

Office Management

Quick Notes...

The office must be able to:

- handle information
- organize compliance information
- act as a communication center

The office location should be convenient and available to encourage utilization.

Develop a simple, "easy to find" filing system.

A well designed and equipped office can be a valuable contributor to the success of your business.

Agricultural production, whether an operation is farming or ranching, is a business. A unique combination of production skills and business skills are necessary to successfully manage any agricultural production operation. The physical location or focal point where these two skills converge to make crucial business decisions, is the farm or ranch office.

Office Purpose

Managing a business is accomplished by making decisions which determine the future of the farm or ranch operation.

These decisions consist of planning and implementing business strategy. Pivotal questions such as "shall we expand corn production, change dryland tillage systems,

purchase additional land, or forward contract grain sales?" are but a few of these types of key strategy decisions. To facilitate and support these decisions an office must have the following functions:

1. *Handle information* - to store, record, coordinate, translate, analyze, display and reproduce information. But information has no merit in itself. To think of the office only as a library or storehouse would not be useful. The whole idea is to have at your fingertips information necessary for good decisions.
2. *Organize Compliance Information* - for example, records and files of information required to comply with government regulations, income taxes, employee benefits, licenses and insurance policies.
3. *Communication Center* - Having the telephone, computer, fax machine and other communication devices in an office at the center of the farm or ranch operations makes carrying out the "day-to-day" implementation business strategies convenient and efficient.

Office Costs

When you consider the investment you have in land, buildings and machinery, the small amount of money required to set up a farm office to manage that investment is rather

insignificant. The costs of building and equipping an office may be treated as a business expense and claimed at a depreciated rate on your tax returns. If it's not completely used for business activities, then costs can be prorated to reflect the amount of business use.

Locating an Office

Many producers prefer to have their office in the farm or ranch home. Others may want to plan an addition to the existing farm home.

Probably the two most important considerations are convenience and availability. If your office is too hard to get at, you won't use it as often as you should. Look for office space as close to the outside door as possible for easy daily access and easy rescue of records in case of fire.

Location of the office may play a big role in the attitude about using it. An office too far from the hub of activity can, over time, come to be thought of as storage space or a nice quiet study, instead of as a business operations center.

What Makes A Good Office

Developing a Filing System

If you've ever spent hours looking for a receipt, a bill or a letter that you need in a hurry, you know what a headache it can be to not have business papers where you can find them. Whatever you do, keep any system you develop simple and be willing to upgrade it as your business grows and evolves. Business papers fall into two categories:

Current Records - These are unpaid invoices on purchased items, paid bills, or receipts for production sold. These change yearly and are best kept in a filing cabinet. Dollar amounts and quantities from these records will later be entered into your record keeping and analysis system, either in a computerized record system or hand written ledgers. Some managers organize files by vendor

(supplier) or by type of purchase (i.e Johnson's hardware vs. tools). Later, when recorded in record keeping system, is the time when a given expense or income will then be allocated among various enterprises for later analysis.

Past Records - Records need to be kept orderly, such as registration papers, titles of ownership, field histories, insurance policies, and income tax returns. A suggestion would be to file these records by year. You may want to put permanent records in other storage space if office space is limited.

Internal Information - Consider building your filing system around the categories in your accounting book or software. Adding your own subcategories is usually possible and should provide you adequate flexibility. You want to make finding, retrieving and analyzing records simple and convenient.

External Information - New information from outside your business will differ according to your enterprises. Easy to find references will definitely help. Those recommendations for insecticide application that you received last January will be much easier to find in June if they're filed by category. You may also have price data stored on computer software as a reference to later combine with 5 years of your internal cost data, in order to answer some important "What-if" questions.

Filing Tips and Getting Started

Make up your own file index on heavy paper and use this as the key to your system. You might want to cover it in plastic and keep it just inside the top drawer. You can add additional numbers and headings as you expand or change your system.

Color Coding:

To keep the system running smoothly, try using color coding along with each of the large section headings. For example, the main sections may be farm business records and reference, and home records and reference. Use blue file folders or labels for all farm business files and keep these in the top drawer. Keep all farm references coded green and in the second drawer, and so on. (This will save time when re-filing and will ease the family's adaptation to the new order.)

