

## INCREASING THE VALUE OF KNOWLEDGE

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### **Abstract**

In Denmark there is a developed and well-organised advisory system. However, there is room for improvement. Many advisors experience that the farmers don't follow their advice, and therefore the same problems are discussed over and over. This entails that the advisors feel they lack impact and farmers feel the advising is inefficient and expensive. The job is therefore to make the utility value of the advising more visible, to motivate the farmers to exploit the full potentials of their production, and to make it clear to the farmer that the work of the advisors isn't just an expense, but a way to increase profits.

The paper describes our work with advisers and farmers to find and develop methods, which can assist in obtaining these objectives.

- Key account manager
- No Cure No Pay
- Benchmarking as a tool for motivation.

In some regions the "key account manager"- idea is developing. The farmer has one advisor who is responsible for customer relations including optimisation of the relationship between the various advisors and the farmer. The paper describes how the advisors ensure that they meet the farmers' expectations. To make the value of advises even more obvious, we also work with contracts with integrated objectives for the farm. This ensures that the advisors are aware of the farmer's expectations and that the follow up part of the advising is at natural part of the process.

"No cure no pay" has proven to be rather difficult to practise in relation to farm advising. The paper describes the possibilities and the obstructions of this method.

Danish farmers find it very motivating to compare their results with others. The advisory service uses several tools in order to benchmark customers.

## **Background**

Our company is the national centre of the farmers' advisory service, which comprises approximately 60 independent local advisory centres. Both the National Centre and the 60 local centres are independent companies, and all are owned by the farmers' organisation Danish Agriculture. The annual turnover at the National Centre is approximately DKK 400 mill, and taken together the advisory service has 3.500 employees.

We build bridge between research and farmers by processing new research results. Often we participate in the projects together with research institutions and are therefore able to disseminate the most recent discoveries as advice quickly, in order to allow farmers to benefit from them in practice.

The advisory system has a long history in Denmark, and the Danish farmers have a lot of highly specialised advisers to help them with all the issues of farm management. But there is always room for improvement. Many advisers experience that farmers do not follow their advice, and therefore the same problems are discussed over and over. This has resulted in a situation where the advisers feel that they lack impact and farmers feel the advising is inefficient and expensive. The task is therefore to make the utility value of advising more visible, to motivate the farmers to utilise the full potentials of their production, and to make it clear to them that the work of the advisers is not just an expense, but a way to increase profits.

At the National Centre, our focus is not to advise farmers, but to increase the value of the advice given by the local advisers. In order to achieve this goal we need to target the barriers mentioned above in cooperation with the local advisers. We currently work with the following methods:

- Key advisor.
- No Cure No Pay
- Benchmarking as a tool for motivation.

## **Learning theory as a basis of the development of advising methods**

- Why does the farmer not do what we tell him to do?

Most advisers experience situations in which the farmer does not follow the advice he has been given and does not keep the agreements that have been made. The adviser may wonder – the farmer has received all the information he needs and he should know why he must do what the adviser tells him to.

Then why does he not do it?

The answer to this question lies entirely in the theory of learning: The adviser must be able to pass on his knowledge and the farmer must be able to acquire this knowledge and turn it into action. Thus the object of advising and learning is to be able to give and receive information, work up this information into knowledge and turn the knowledge into action. This is difficult.

Information => Knowledge => Action.

Inclination and motivation are crucial factors when one must learn. As a starting point people are against changes and they may hence try to fit new knowledge into familiar structures. If the new knowledge does not fit into our existing understanding, we will reject, distort or repress it. This is the reason why the adviser will experience that the information that he/she believes to have passed on to the farmer may be understood differently and hence the farmer may not succeed in turning knowledge into the desired action. Thus to be able to disseminate information and turn it into knowledge inside the receiver's head, it is important that the receiver is motivated and feels like learning. It is therefore the adviser's task to try to isolate the problems, which the farmer is actually motivated to solve. Moreover, the adviser must also be able to tailor the information according to the receiver's needs. Not all farmers need the same amount of information and hence the adviser must adapt the advising for each individual farmer.

