HARD TIMES

by

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All things are relative and these hard times would have been welcome with open arms in 1932. I was raised in Chambers County, Alabama, on a red clay farm and never had sense enough to realize that I was poor until years later. As a result of my upbringing, my thinking is that if you can't make it when it is bad, you don't deserve to be there when times are good. I hasten to add that I may be the next one to go as payrolls come more regularly or else the months have gotten shorter!

Seriously, though, the consultant is seriously affected by the downturn in timber prices. Many consultants receive a large portion of their income from the sale of timber. This does not mean that the only thing they do is sell timber, but they are affected seriously because non-industrial landowners are inclined to spend no money when they can't sell timber; therefore, the normal requirement for the assistance of a consultant is severely limited in times of market downturns.

F & W attempts to bridge the gaps between slumps in the following manner:

First, we try to maintain a balanced clientele, even though our major concern is to serve the small non-industrial landowner, we do much work with industrial and investor landowners in order that during times of recession (at the present time in the timber industry, depression) we will have work other than the non-industrial landowners.

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Second, we organize our people so that we have as many profit centers as possible. In each of these profit centers we try to arrange incentive systems that reward the efficient. Each profit center manager has his own budget and is responsible for the income and expenses of that profit center. This way we attempt to encourage our people to be aware of the cost of doing business and the necessity of keeping a positive relationship between income and expenses.

Third, we defer all of the capital expenses that we can, and at present we have decreed that there will be no capital expenses for our company during the 1982-1983 fiscal year (our fiscal year ends September 30). This requires driving vehicles longer than we intended, deferring the purchase of office equipment and the updating of our computer. This, of course, results in higher upkeep for the equipment which is knowingly worn out, but the higher maintenance costs are much more acceptable than interest at prime plus 1.

Forth, we cut back on optional things such as attendance at meetings and seminars, training sessions for our personnel, company parties, subscriptions to magazines and publications, and tighten our purchasing for all items, limiting such purchases to the bare minimum level to allow us to operate efficiently. One of the phenomenons of a recession is that a lot of people lose jobs and become immediate consultants. The competition for consultants during these times is much more severe as foresters out of jobs, out of desperation, hang out their shingles and compete at greatly reduced prices. During such times we must meet the competition and our foresters are advised that they must deliver the same amount of money, but they must be aware that since prices have been cut that it will require more hours to deliver the same income. We expect the people that are with us to meet the challenge and pay the price. This is simply a necessity in our field as we have only time to sell.
In addition to the steps discussed above, we expect our administrative staff to do their part and produce more income than they would normally be expected to produce as well as to intensify their efforts to procure new business for the company as a whole. Timber sales are normally the most profitable business that a consultant has and when these sales are curtailed or, in some cases, almost halted, it is necessary to make up the slack somewhere else. The answer to operating successfully in hard times is common sense and that includes cutting costs, being more efficient and just plain working harder and longer. It is during these times that we need to trim our staff and keep only the most efficient operators. An employee who is not able to contribute his fair share in hard times will not contribute his fair share in good times even though his profit center might show a profit, chances are it will not be as much as it should be. We at F & W have not had to release anyone because of a lack of work; however, if the present recession continues another six months it is highly likely that we will begin to release employees.

I do not complain about the economic condition as I believe that our economy had to be brought into line and inflation controlled or we would be in for a real shock in the not so far future. I am, however, working harder and enjoying my work less as a result of this recession, and I just hope that our present Government's economic policies will bear the fruits that we all fervently hope will be borne.
I appreciate this opportunity to participate on the SOFEW program. However, I am not overly enthused about the topic. Lately, I am becoming all too familiar with hard times, and would just as soon avoid the subject. However, April Fools does seem a particularly appropriate day to discuss coping with hard times.

Before we get into the topic, we should define what we mean by hard times. Most of us would define hard times, at least primarily, in terms of funding. Hard times, however, is not insufficient funding to accomplish the goals you would like to accomplish, or even insufficient funding to accomplish what needs to be done. Hard times is "Decreasing Levels of Insufficient Funding". In other words, you already cannot do everything you would like to do or even need to do; therefore, some projects have already been curtailed, terminated, or not initiated. Now, because of increasing funding cuts, additional reductions must be made. Frequently, these latter cuts "go to the bone". This is hard times. Unless some major changes occur in the fairly near future, I imagine many of us will have first hand experience with this type surgery, if we haven't already.

