December 1993

Setting Direction and Effective Management Style

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Management style is a major determinant of effectiveness. Setting direction in turn is an integral part of an effective management style. At Rex Ranch our mission or long term direction is to "maximize long term profit while improving the land, animal and human resources." The redundancy in the mission statement is recognized and intended. If we fail to improve the land, animal and human resources, we will not be competitive or profitable in the long run. So, that part of the statement is to keep us based on correct principles.

A ranch is really a production and marketing system made up of biological, human dynamic, climatic, economic and political subsystems. When I as a manager began to recognize the complexity of the ranching business, I knew I could not measure or predict all tendencies or results of management practices.

To deal with the complexities of our ranch production and marketing systems, it seems appropriate to simplify as much as possible. As a matter of strong personal opinion, I think that many who teach and advise us want too much data and too much number analysis. Collecting data that has only marginal usefulness in monitoring progress and in decision making can be very time consuming, costly and demoralizing to ranch hands. Much of the job purpose of this paper is to show how creating an environment of excellence and simplifying process and procedure will empower rather than overburden ranch owners, operators, and employees.

Direction vs. Goals

The topic originally suggested to me for this paper was "Goal Setting and Effective Management Style." I chose to alter the title for a reason that I feel is very important. It has to do with the way people sense and react to pressure applied by other people and the difficulty of attributing, with precision, observed and measured outcomes to applied inputs.

When we apply a new range management technique or a new breeding program, can we really answer these questions: 1) How much improvement can I expect? 2) How long will it take to reach the expected level of improvement? 3) Will it have been cost effective and 4) Will it prove to be the best alternative? Questions like these are hard to answer with precision. Forcing people to answer them by setting short term goals in quantitative terms can be very disconcerting and demotivating to some people. However, if a long term direction is set and people are involved in setting the direction of progress and improvement, much creative potential can be unleashed in nearly every employee.

This does not mean that I do not use or believe in goals. I like to "set direction" for long term strategy with input and agreement from all the people involved. Once direction of
improvement and progress is set, then short term goals and objectives can be set relating to the methods chosen for moving you in the right direction. For example, at Rex Ranch our long term strategy is to move in the direction of increasing pounds of cattle produced per acre and reducing cost per pound of animal produced. We want to do that as fast as possible without hurting the land, livestock or people. In other words, we don't want to get this year's profit at the expense of future production capability.

There is not a way to accurately predict how fast we can make progress in our chosen direction at least in absolute, numerical terms. So, we identify key result areas and decide what methods will give the most progress in the chosen direction and set goals for timeliness of implementation. However, we recognize that for any input or management practice we can only know the tendencies of the input-output relationship. We seldom, if ever, know the exact effect of an input. If we can: 1) decrease acres per cow, 2) increase cows per man and 3) reduce fed feed (as opposed to grazed feed) per cow, we will move in our chosen direction of more pounds of beef per acre and less cost per pound produced.

The following short term goals relate to these activities: Build two solar pumps in 1994 and one in 1995. Divide the Lake Pasture in 1994 and the Hill Pasture in 1995. Drill a solar well in Pasture 918 in May 1994. Reduce one pickup in 1995. Cut fed feed cost per cow by $10 in 1994 and by another $5 in 1995. You can see that it is much less intimidating to be accountable for this kind of short term goal than for a certain percentage increase in calf crop or weaning weight. The latter kind of goal can be intimidating in two ways: 1) What happens if Mother Nature works against us? and 2) Are we really sure that increasing weaning weight and percent calf crop will result in more pounds per acre produced at less cost per pound?

When setting direction for the long run and setting tactical goals for the short run is properly done, people at all levels become excited about their work and produce from their mind and creativity, not just from their physical labor.

Key Result Areas

We have identified five key result areas. Our people direct their management and efforts toward these areas.

Range Production: To enhance range productivity we want to manage time, animal impact and stock water. How long will animals be in a pasture and how long will the pasture be allowed to recover before it is grazed again? Where might animal impact help restore a damaged area? To facilitate this timing we have grouped our cattle in large herds. This reduces the need for fencing and increases our cows per man ratio. With larger herd size, water has become a limiting factor. Water development costs have been offset by reduced manpower and attendant costs.

