

RANCHING FOR PROFIT

Putting Profit into Agriculture

Newsletter #71

April-May, 2001

When is an idea, more than an idea?

When you join Executive link. If the Ranching for Profit School is about education, the Executive Link is about *implementation*. When people leave the Ranching for Profit School they usually have a pretty impressive to-do list full of good ideas. Too often it remains just a list of ideas. Whether the issue is management succession, increasing profit, dealing with debt or improving your quality of life, our *Executive Link* program can give you the support you need to get the important WOTB work done and transform ideas to reality.

The schedule for this summer's Executive Link meetings is on the back page. Most of the meetings include a special session for visitors and potential new members. There is no registration fee, so if you've ever thought about joining the EL this meeting would be a great time to check it out. Preceding the EL program I'll conduct a special ½ day Grad Link meeting at the Billings, Colorado Springs and Kerrville programs to help participants assess the economic performance of their businesses. There is pre-work we'd like you to complete prior to attending. Please call at your earliest convenience to register so we can send you the pre-work and venue information (707-429-2292).

The Next Generation

Where will the next generation of management for your ranch come from? In most cases, your gene pool determines your candidate pool. That's a small pond to fish from to find capable management to guide your business through the challenging times ahead.

The ad might read something like:

Wanted: Chief Executive Officer to manage millions in assets. Must make the business financially viable and ecologically stable without changing anything. Only family members need apply.

Even then, it will probably be the oldest son who gets offered the job when Dad finally is ready to let go. Often Dad won't let go until he's 6 feet under and our CEO in waiting has been little more than a hired hand for the past 20 – 30 years with little or no meaningful management responsibility. Setting fence posts, feeding cattle and pulling calves is not a resume that inspires confidence in ability as a CEO.

This all assumes that junior stuck out the long days, hard work and low pay. Many of his contemporaries have left the farm for more secure jobs with shorter hours and higher pay outside of agriculture, or at least off the farm.

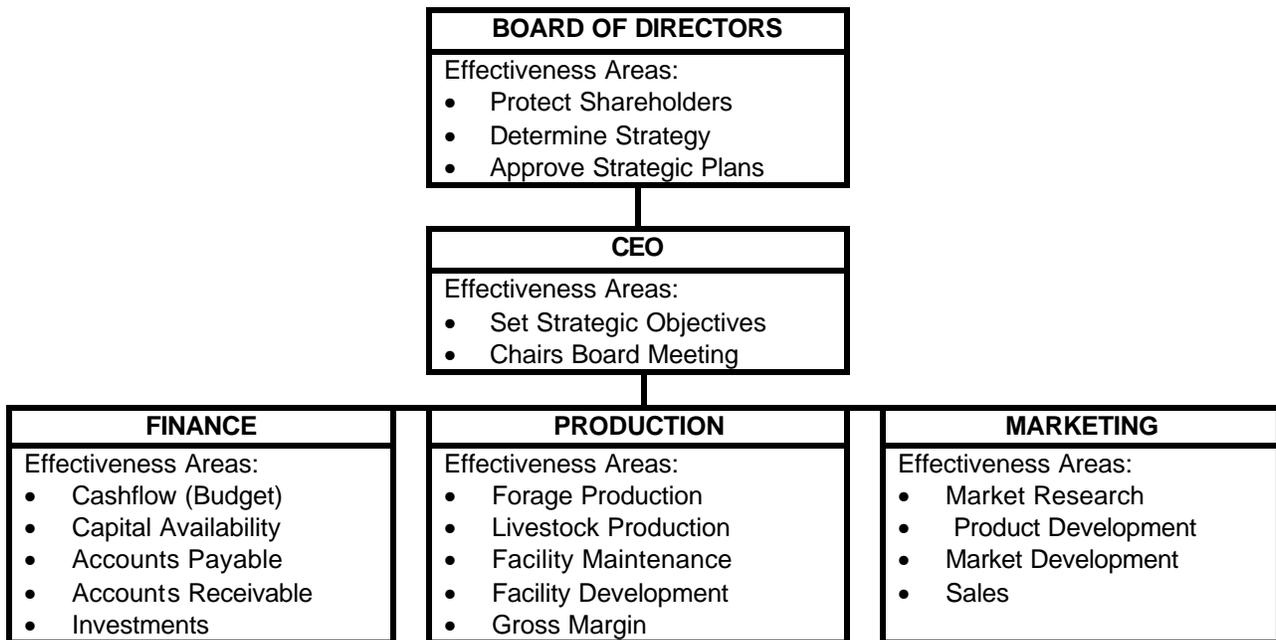
Over the past generation there's been a brain drain in agriculture. Making matters worse is the growing complexity of the challenges to overcome if our farm and ranch businesses are to survive, let alone thrive. Generations ago, it may have been enough to know how to grow grass and manage cows. Today it's not. While we are more

productive than ever before, today's economic, financial and ecological problems have never been bigger.