Now that we have identified hard times, how can we deal with this demon? Based upon my observations and experience, there appear to be three basic approaches. The first I'll term: "Ignore the problem and hope it will go away". The second is: "Make equal percentage reductions across the board". No. 2 is also known as slow starvation. The third approach, is: "Set priorities, fund high priority projects or programs at levels which allow them to operate efficiently, and reduce funding and/or terminate lower priority programs and projects". This approach is known by different names depending on whether the

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1/ Presented by Emmett F. Thompson, Head, Department of Forestry, Auburn University, at the Southern Forest Economics Workshop, Charleston, SC, April 1, 1982.
person assigning names is associated with a high- or low-priority project. For high-priority, this approach is known as good management or responsible administration. For low-priority, it is known as quick execution, as opposed to slow starvation.

Let's look at these three approaches in a little more detail. In doing so, assume you are the dean of a southern forestry school. We will discuss how you (not me) are going to cope with hard times. The first approach - "Ignore the problem and hope it will go away" - is based upon the assumption that hard times are temporary, and the future will bring a return to good times, or at least an improvement which will allow you to continue operations without undue loss of manpower or productivity. This approach seems to be almost uniformly popular, at least in the early stages of "hard times".

Of course, when funds are cut and you are trying to ignore the problem, there still must be some reductions. This is why approaches one and two frequently go hand-in-hand. If you are trying to ignore the problem, but have reduced funding, some cuts have to be made. Since the assumption is the future will bring better times, the easy approach is to cut everyone equally across the board, thus preserving all your options for the future good times when priority decisions can be made on which programs to expand. This is fine, as long as the good times come fairly soon. However, they might not come. I suspect the reason we are here discussing hard times today is because the consensus opinion, at least among those on the program committee for this meeting, is that hard times, or harder times, are here for awhile.

When the assumptions about good times returning do not materialize and you have tried to cope with hard times by ignoring the problem and/or starving everyone equally, you can be left with a collection of mediocre projects, irritated personnel, departures for greener pastures, and a generally demoralized program.
But, there are bright spots to this approach. Since everyone has been treated equally, everyone is equally irritated, and you cannot be accused of playing favorites. Another bright spot is you can easily program a computer to make the necessary, across the board, cuts thus avoiding decisions and the need for managerial talent.

Sooner or later, if funding continues to deteriorate and hard times becomes a reality, approach number three, setting priorities and allocating funds in relation to these priorities, becomes the only viable option. I feel sure this is now occurring more and more frequently within all types of forestry organizations. The general principles of implementing this approach are no different in universities than in other types of organizations such as industry, state government, federal government, etc. However, there may be some unique twists to implementation in universities. For example, you may want to reduce or eliminate a research project, but can't effectively because of tenured faculty in the area. You can't, for example, make a forest economist out of a tree physiologist. Also, you might want to cut back a research area but, even if there are no tenured faculty involved, a faculty presence may be necessary to teach required courses. These university characteristics do not change anything, but they must be recognized and addressed in setting priorities and implementing high priority areas.

The preceding discussion is admittedly general, and some might even say "tongue in cheek". What does it all mean for forestry education and research in the southern universities? If we accept the assumption that financial situations are not as good as they used to be, and there is a high probability the situation will not improve and probably deteriorate further, then approach number 3 will become more and more common. That is, the various forestry schools will be setting priorities and attempting to find ways to implement their top priorities. In some cases, this will mean drastically reduced budgets for lower
priority projects. In other cases, lower priority projects will be terminated.

The question of interest to this meeting is, what is forest economics' priority within the various southern forestry schools? Obviously, any viable forestry education program will have a forest economics component. However, the component may represent a low priority. One faculty member can generally teach the required forest economics courses and maybe even find a little time for research. I think you will agree this would be a minimal effort and not likely to make many ripples in terms of forest economics visibility, development, or contributions.

The schools with viable forest economics components will, in my opinion, be those that have assigned forest economics a high research priority. This priority assignment will mean having several forest economists, which will limit the amount of teaching required of any one. It will take three, or four, or more forest economists to cover the required teaching commitment and still have sufficient time for significant research involvement.

