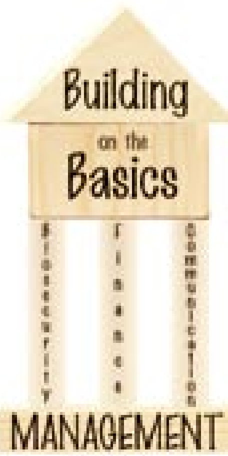

*Here, ranch manager Barry Dunn explains why ranch management planning is key to business success. Then, in the three related articles, we look at management strategies that can enhance the productivity and profitability of your business's bottom line — through implementing herd health biosecurity, monitoring financial vital signs and improving farm family communication.*

## *Six ways to monitor and measure the success of a management program.*

by **Kindra Gordon**




Why is it that some ranch operations are viable and profitable when others are not? Most would agree that the answer to business success — whether operating a ranch entity or a Fortune 500 company — lies in management and planning.

Successful management is the ability to look toward the future, embrace new concepts and technologies, and implement a well-thought-out plan that complements all aspects of the business.

The former CEO and Chairman of General Electric Jack Welch put it this way: "Effective business leaders create a vision, articulate the vision, passionately own the vision and relentlessly drive it to completion."

How can you become that visionary business leader for your ranch enterprise? Achieving ranch business success begins with strategic planning that establishes goals and guides your operation into a better future.

### Monitor and measure

Barry Dunn, former South Dakota Extension livestock specialist who is now at the King Ranch Institute for Ranch Management in Texas, has been a long-time student of evaluating why some ranch operations are more successful or viable than others. From his own ranching experience and his years in Extension education, Dunn has amassed an insightful understanding of the variety of factors that can affect a ranch.

He advocates that the ability to monitor and measure is critical to any business' success. Dunn suggests ranch businesses use a balanced scorecard to help achieve sustainable long-term success. The scorecard looks at the ranch from six different perspectives: **1)** learning; **2)** natural resources; **3)** cattle; **4)** customers; **5)** financial; and **6)** people. All categories are important, and no single area should outweigh another.

This management tool is based on "The Balanced Scorecard" first developed by Robert Kaplan and David Norton in the early 1990s and used successfully in many business applications since. By using lagging and leading indicators, the scorecard measures the progress of a business toward its vision from multiple perspectives.

Essentially, Dunn describes this evaluation process by suggesting producers approach it as if they were putting a report card together for their ranch. The "report card" should assess how the ranch is doing in each of the six different areas.

Dunn emphasizes that because ranch operations are multi-faceted with livestock, natural, financial and human resources, the goal is to keep the business in balance. For example, he says, focus too much on one entity — such as livestock production — and chances are the natural resources component may deteriorate. Fail to pay attention to customer feedback and it may limit future marketing options for products. Moreover, if the people involved in the ranch are not communicating and devising plans for the future, the business may not transition successfully to the next generation.

Thus, it is essential to look at the ranch operation as a whole with each entity being interconnected and requiring a balanced system. Dunn says "The Balanced Scorecard" is a tool that allows managers to identify the key components of the business and recognize the inter-relationships among those elements.

### Make the grade

**Learning.** To evaluate how the ranch is doing in the "learning" category, Dunn suggests that ranch operators set goals to attend educational events and seminars and then evaluate if they meet those goals during a given time frame.

As examples of opportunities to enhance learning, Dunn says, “I would encourage ranch owners and managers to attend beef seminars and conservation and range tours, as well as use different Web sites as resources. You may even take a course in business.”

He adds, “The ability of a company to build its intangible assets or intellectual capital has become a critical success factor in creating and sustaining a competitive advantage.”

**Natural resources.** When looking at a ranch from this perspective, Dunn says key indicators of success have been to match stocking rate and carrying capacity. But he adds, “The kicker about the range resource base is that carrying capacity is variable and stocking rates need to be. These need to fluctuate, but our industry has lost the flexibility to do that.”