However, even if the adviser succeeds in turning information into knowledge he/she has still not attained his/her object!

In order for the advising to succeed, the farmer must also be able to turn his knowledge into action. Often the adviser experience that the farmer has obtained the necessary knowledge, but still cannot solve the problem. It may be true that the farmer has obtained the necessary knowledge about a certain subject, but he does not know how to solve the problem in practice. He lacks skills. Knowledge is not the same as skills. This is a fact, which many advisers fail to see, and hence this is the reason for much unsuccessful advising.

This is the reason why we focus both on turning information into knowledge and knowledge into action when working with advisers and farmers. The following parts describe the experiences we have gained from working with this complex

of problems. The experiences originate from various projects carried out by the National Centre during the period from 2001 to 2003 in which the writer has been a central figure.

### **Key adviser and contracts on advisory services**

Danish Agricultural Advisory Service, National Centre co-operates with 3 local advisory centres in developing advising methods, which the farmer can benefit more from. To achieve an increased practical value, the information disseminated by the advisers must be turned into knowledge and action on the farm. Our starting point is that it is necessary to:

- ✓ Establish more dialogue as regards the identification of the problem areas on the farm.
- ✓ Establish advising which is a unified whole – co-ordination between e.g. economy, plant production and pig production.
- ✓ Make the clarification of the farmer's expectations to the adviser more plain (and vice versa).
- ✓ Make more efforts to follow up on the agreements between farmer and adviser.

These four issues must in a natural way be incorporated into the adviser's method of working and this is a challenge indeed as the local advisory centres are organised in respect to professional orientation with separate economy, different work loads during the year, etc.

The three advisory centres have applied slightly different methods:

1. Identification of contribution areas at a meeting between relevant advisers included the key advisor, and the farmer.
2. Identification of contribution areas at a meeting between the key advisor and farmer.
3. Key adviser who coordinates the need for advising and who makes sure that the advising is being followed up by means of budget control.

Our experience with method 2 and 3 shows that it is a great challenge for the key adviser to cope with details of the whole farm – both economy, plant production and livestock production. This calls for knowledge of other subject areas and of the competences of the colleagues. We have estimated that one adviser cannot as a general rule cope with the entire farm and assist the farmer in identifying the problems, isolating the most important ones and activating the farmer at the same time. It is also a comprehensive and difficult task for the key adviser to pass on the farmer's wishes and demands to the colleagues who must render advice on the contribution areas.

So far our experience from the testing indicate that method 1 yields the best result. It is a great advantage that the advisers and the farmer meet and discuss which contribution areas are most important. In this way everybody know the background of the work in progress. Thus the adviser is more motivated and usually the farmer approaches the problem from the intended angle from the beginning. Many questions can be answered at such a meeting because all the relevant persons are present and hence it is not necessary to go home and investigate the matter first. Moreover, the agreements made between the advisers and the farmer, face to face, are considered more binding because they are put down in writing, a person who must see to it that the agreements are kept is appointed and a deadline is fixed.

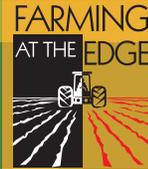
Traditionally, the business of rendering advice has hesitated to hold meetings between several advisers and the farmer. Experience shows that the advisers asserted themselves too much and competed among themselves and that the farmer could not get a word in edgeways. However, we have found that a positive development has taken place in this respect. Moreover, we have experienced that the farmer is perfectly capable of handling a meeting with several advisers at the same time and that the advisers have become more capable of allowing space and room for each other and the farmer. In general the farmers have been well prepared and they expect great things from the results of the meeting.

It is important that the agreements between adviser and farmer are put down on paper. Deadlines for the agreements must be fixed and in goals must be set for the initiatives so that it is possible to "measure" whether the activities provide the desired results. It varies slightly whether proper contracts on advisory services are worked out or not. This depends on mentality and tradition. We believe that the agreements on advisory services will gain ground eventually. Written contracts make it possible to follow up on and evaluate the results at the end of the year. Moreover, we believe that the advisers will feel that they can in this way make the results visible, which have been achieved during the year and that the farmer will find satisfaction in the fact that the goals are maintained.

