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Team Approach to Management

Allen Prosch¹

Summary and Implications

Managerial ability has been described as consisting of supervision and coordination. The coordination aspect is that function of deciding what business arrangements should be entered into. Pork producers are being called on to justify their right to do business with records that assure society that they have complied with regulations and used best management practices. Coordinating all the business activities to ensure compliance challenges the ability of any manager. The greater need for coordinating ability strongly suggests that pork producers who develop greater coordinating capacity will have a competitive advantage. Team management will be a necessary component in creating that advantage.

Introduction

In 2003, researchers found that pork operations using production contracts had improved productivity. The researchers asserted that improvement in the quality of managerial inputs such as improving information transfers and facilitating access to credit may account for such improvements. Others have suggested that fixed managerial ability causes agricultural operations to suffer diseconomies of size due to the inability to coordinate the more complex business. Furthermore, it has been argued that managerial ability consists of both supervision and coordination. Supervision is crucial for numerous individuals to work together to complete responsibilities for common production results. Coordination is the critical function of deciding which arrangements or contracts should be entered into by the business. While one can hire additional

supervisors, it is difficult to hire more people who actually decide what arrangements or contracts the operation will use. Owners do not readily give up that responsibility. Having one decision maker becomes a limiting factor for the performance of the operation. The solution to this fixed unit is the productive combination of management that assigns responsibility for parts of the decision process. The need is reduced for one decision maker to have all available knowledge that can affect the business.

Pork Production System Performance

Today's systems-oriented pork producing operations require a high level of supervision and coordination. Systems can quickly become ineffective if everyone involved in the operation is not supervised so they work together. Strategies to boost efficiency are usually complex and require a great deal of cooperation among individuals. Detailed records are needed to improve supervision and allow monitoring the system. Everything in the production system, from daily production records, facilities con-

dition record, environmental system records, feed use records, antibiotic withdrawal records to delivering the final product must be analyzed in order for the system to be competitive. Analysis must be accompanied with a method of supervisory intervention whenever the system is not performing well.

Information Flow

All of this information must originate with the employees and the supervisors. This information needs to flow seamlessly between the production personnel and supervising personnel. Bringing these people together for special or regular meetings is important for the system to perform at its best. Moving the information from the production stage to the decision makers requires another seamless transition.

Many operations rely on advice from consultants to ensure long-term profitability. Including them in the information flow takes even more effort. As information moves from person to person it becomes increasingly distorted and less accurate (Figure 1). Cooperation, understanding and trust between

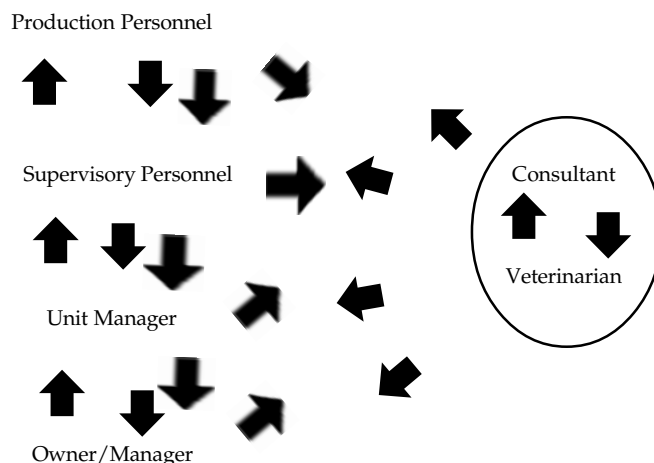


Figure 1. Accurate (sharp arrows) and distorted (fuzzy arrows) information flows. Information must flow to all simultaneously and seamlessly.



consultants, managers and employees are essential. Regular meetings with open communication are needed to ensure the team is productive.

Beyond the traditional production system, 21st Century agriculture is called on to justify its right to be in business with business records that go beyond production or profit and loss. The business now also needs to assure society that it has complied with regulations and used best management practices. Records are needed to document performance. Even further, information needs to be available for a variety of non-regulatory market issues. Customer preferences include issues like safe working conditions, animal care and history and systems that do not pollute the environment. These issues drive processors to request data on the way livestock and crop products are handled and raised. While initially thought of as a way of niche marketing a differentiated product, identification and information on commodity products is fast becoming part of information expected for mainstream products. For pork producers, programs like Pork Quality Assurance (PQA), Trucker Quality Assurance (TQA) and the Swine Welfare Assurance Program (SWAP) are becoming standards for producers to engage in and document. Future consumer demands or regulations like Country of Origin Labeling (COOL), environmental site management, and the Environmental Protection Agency (EPA) Confined Animal Feeding Operation (CAFO) regulations will challenge producer coordination.

Team Approach

All managers are challenged by the coordination of a multitude of business activities. Referring to essentially a dynamic function, decisions regarding business methods, arrangements, markets, contracts and partners become critical to success.

During times of relative stability when there are few significant changes in production, distribution, or marketing in a given industry, the effect of one person performing the coordinating task is reduced. If all agreements are in place and nothing goes wrong, the operation performs more on the supervisory level. But the most dramatic changes occurring in agriculture are best described as changes in the fundamental business proposition and the ways producers do business, according to a Purdue University professor. That professor described six critical dimensions of doing business:

1. Processes and activities that create the products or services.
2. Product flow (transportation, logistics, scheduling, inventory management, etc.)
3. Financial (cash) flow among participants
4. Information flow among all participants
5. Incentive systems to reward and share risk among all participants
6. Governance/ coordination systems (i.e., joint ventures, open access markets, strategic alliances, etc).

Traditionally producers have been able to participate well in the first two of these six dimensions. It is becoming increasingly critical to understand and participate in all six dimensions. The management ability to do so is critical.

Rapid change continues to take place within the pork industry. Much change has been internal as new technologies were adopted. More change follows with the impact of new technology altering long-time relationships between participants in the pork industry. Continued change will occur as those things that affect our businesses from the outside become more pronounced. Issues like environmental regulation, meat quality, product liability

and animal welfare may create rapid change and have greater impact than that we have experienced. The greater need for the coordinating ability of management during periods of change such as this strongly suggests that pork producers who develop greater coordinating capacity will have a competitive advantage. Team management will be an important component of the solution.

Producers with fewer human resources will need to create ways to reduce the limits imposed by an individual decision maker. Processes that consolidate information and assist analysis can help decision makers. To those who can create such processes there is opportunity. Contract production is an example of such a process and opportunity.

Other alternatives are also possible. Producers may work together to accomplish tasks similar to having a larger management team. Pork producers could form a working group that allows each owner operator the latitude to completely manage a stage of the production and marketing system. Included would be an incentive systems to reward and share risk among the participants. An overall coordinator might be hired as an outside observer. Such a system would require producers working together with greater reliance on one another than is usual among independent decision makers. Willingness to be participants in a working group, sharing common goals and utilizing common support may determine some producer's ability to compete. Pork producers need a trusted team of management support. Developing such a team is just one of the new challenges faced by pork producers.

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