Hay Production: We want to minimize the use of fed feed. So, we only want to hay what is absolutely necessary for winter feed. We would also like to reduce the purchase of supplemental protein. Therefore, our discussions on hay production center on what land should we hay, when should we hay to optimize protein and quantity, could interseeding legumes in our meadows
improve yield and protein? etc.

Cattle Production: For cattle production we manage the areas of reproduction, genetics, herd health and nutrition. We are committed to being low input. We constantly challenge the inputs. Can some be eliminated or reduced without hurting productivity? We think some can. Can we upgrade the quality and effectiveness of some input, without increasing the cost? Consider inputs such as genetics and our care and handling of the animal. Can we take $1.00 away from the cow and only have her take $.50 from us? We think that can be done too. We also worry a lot about taking $1.00 away from the cow and having her take $2.00 away from us. These are hard questions and require the best possible combination of art and science. It also requires the best thinking and unrestrained input from all of our people.

Cost Control: Unless there is a concerted effort to reduce and eliminate unnecessary costs, money will be spent needlessly. We superimpose cost control on the above three production area and on overheads. We find that many costs vary in proportion to the number of people on the payroll more than in proportion to the number of cows. By the time you include housing, utilities, meat, any insurance or benefit package, pickup, horses, tools, FICA, etc., a full time employee costs two to three times his salary. Therefore, good self-supervising people and a well organized ranch plan that allows a high cows per man ratio will pay good dividends and allow you to pay those good people more.

Marketing: While the responsibility for marketing at our place falls to me, we want to have all of our people involved. Once market cattle are identified, we want to have them on some of the best feed. We also want to have them sorted up so that they will show well and so that they can be sold to their highest value use. We are now considering weaning calves on meadow regrowth and selling sometime between 45 and 90 days after weaning. Several other options are also being considered, and all require high quality thought and input from our people in order to make the best decision.

People Development

It should be amply evident that quality progress in our key result areas requires dedicated, competent and motivated people. As General Manager, my main responsibility is to create an environment where people want to excel and have the tools, training and freedom to do it.

Provide a chance to succeed: Several things can be done to empower people and greatly raise their level of performance. Most people want the chance to succeed. They want the success to be theirs and not the bosses. So, we try to give people a chance to succeed. When people are self supervising they don't require much bossing.

Except in an occasional training position, each of our employees has a cow herd assigned to him. The herd will usually range in size from 600 to 900 head. The herdsman or cowboy (I still don't know what to call him) is almost totally responsible for the care and performance of the cow herd and that portion of the ranch assigned to him. He determines when and how much to feed. He plans the grazing, fixes the fence and the windmills, and keeps his corrals, buildings
and equipment maintained. If he requires help at calving time, it will usually come from his wife or a university student intern.

Our foremen are working foremen. Each has his own cow herd; so he doesn't have much time to be boss. He will try to spend more time with younger, less experienced people. Our older, experienced cowboys may hardly spend time with their foreman except for planning, budgeting and accounting. Any time we brand or wean in one man's herd, he directs the work that day. We all work for him.

In other words, we give a lot of authority and accountability. One can't be given without the other. A chance to succeed is also a chance to fail.

**Tools to insure success and avoid failure:** After giving authority and responsibility, we want to do all we can to insure success rather than failure. Therefore, we try to give each person the physical, mental and informational tools to do a good job. Among the mental tools are a set of guidelines for each key result area. The guidelines are only seldom written, but are much discussed. The guidelines require that we not stray very far from good science and that we rely on numbers to the extent that we know them. New ideas are welcomed and encouraged but not instituted until they are carefully evaluated for downside risk against upside potential.

We don't believe in collecting a lot of information, but we do want enough tracking of what goes on to make good decisions and to know we are making progress. Anytime any of us wants to collect more information we ask three important questions: 1) What decisions will be better made with this information? 2) How economically important are these decisions. And, 3) how much will it cost to collect the data?

