



Dollars & Sense

► by Vern Pierce, beef economist, University of Missouri-Columbia

Managing by the book

Watch the headlines for ways to increase the efficiency of your business. There is always some new production tool or technique on which to focus, if you are interested. You may find a way to wean calves a few pounds heavier, increase your pregnancy rates a few percentage points, increase your average daily gain (ADG) or improve just about any part of the production side of your business. How do you know where to focus?

Production-oriented society

Scientists at our best research institutions have the latest biological methods that can be used if you want to be on the cutting edge of efficiency. Why shouldn't you want that? It sounds good on the surface.

You will hear from your neighbors about how Dr. So-and-so from Whatever University just came up with a new nutritional score that will have your cattle dancing at the feedbunk and gaining more.

From a business management standpoint, the issue here is not whether Dr. So-and-so's research trial is valid or not. It probably is. It probably does everything he says it will. The issue is that when we see this type of information, we are attracted to it because of our connection to the cow management part of the business.

My point is that we should learn to take equal interest in identifying opportunities in the financial side of the business and that we should focus our time where it has the greatest profit potential.

Think about this in the context of how managers sometimes decide what educational event to attend. You learn of an evening seminar happening next Wednesday (complete with a free steak) on improving gain in suckling calves. Of course this is something that really interests you as a good cattleman (I am referring to the seminar, not the free steak), so you plan to attend. But why? Why did you choose to spend the only free night you have by going to another calf seminar? I suggest that a big part of the

reason (besides the steak) is that calf-growing seminars really interest you. You have always been good at that, and you like to keep up on the latest information in that area.

Manage your time

Meanwhile, back on the farm, your average cost of interest has been going up the last few years, and you haven't developed a budget for your family or your business in — well, you never have. If you did develop a budget, you did so only because your banker required it, and neither he nor you have followed up on it to see how your business is tracking. You get the point.

We tend to do things — read magazine articles, go to seminars, take classes, etc. — in subjects of interest to us. And learning more about something that you are interested in is always a good use of your time, right? Wrong! It may be a *fun* use of your time, but it may not be the most profitable use.

In your quest to increase the profitability of your operation, you may find that studying in an area in which you are less proficient will have a much greater economic effect than learning how to get a few more pounds of gain out of those calves.

Labor — rather than management tasks — often has the first claim on your schedule. Under this scenario, managers are often forced into jobs that have urgent needs with low economic payoffs. The transition to a business management style that focuses on

planning and decision making is a process, not an event, but it is one that will have substantial payoff in a business with shrinking margins.

Planning the program

Here is the plan: Start a management development program for yourself. Determine what your weaknesses are, and seek opportunities that will help you strengthen them. Don't worry about those things in which you are already proficient; you will probably pursue those opportunities anyway.

Your management development program doesn't need to be complex, and it surely isn't intended to be the only item on the agenda. Managing with a CEO philosophy is just that, a different way to look at the big picture of your business.

The first step is determining in which areas you need development. Sit down and list your answers to the following questions:

- If I were giving advice to young people who want to be successful in this business today, what skills would I suggest they develop?
- What knowledge should they have before they even consider getting into this business?

That's the hard part. Now look at your list and cross off each of the areas in which you feel you are skilled. Be honest.

Next, begin an educational plan that will allow you to check off the remaining items on your list in the next five years.

Managing your business with a CEO philosophy is not just an abstract concept that looks good on paper but is impractical in practice. The strategic management of your farm business, with all decisions and investments, is made with the prior knowledge of the likely effect of that investment on your business and family goals. It is often the difference between ascending the steps of the ladder to success and those in front of the courthouse on sale day.



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