Numbering:

A filing system arranged in a numbered sequence will also increase office efficiency. For example, if you have a land rent contract to file, record the corresponding number in the upper right hand corner of the contract: B3-a. This points to Section B-Business Activities, 3-Legal Agreement, a-Rentals. Should you have a soil test result to file it would be marked R1-b-2, R-reference, 1-cropping, b-chemicals, 2-fertilizer.

Collecting Papers

Keeping bills and receipts for later recording is sometimes a difficult habit to develop. Some strategies that producers tell us work are the following:

- Use an "in-out" temporary file on top of your desk to pre-sort items for later processing.
- Attach a big clip, rubberband or a pouch envelope to the sun visor of the truck or car used when doing business. Instead of putting bills on the dash and having them blow out the window, you'll have them tucked away for later collection.
- Carry your checkbook in a small fold-over binder. On one side it has a pocket for bills and receipts, on the

other a clip to hold your checkbook.

- Keep a spike paper holder within easy reach. Having it near the entry or close to the change and wash up areas works well. It's easy to develop the habit of clearing out pockets and spiking the papers onto the holder.
- Carry a pocket-size calendar to note details of cash transactions when necessary.

Handling Paperwork

Try to arrange a regular time each week to do paperwork. Take your collection of unfiled papers and sort them out. Separate into four current files or "in-out boxes":

- 1) payables or unpaid bills
- 2) paid bills to record and file
- 3) receipts to record and file
- 4) home and business references to file

Deal with records that need immediate action or payment. Mark file numbers in the upper right hand corner of each item to be kept. When family members are finished reading reference information it's easy for them to place it in the correct file. If you have a large volume of business transactions you may want to record daily or weekly, otherwise store all expense and credit papers for monthly recording.

Most people find recording accounts in the same order that checks are written is the easiest way to review for possible mistakes. By using the farm bank account for depositing all income and by paying all expenses by check, the bank statement will show all the farm dealings for the month. But be sure to record all cash transactions you have noted on bills or your pocket calendar.

Storing Valuable Papers

All papers and records should not be filed at home. To guard against fire and theft, certain important documents should be kept in a safety deposit box. Copies of some

documents and a complete listing of contents of the safety deposit box should be kept in your current files for convenient and frequent reference.

Check with your local bank and make arrangements to rent a safety deposit box. They are available in several sizes and rental fees vary with the size. Remember to claim your rental fees as a business expense on your income tax.

Office Furnishings and Equipment

- *A desk* - These come in all sizes, types and price ranges. A hollow-core door set on two drawer filing cabinets is a good start. A beautiful L-shaped desk may be in your plans for future years. A desk surface about 30" by 60" is a good size and a height of 28" to 31" from the floor is comfortable.
- *A chair* - A sturdy comfortable chair, about 17" to 20" high with good back support is a must. One on rollers is handy.
- *A lamp* - Good lighting for evening work will help your office work go faster. A light source about 15" above your work surface is about right for most adults.
- *A filing cabinet and file folders* - When shopping for a filing cabinet keep in mind the two sizes) legal size and letter size. The legal size is more flexible as it will accommodate papers up to 14 inches in length. Keep the size of the filing cabinet in mind and buy file folders, file dividers and a file guide to fit. (Additional file boxes may be desirable for storing permanent records).
- *Wall storage space* - At least a couple of shelves within easy reaching distance of your desk will be needed for binders and permanent files.
- *Other work spaces* - Space for a computer, large office equipment, satellite market receiver, and maybe a fax machine will be helpful.
- *Organization of desk and storage boxes* - Use small boxes or drawer dividers in desk drawers for office supplies such as writing paper, envelopes, stamps, pens pencils, rubber bands, paper clips, memo pads, file labels and scissors.
- *Bulletin board, cardboard or blackboard and wall calendar.*
- *A wall map of the farm.*
- *Communications* - Consider a telephone, an answering machine (voice mail), radio, possibly a base radio for mobile communications, and possibly a scanner, and/or copy machine.
- *A calculator, a wastebasket and a filing basket. A stapler and a 3-hole punch.*
- *Computer and software* - A computer with word processing, farm accounting or spreadsheet software, plus additional software. You may desire an internet connection to access information. You want a good quality printer to produce printed copies of reports for you, your business partners and your lender.

*Notes...
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*(For More Information) Contact: Rod Sharp, Ag. & Business Management Economist, CSU Extension, (970)-245-9149, Rod.Sharp@colostate.edu
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