We have devised a simple data collection method that provides much information that can be used in the planning and decision making process. There are three forms that each person routinely submits to our clerk: 1) a range and pasture usage report, 2) a cattle inventory and feed fed report and 3) a labor allocation report. In addition, each person is asked to review each invoice that applies to their part of the ranch. He should initial the invoice and code it for accounting purposes. At calving time calving births are submitted weekly so that we can bar chart calving trend.

From these input reports we provide back to the herd: 1) a complete range usage report by pasture and time of year, 2) periodic inventories including births, transfers to and from other herds on our ranch, death losses and sales; 3) a yearly record of pregnancy rate, calving percentage, weaning percentage and weaning weights; 4) fed feed in pounds and in dollars by herd or per cow and by month or year, 5) a monthly accounting of all direct costs for each herd, and 6) a record of where labor was spent.

This information is shared with all employees. We don't use the information to compare across herds because no two situations are the same. However, we do compare from year to year and encourage discussions among our people regarding their improvements and problems. There is a great synergism that results from people sharing ideas and trying to understand each other's
position. We save each other from dumb mistakes AND rapidly share new and better ways. There is a better way to do everything we do. We just need to find it.

Provide an opportunity to learn: In addition to giving authority and responsibility and providing an information system to aid in planning and decision making we encourage each employee to be a life long learner. We encourage attendance at local ranch tours, extension events, etc. We also like our people to attend one educational event each year such as this symposium, a short course or seminar. To be competitive in the long run an organization must be made up of people who are committed to extending their knowledge base, understanding another's point of view and thinking systemically.

Review

In Peter M. Senge's marvelous book The Fifth Discipline he articulates very nicely some of the thoughts and feelings that I have been attempting to use in my own management style. Senge proposes that to be a learning organization you must develop the "fifth discipline" which is "systems thinking" or thinking systemically. In his opening paragraph Senge states, "From a very early age, we are taught to break apart problems, to fragment the world. This apparently makes complex tasks and subjects more manageable, but we pay a hidden, enormous price. We can no longer see the consequences of our actions; we lose our intrinsic sense of connection to a larger whole. When we then try to "see the big picture," we try to reassemble the fragments in our minds, to list and organize all the pieces. But, as physicist David Bohm says, the task is futile--similar to trying to reassemble the fragments of a broken mirror to see a true reflection. Thus, after a while we give up trying to see the whole altogether." At Rex Ranch we try to see things in wholes and think systemically. We are not yet very good at it but, I think, improving.

Another point that Senge makes is that "structure influences behavior." He states, "When placed in the same system, people, however different, tend to produce similar results." That is a frightening statement, but I would suggest that we have all seen that it is true.

If structure influences behavior, and certainly behavior determines results; it is appropriate to develop a management style that leads, not pushes, people to excel. Once people want to excel or truly be better then they must have access to the tools that make it possible to excel. Many of the tools are obvious, but one which is perhaps not so obvious is access to a planning process that encourages interactive thinking. Part of this process is a free interchange of thoughts among the whole team and encouragement to understand the other's point of view. The planning process must also emphasize systems thinking where land, cattle, creatures of nature, man made resources and people are all included in the same system.

The Payoff

There is much striving for excellence in our country and in our business. The concept of TQM (Total Quality Management) is getting a lot of play in the cattle industry. In all of this striving, much must be done to learn new ways, to change old processes, to establish new relationships, etc. Sometimes this can be overwhelming to people that feel that they are "just
hired help."

On the other hand, if people feel truly valued as members of a dynamic, learning, progressing team that is making a worthwhile contribution to their own lifestyle and to mankind, they will become empowered to produce great results.

While no two managers can be totally comfortable with the same managerial style nor are any two ranches alike in their needs for management, I hope you will agree that it is worthwhile to create an environment where people want to excel and to provide the tools, training, and freedom to do it. I further hope that I have provided a few ideas that might work for you in your strife for excellence.

If you can take people, yourself included, from overwhelmed to empowered, the payoff will be great.