It is not reasonable to expect all the southern forestry schools to identify forest economics research as one of their high priority items. One obvious reason for this is the lack of a sufficient number of forest economists. If all sixteen southern forestry schools decided forest economics was high priority, it would be very difficult to find the 50 to 60 or more economists needed to staff the programs. A second, and more pragmatic, reason forest economics will not have universal high priority is that many schools, based upon geographic location, historical development, and a number of other factors will assign their high priorities to other areas. These schools may emphasize wood products, forest biology, growth and yield, etc. This is as it should be. There is not really enough talent or money available for every school to have top notch programs in all aspects of forestry.
So, how many top notch forest economics programs will there be and what kind of economic components will be at the other schools? My own view of the future is, perhaps around 1985 or a little later, three or four of the southern forestry schools will have top quality forest economics programs. These programs will be characterized by a critical mass of forest economists, at least four to five economists, a very viable graduate program, and a significant research involvement. These high quality programs will be well-supported from university funds, but, because of high quality, they will also attract significant amounts of external funding. I am not about to tell you which three or four southern universities will have these top quality programs.

What about forest economics programs at the schools other than these three or four. As I mentioned, they will have economists on their faculty, hopefully at least two. This will provide for the required undergraduate and graduate forest economics courses and some research and professional activity. But, the total program will not be high quality as previously defined.

If you subscribe to my view of the future, it would seem to behoove university forest economists to look at their own situation and decide whether or not they are in a position to participate in the new or continuing development of a top quality program. If so, is the local administration committed to a high priority forest economics program and the required emphasis and funding. If developing a top quality forest economics program does not appear to be in the cards, then faculty need to decide whether or not they are comfortable with a lesser role. Perhaps they will want to consider moving to another school where forest economics will have more emphasis. I fully expect to see several southern forest economists change employers during the next five years as the various schools jockey for position. The same type of movement will also occur in other disciplines.
I would like to close with a few general observations on southern forestry education and research. First, there is a definite relationship between current and past support levels and the ability of a program to withstand hard times. If a program has a history of being well-funded, in terms of absolute dollars, relative to competing programs on campus, and relative to forestry programs at other regional institutions, it has a good chance of weathering hard times with minimal long-term damage. On the other hand, a new program, or one which is not well-funded, may find that hard times constitute the straw that breaks the camel's back. We all realize some programs were initiated either wholly or partially to take advantage of opportunities to increase student numbers during the 50's, 60's, and early 70's. If these programs have not matured beyond primary emphasis on undergraduate instruction, they might not survive the current hard times.

Related to the preceding comment, we are all aware that some of the Nation's better forestry programs are in the South, and these have a history of adequate funding in both absolute and relative terms. In general, these programs are outstanding in one or two areas and above average in others. There is obviously room in the South for a few comprehensive programs, that is, programs with sufficient resources to have most sub-areas among the top two or three in the region. The odds are strong that programs which have historically been well-supported will continue to be well-supported and will be the South's comprehensive programs. This does not mean they will not be affected by hard times. But, because of their past strengths and historical funding patterns they will be relatively better off than less-fortunate competitors and may emerge from hard times in a relatively stronger position.

As hard times hits everyone, each of us must stretch our resources as far as possible to obtain maximum efficiency for each dollar spent. This can lead
to greater cooperation among forestry programs as individual administrators and faculty find they can do their job better by formally or informally joining forces to achieve common goals. The recent announcement of the Southeastern Center for Forest Economics Research by NC State, Duke, and the Southeastern Station, while perhaps not a direct result of hard times, is an example of how these units can collectively better cope with hard times.

Finally, there is a message here for the forestry profession as a whole regarding its education and research base. If some forestry programs are better able to compete than others because of past history and funding patterns, the same forces also work among areas. In other words, if forestry's traditional funding and support has not been comparable with other areas, for example, agriculture, then how will forestry fair when university and experiment station priorities are set? Other areas have strong advocacy groups pushing their programs. Forestry is important to the South. Each of us can recite just how important. But, everyone doesn't know forestry's potential, or is not convinced. We need our advocacy groups to insure, when times get better, that we still have a critical mass of quality programs to provide the needed forestry education and research base for the future.

This is not the most positive or optimistic talk I have ever given. However, it may be realistic. Perhaps three to five years from now another SOFEW program will take a look at how forest economics has developed in the southern forestry schools. Then we will see whether my crystal ball was completely occluded, or if I had an occasional glimpse of reality.