomplished by monitoring and quickly understanding key concepts and the business opportunities that they present.

For example: After scanning recent research electronically in a neighboring state, a producer may happen upon a new crop production technique or practice that may increase production or reduce cost. Studying a price history for that crop that he has stored on his computer data base, he develops a range of selling price possibilities that he will test this new technique on. The producer then retrieves appropriate production costs from his crop production cost data base. He can then quickly combine these three data-sets in a spreadsheet on his computer and test various scenarios against his old production

techniques. Additionally, he can test the potential impacts on his financial measures, via a modification of his cash flow statement, balance sheet and income statement. With all this information in-hand he can discuss the feasibility of this strategic change with business partners and his lender.

This type of strategic combination of essential internal and external information into a single, well-informed decision that has a major impact on the success of the farm or ranch business, is truly modern information management.

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