The problems require better management than we've had in the past. But we don't pick people based on the talent they have or the skills we need and we don't prepare the people we put in management positions for the challenges that will confront them. We organize the jobs in our business around personalities rather than functions and accountabilities. We ask, "What would they like to do?" or "What would they be good at?" rather than "What needs to be done?"

We've got it backwards. When we limit the pool of talent on which we draw it is more important than ever to structure positions around the results that need to be achieved in order to run an effective business. At the very least these positions will include production, marketing and financial control.

In our Executive Link program, participants map out an organizational chart showing these and other critical functions in their business. On the chart they list all of the effectiveness areas associated with each position. Only after the jobs are laid out do they assign people to the positions.



The generalized organizational chart above will probably need some tweaking to adapt it to your business. You might think if you wear all the hats in your business, you don't need an organizational chart. But the chart can help you make sure that each hat gets worn.

What We Do v. What We Get Done: How To Use Effectiveness Areas

Intellectually we know that results are the yardstick through which we should measure effectiveness. How hard someone works is irrelevant. What matters is what they accomplish. An "effectiveness area (EA)" is a useful way of defining positions by what they produce rather than what someone does. The areas shown on the organizational chart on the preceding page show several EA's. It is likely that several

people help out with production in most ranch businesses. However only one person can be held accountable for each EA. In other words, if I am responsible for facility maintenance, you can't be. You can be responsible for livestock and forage production, but if you are I can't be held accountable for performance in that part of the business. If you are responsible for the outcome, you can delegate the work, however you can't delegate the responsibility. It is up to you to see that the results are achieved to the required standards.

The advantage in using EA's rather than traditional job descriptions, is that EA's define positions by responsibility, authority and expected achievement. These are powerful motivators. Achievement, recognition and responsibility are powerful motivators for most people.

Of course it isn't enough to simply jot down what a position is suppose to produce. EA's need to be clearly communicated within your organization. Performance targets also need to be established for each EA. There must also be objective measurement to evaluate performance and periodic review and consequences for poor performance.

The organizational chart is a huge first step to clarify roles and responsibilities and improve communication. Once you've built the chart, draw up another chart. Then show whom you expect to fill each role five years from now. This is the first step in building a management succession plan. Instead of the empty promise, "*Someday this will all be yours...*" this plan says "*In five years you'll be running the marketing program.*"

Once we've projected the chart into the future we have one more critical question to answer: "*How will we make sure the next generation has the knowledge and experience to be successful in this role?*" The answer is especially important when the successor to your business is not chosen based on talent or aptitude, but birth order and the thickness of their calluses.

Who Are Those Guys?

Following the last newsletter I received a couple of calls from Ranching for Profit School alumni pointing out that while I had announced that "we" had just purchased Ranch Management Consultants from Stan, I never said who "we" were. "We" are Dave & Kathy Pratt. "I" (Dave) was in the University of California Cooperative Extension Service for 15 years. My research program consisted of applying Ranching for Profit School principles to California rangelands. I first went through the Ranching for Profit School in 1988. I wrote the Self Study Course for Stan in 1991 and started teaching the school in 1992. I've taught in the US, Canada, Mexico, Australia and Africa. I left the University in 1999 to take on full time management of the Ranching for Profit Schools (I've been writing the newsletter for the last two years).

The rest of "we" is Kathy. This September, Kathy and I will have been married for 20 years. She taught Jr. High School science until our Kids (Jack-13 & Allie-11) started school. Kathy has been doing the administrative work for the schools for the last 2 years.

We sure appreciate all of calls and e-mails of congratulations and support. Don't hesitate to call, write or e-mail if there's any way we can be of service.

UPCOMING RANCHING FOR PROFIT EVENTS

RANCHING FOR PROFIT SCHOOL

North Platte, Nebraska	September 16 - 22, 2001
Klamath Falls, Oregon	November 4 - 10, 2001
Colorado Springs, Colorado	December 9 - 15, 2001
Calgary, Alberta	January 13 - 19, 2002
Billings, Montana	February 3 - 9, 2002
Amarillo, Texas	March, 3 - 9, 2002 (tentative)

GRAD LINK/EXECUTIVE LINK PROGRAMS

Billings, Montana	June 4 - 6, 2001 (EL/GL)
Colorado Springs, Colorado	June 11 - 13, 2001 (EL/GL)
Kerrville, Texas	June 18 - 20, 2001 (EL/GL)
Devon, Alberta	June 25 - 27, 2001 (EL)
Redding, California	July 30 - August 1, 2002 (EL)

A Simple Contest

We are trying to find out how long it takes the post office to deliver the newsletter. Please help us by e-mailing (pratt@ranchmanagement.com) or phoning (707-429-2292) us the day it arrives in the mail. Everyone who calls will be entered in a drawing to win a set of audio tapes on management intensive grazing. I produced these tapes with two colleagues at the University of California. Topics include pasture ecology, principles of management intensive grazing, managing energy flow and troubleshooting. We will draw three winners. Good luck!

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