So far our testing has made it possible for us to combine the advantages of the 3 different advisory centres and suggest a solution model, which we believe will increase the practical value of advisory services and set knowledge to work:

<b>Time of the year</b>	<b>Nature of the service</b>	<b>Service provider</b>
November	3 <sup>rd</sup> quarter budget control and joint meeting	All relevant advisers
November/December	Budget	Economics adviser including proposals from professional advisers
February – March	Hand-over of accounts	Economics adviser including

# INTERNATIONAL FARM MANAGEMENT CONGRESS 2003



		proposals from professional advisers
April	1 <sup>st</sup> quarter budget control	Key adviser
July – August	2 <sup>nd</sup> quarter budget control	Key adviser

## 3<sup>rd</sup> quarter budget control:

In connection with the budget control of the 3<sup>rd</sup> quarter a meeting is held at which the relevant advisers of the farmer are present. At the meeting the results of the year are followed up on and the budgetary assumptions and contribution areas for the coming year are discussed.

## Budget:

The budget for the coming year is prepared in October/November. The relevant professional advisers put forward their proposals for the budget in cooperation with the farmer.

#### Accounts:

Accounts including relevant analyses and comments made by the relevant advisers are handed in. The final budget can be prepared and the contribution areas and goals adjusted.

#### 1<sup>st</sup> quarter budget control:

Is handed in by the key adviser who will also follow up on the agreements not included in the budget. For example the adviser may examine the status of the agreements made at the meeting in November. Moreover, the key adviser checks out if the budgetary assumptions still apply and whether there are any changes to the agreements.

#### 2<sup>nd</sup> quarter budget control:

Is handed in by the key adviser who will also follow up on the agreements, which are not included in the budget. For example the adviser may examine the status of the agreements made in November. Moreover, the key adviser checks out and whether there are any changes to the agreements.

This course of events is the nucleus of the Danish advising concept. In addition to this the relevant advisory services and sundry services are carried out e.g. by the advisers in plant, pig or cattle production.

#### **No cure – No pay.**

In connection with the development of the above-described binding advisory services we have also examined whether the no cure – no pay principle would be a suitable method for improving the effectiveness and the practical value of the advising.

#### The no cure - no pay could:

- ✓ Make visible the effect of the advisory services which are rendered to each individual farmer
- ✓ Help to attract and keep the attention of customers who demand a different and unusual kind of advisory services.

#### The preconditions of carrying out the no cure – no pay advisory services are:

- ✓ That the farmer is willing to bring his managerial right up for discussion
- ✓ That the adviser is prepared to implement ideas and thoughts on the farm on his own initiative via applications not called for by the farmer.

#### No cure – no pay is most suitable for:

- ✓ Achieving short-term goals on the farm

- ✓ Achieving unambiguous production goals.

Private property and self-determination are the cornerstones of Danish Agriculture and a settlement method such as no pay – no cure will therefore trigger something deep inside many Danish farmers and most of them react by preferring the traditional settlement to “profit sharing”.

Many problems of different character are involved when choosing a settlement model. It is not possible to reach a solution which is a 100 per cent correct professionally because there will always be many different parameters which influence the result. How does external price changes, the quality of contribution areas, e.g. fodder, improved capacity utilisation, increased work performance, etc. influence the result compared to the marginal earnings of the farmer? It is a rather difficult balancing act to find a settlement method with as few weakness as possible, which is at the same time simple, operational and easy for the users to understand.

Our experience shows that the advisers find the idea interesting, but that they on further reflection find that the focus has been moved from the advisory work to settlement models and extra pay. Farmers also find that the model is interesting, but usually they will end by rejecting it, as they are not interested in sharing the excess profits, if any, with the adviser. Thus we note that Danish farmers and their advisers are interested in no cure – no pay, but so far it has not been possible to put it into practice.

