

POLICY EVALUATION BY AGRIBUSINESS FIRMS

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A policy is a guide for action in any organization. All policies should be designed to make a business firm's goals easy to achieve. Policies guide management, employees and those served by the organization. Policies tell what; procedures tell how! To understand the difference is important in managing an agribusiness.

Well-run agribusiness firms need to have clearly stated policies in their five activity areas:

- Selling
- Buying
- Credit
- Personnel
- Maintenance

Purpose

This publication outlines a method for evaluating policies by an agribusiness firm in all activity areas. No attempt is made to discuss in detail policy development in each area of business activity. No effort is made to differentiate between long-range and short-range policies.

Evaluation Procedure

All business policies should be reviewed each year. Policy evaluation should be the subject of a special board of directors meeting in corporate or cooperative organizations. The management team should conduct the special meeting in other legal forms of business organization. Answers to these questions should be developed for each company policy at the special annual meeting:

- Is the policy in writing? Written policies usually are better understood by both employees and customers. Also, if a policy is reduced to writing, there is a better chance that it will be more thoroughly planned before being announced.

- Is it compatible with other policies? Each policy must be viewed as a part of the whole. A policy not viewed in this light can easily negate the effects of other well-meaning policies. Each policy of a firm should support and strengthen other policies.

- Does the policy allow sufficient freedom for the manager to exercise discretion? A policy that

is too restrictive hampers initiative. Overly restrictive policies usually are more "procedural" than "policy" in nature.

- Does the need for the policy still exist? Too often, policies linger after their need expires. This can only cause inefficiencies in the business firm. Inefficiencies that are built in to an organization are usually the most costly ones to the firm. Those that creep in usually can be stamped out easily.

- Is the policy being followed? If not, there are two probable reasons. It is either unsound and impractical, or it is an oversight by those charged with its administration.

- Is it up-to-date? The dynamics of modern business cause policies to become obsolete rapidly. Policies must be made to fit the structure, peculiarities and environment of the specific market area. The policy should be made to fit the given situation.

- Is the implementation of the policy too costly? Many activities or concepts in operating a business may be desirable but too costly to permit profitable use. An interesting exercise is to "price out" what it costs an organization to operate under a given policy.

- Has the policy been given enough time to work? Over-zealous directors or managers often grade a policy as poor before it has a fair chance to show effectiveness. When a policy is developed, a realistic proving time period should be set.

- What do the employees think about the policy? Workers who operate under a policy are often excellent evaluators of it. They must be asked in a way that will assure reliable answers.

- What do customers think of the policy? Sales people are in an excellent position to question customers regarding a firm's policies. Management may profit by using a special group of customers as a sounding board.

An organization that evaluates its policies on a regularly scheduled basis will be inclined to evaluate its entire operations on a scheduled basis. Policy evaluation makes procedure evaluation the next logical step in effecting improvements in a firm's operations.

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