

RANCHING FOR PROFIT

TAKE THIS JOB...

At our last Texas Executive Link Meeting, concerns about getting and keeping good employees came up time and time again. It seems that good people are hard to find, and if you do find them, they can be impossible to keep.

The fact is, there are lots of good people, but we tend to offer them bad jobs, for low wages, with little (if any) security, inadequate training and virtually no supervision. It should be no surprise that we are often dissatisfied with job performance. There are three ways we can overcome the problem.

1. Find A Clone Of Yourself.

Most often what we are really looking for is a younger version of ourselves—or at least the image we have of ourselves: hard working, honest, with lots of initiative. There are good people like that out there. Attracting and keeping them may require some sort of bonus scheme that acknowledges and rewards their performance.

Too often we tie employee bonuses to profit. Cowboys and managers play a critical role in production and therefore affect income, direct costs and gross margin. But they usually don't have much influence over the overhead costs. Those costs usually account for 60-80% of the total costs of most ranch businesses and they are the result of your strategic decisions. Rewarding or penalizing your employees for your good or bad decisions is not a good idea. Employee bonuses should be tied to results that they had a direct hand in achieving. At *the Ranching for Profit School* we often recommend manager bonuses be tied to gross margin. Bonuses should not be automatic. They are most effective when they generously reward outstanding performance.

It is only right that we reward exceptional performance, but sustainable businesses must not rely on exceptional effort because by definition, exceptional effort is not sustainable. That leads us to the second possibility:

2. Create Jobs That Work

We tend to value people who work hard. But at the end of the day, it isn't the buckets of sweat, the thickness of calluses or the hours worked that count. It's the results achieved. Written job descriptions are a good start but are inadequate because they only describe what people do. At *the Ranching for Profit School*, we suggest ranchers create "Effectiveness Areas." Effectiveness Areas describe the results a position is expected to achieve. We set targets for each Effectiveness Area and use objective measurements to assess performance.

One of several Effectiveness Areas for a manager would probably be Healthy Livestock. Targets could be tied to maximum acceptable death loss or health costs.

Effectiveness Areas show the areas of accountability associated with each position. Therefore, positions can not share Effectiveness Areas. If two people are responsible for an outcome, neither can be held accountable if the result is not achieved.

The employee's manual on most ranches is an invisible book called "*Read The Boss's Mind.*" McDonalds' doesn't depend on exceptional employees or super-human effort to achieve results. Instead they created systems that just about anyone could follow to produce the required results. This starts by creating Effectiveness Areas for each position.

3. Take This Job And...Eliminate It

The ultimate in reducing labor problems is to reduce the need for labor in the first place. Many ranchers who have shifted the calving season to be in sync with the forage cycle have drastically reduced or even eliminated the need for hay. Not having to feed hay all winter means not having to irrigate, cut and bail it all summer.

The limiting factor on one *Ranching for Profit School* participant's Nebraska ranch was the number of cows they could calve out. When we looked into it further, it was the extra effort of calving H1 heifers that created the real labor headaches. By purchasing bred cows instead of raising their own replacements and changing a few other management procedures they were able to triple cow numbers without increasing the labor requirements.

Professional firms have a rule of thumb that each employee should generate three to four times their salary in gross sales. While it can be hard to assess the direct contribution of an employee to the bottom line, it's a good rule of thumb to follow. After all, the reason we employ people is (or should be) to make the business profitable. At the same time, we should remember that people don't work for us to make us rich. Research shows that responsibility, authority and recognition motivate people as much or more than their paycheck. Structuring our businesses so that each employee has clear areas of accountability, objective standards by which their performance is measured and appropriate rewards for the results they achieve, can eliminate a lot of labor problems for you and your employees. It is an important part of *Ranching for Profit*.

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