Thus he says, “Liquidation of cows due to events like drought can’t be viewed as a disaster. It needs to be considered part of the normal business of ranching.”

So in evaluating success in this category, Dunn stresses that the ability to be flexible and adapt to resource conditions is key. As an example, he says to track precipitation, and if it isn’t above normal by July, you need to be able to reduce your stock because the forage production for that season is already set.

Additional resource factors to track include improvement in range condition, wildlife populations and cattle performance.

**Cattle.** How can success in cattle be measured? There are many differing opinions, but Dunn says first priority to him is to measure pounds weaned per cow exposed. “That’s the measure of efficiency. It’s the whole package,” he says.

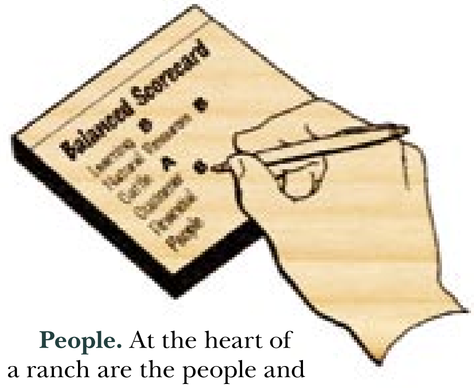
Dunn says that number is a true summary of genetic potential, reproductive performance, death loss and herd health, and pre-weaning nutrition from milk, pasture and supplement.

Other indicators Dunn advocates monitoring within the herd include pregnancy rate, replacement rate, cow body condition score at weaning and the number of days hay was fed during the winter.

**Customer.** In any business you’ve got to know the customers and if their needs are being satisfied. To help ranchers “listen” to customers, Dunn suggests getting involved in retained ownership programs or marketing alliances where information is passed up and down the market channels. By doing so, ranch operators will have the opportunity to monitor feedback, as well as identify if there are repeat customers and how much customer inquiry is produced.

**Financial.** When evaluating a ranch’s financial success, Dunn advocates calculating a unit cost per 100 lb. weaned. Of the more traditional means of calculating a breakeven on per hundredweight (cwt.) of weaned calf basis, Dunn says. “That’s been abused, and something we’ve got to move beyond. It’s not a per cow cost measure.”

Dunn also advocates ranchers should calculate return on assets, which measures the percentage return, regardless of source, to each dollar invested in the operation, and net income, which is the money available to the operation to pay off debt and for family living.




**People.** At the heart of a ranch are the people and their quality of life. Dunn admits, “Ranching is a tough business, but it also can be an enjoyable business.” When looking at a ranch from this perspective, determine if the people involved are healthy, have a sense of security and have minimal stress. General family relations and employee turnover should also be monitored.

### Strive to improve

As a final tip in putting the scorecard together Dunn says leading indicators are elements that can be changed and improved upon and that they offer tremendous opportunities for ranchers. Lagging indicators, however, are in the past and can’t be changed or improved upon such as obtaining a diploma.

Dunn concludes, “You want a balanced scorecard, and it builds from learning, all the way through to people. The better job you do at being a life-long learner, the better you’ll be able to meet your cattle, natural resource, financial, customer and people goals.” HW

## Why have a management plan?

Cole Gustafson, a professor of agribusiness and applied economics at North Dakota State University, says often times the value of strategic planning is emphasized for economic reasons. For instance, having a solid business plan may help secure loan funding from a lender, and good financial plans can assist with better decision making.

While those are important, Gustafson says there are some other real benefits to having a plan — both for business and personal goals.

For instance, he says, “A major reason for planning is to feel content and know we are working toward what makes us happy.”

Another important reason for planning is to aid in dealing with unexpected events. Gustafson says, “We all deal with something unexpected at some point. Although no plan will fit the situation exactly, having a plan in place can help us work through difficult times.”

Additionally, solidifying a plan and goals for the future can enhance relationships with others — be it family or co-workers. “Recognizing your goals often helps your interactions with others because you can communicate what you are working toward,” Gustafson says. HW