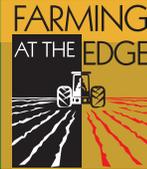
## **Benchmarking**

Danish farmers find it very motivating to compare their results with others. The advisory service uses several tools in order to benchmark customers. The most recent development is a benchmarking tool called “Top-tjek,” which will be designed to calculate the economic potential on the farm, and to highlight the areas where the profit can be increased most efficiently.

The idea is to use data already possessed by the farmer in order to compare his results with other farmer’s results, and present for the farmer the economic and technical potential in his pig production. The benchmarking program will show him in which specific area he is not performing as well as the best farmers of a reference group. He can compare his data for the production of sows, piglets and finishers both in economic and technical terms.

“Top-tjek” is going to be an application on the Internet. The data comes from the efficiency control, which are automatically sent to the Internet program, where the farmer or his adviser can do the benchmarking.

# INTERNATIONAL FARM MANAGEMENT CONGRESS 2003



Today Danish advisers already apply several different tools, which are similar to benchmarking. The most widespread accounting system in Danish agriculture, the so-called Ø90 system, provides the possibility of making an analysis called "Comparative figures" through which the farmer can compare his results with the results of a group of farms which are similar to his own farm as regards livestock production and adjoining land.

Moreover, we e.g. have a spreadsheet called "Financial overview" which is developed by the Danish Agricultural Advisory Service, National Centre and is applied by many advisers in Denmark. "Financial overview" allows the farmer to make a more detailed comparison than "Comparative figures". However, it is a precondition that the accounts are sufficiently itemised within each operational branch.

Local advisers also apply benchmarking to compare the results of different farms within the same professional field. Moreover, they use the benchmarking tool to carry out different analyses, which are e.g. put forward in connection with balancing the accounts.

Our experience shows that farmers find that it is interesting and useful to know of the results other farmers attain. It seems to motivate them and can give rise to increased activities on the farm.

Moreover, we have experienced that farmers find the results especially motivating when they are based on the accounts. This is because accounts validate data and are reliable. On the other hand it is often very easy for the farmer to ignore calculations based on models, because they are not actually achieved. A practical person like a farmer will characterize the results as theoretical.

## **Conclusion**

Our current testing as well as experience from previous testing and examinations show that it is possible to set more knowledge in action. However, to obtain durable solutions the adviser must devote themselves to both method and organisation.

We have become very aware of the fact that it is not enough to disseminate information to farmers. The majority of the farmers want the adviser to assist them in concretising the information and adjusting it to the needs of the farm and themselves. It is also evident that the advisers obtain a greater impact when they follow up on the plans of action, which they have worked out together with the farmer. When following up on the plans of action the adviser can find out if the plans are not concrete enough, so that the farmer has not been able to implement it. Moreover, the parties can also agree on adjustments, if necessary, and besides this most farmers also greatly appreciate that the adviser shows an interest in and commit themselves in their farm.

At the organisational level, the focus must be put on systems prevents the co-operation between advisers to be slowed down due to "traditional thinking" (financial circumstances must not be an obstacle to the co-operation). Moreover our testing has shown that the co-operation is further encouraged if the parties know each other personally. Therefore it is important that the advisers regardless of their professional field get to know each other personally. Through our work with the advisers we have noticed that the advisers via the co-operation gain more knowledge about the competences of each other. This is very crucial in order to obtain an efficient and integrated work, as the advisers must be able to "sell" each other's. In this way the farmer will always be paired with the adviser who is most capable of solving his problem.

## **Biographical note**

Heidi Hundrup Rasmussen has completed the study as agronomist (Cand. Agro.) at The Royal Danish Veterinary and Agricultural University in 1988. From 1991 until 2000 she worked as an advisor for pig farmers and specialised on topics as reproduction, feeding and production economics. Since 2000 she has been employed at The Danish Agricultural Advisory Centre as Project Manager. Her current activities are mainly concerning production economics and advisory methods in the areas of pig-production and plant production.