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In This Issue: **Managing Your Dairy**

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## Managing Your Dairy<sup>1</sup>

by

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If someone mentions "management" what comes to mind? Some of you might think "Management is a term that applies to big business, and large farms, but it doesn't apply to my operation." Some times we think management is for someone else, and we cannot manage our operation because it is too small or we just do what the banker tells me to do. However, no matter how big or small we intentionally or unintentionally manage our farms. Not making a decision is management, because the decision that was made was not to do anything. If we asked you what a manager does, someone would certainly say, "A manager manages!" But what does that mean?

### Characteristics of a Good Manager

Think about people you admire as managers. What makes these people good managers? List the characteristics that you feel a good manager possesses.

### My List of the Characteristics of a Good Manager

A large, empty rectangular box intended for the reader to list the characteristics of a good manager.

<sup>1</sup>The authors wish to thank Dr. John Siebert, Assoc. Prof. of Agribusiness Management, Dept. of Agricultural Economics, Texas A&M University, for reviewing this article and offering many constructive comments.

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Look carefully at the list you just created. Are the characteristics more action type characteristics or more thinking type characteristics? Are the characteristics that you listed more physical work type characteristics or more mental type activity. These characteristics are important, but the importance of various characteristics depends on the level management responsibilities and resources.

Management is doing something with your resources. In other words, management is getting things done with the money, people, equipment, buildings, land, livestock, and feed available. Managers get things done. There are good managers and not so good managers. Good managers make the right decisions and do things right. Other managers just do things. Good managers use their brains more than brawn. Good managers may not always be the best at doing the technical things that need doing, but they know what needs doing and they know how to direct and delegate to accomplish whatever needs doing. Good managers motivate people.

Good managers are a combination of coach, teacher, financier, engineer, architect, and publicist. Good managers have the people skills necessary to inspire those they supervise to put forth the effort to accomplish what needs doing. Good managers know how to make sure their employees have the knowledge, skills and tools to get the task done. Good managers don't lie and quit when they know they cannot win.

### **Functions of Management**

Management can be thought of as a set of functions that managers perform in the

process of doing what managers do. These five functions of management are:

- 1) Planning
- 2) Organizing
- 3) Controlling
- 4) Staffing
- 5) Directing

- Planning is something everyone does. We usually think of it as setting goals for ourselves, and then working out a systematic process or set of actions to achieve those goals. We associate terms such as *purpose, vision, mission, strategy, goal, objective, and task* with planning. Planning also involves putting down on paper, the details and processes necessary to meet goals and objectives.
- Organizing can be thought of as the process of identifying or establishing, jobs and positions, chain of command, channels of communication, and delegation of managerial authority within the organization. Organizing is also inventorying physical and financial resources and, identifying skills and talents among employees, and physically arraying these resources for efficient use. Organizing and planning are close partners in the firm's management.
- Staffing and directing are personnel management. Cows provide the product, but people are necessary to assure the cows provide the product and the product gets to the customer. Staffing is the process of putting people in jobs and positions. Staffing involves identifying strengths and

weaknesses in each employee. Staffing involves matching jobs and positions with people that can best perform in those areas. Staffing involves hiring, training, and sometimes firing employees. Staffing involves attracting prospective employees by creating a working environment attractive to staff.

- Directing is in many respects coaching. Directing involves communicating with employees so they know what is expected of them. Directing is the process of creating within each employees the sense of well-being and satisfaction with the job. Directing involves discipline to keep the employee on the path that helps the firm meet its goals. Directing involves educating the employee so the firms mission and goals become those of the employee. Directing involves the process of retraining, of providing benefits, or of doing those things that set a path or direction for the employee to meet his or her own goals.
- If goals are to be met, then something has to be measured. If processes are not working and goals are being missed, then the problems have to be identified so corrective action can be taken. The controlling function is this process of measuring, and identifying a firm's progress. The controlling process involves developing measures to assess progress..

## The Planning Function

Planning begins with a challenge or desire-- a vision. Planning is continuous. It never stops. In fact, planning goes on even when there is lack of planning, because things happen and there are results even when manager do not deliberately plan. In the early stages of any firm, before that firm becomes a set of activities designed to create economic rewards, someone has a vision.

## The Vision

Our vision is what we see in our minds eye, hope for, and maybe even strive for as the course we set for our businesses, lives and the lives of those who are associated with the business and who are important to us. Sometimes the visions of other people are easier to see than our own. Visions exist in our minds. We can think of our vision as the process of looking at a two dimensional picture of something we hope for or desire. What is you vision?

### Vision

Example: economic and financial security
My Vision is.....

The planning process may begin with the vision we have for our lives, but when we take action to achieve that vision we begin the physical process of planning. Action is the key to planning.

## Action makes a Vision a Mission

Action may not be physical work, but it is taking time to think, and to decide to do specific things, to develop a mission, to set goals, to define strategies and do the things necessary to achieve these desires. Sooner or later action means putting something down on paper. Action is an important concept in planning, because it requires the manager to make a decision. It requires the manager to begin and hopefully complete something. To carry out our vision, we define our mission. The mission is making the vision a potential and even a continuing action. For example, if your vision is economic and financial security, then your mission might be:

*To provide economic and financial security for my family through producing and marketing high quality milk.*

In the example our vision was to have economic and financial security. We would have that if we won the lottery. We could have that if we took a job as a letter carrier, stick with it for 30 years, and saved our money. We take action when we decide how we are going to achieve economic and financial security. In our example we decide to achieve our vision by *producing and marketing high quality milk*.

Write a mission statement for your dairy. Think first about the vision you have for your dairy then make an action statement out of it. In other words, make it more specific.

## Mission Statement

The Mission of _____ is to.....
------------------------------------

## Making a Mission a Reality with a Strategy

If we want to accomplish our mission, we need a *strategy*. Strategies are our grand plans we make and set in motion to achieve our mission, goals, and objectives. Strategies are where the rubber meets the road. Cows, land, labor, equipment, money, and buildings are committed.

Strategies are developed at all levels of the business and are dependent on the resources (cows, land, labor, location, climate, economic environment etc.) available. Suppose your mission is:

*To provide economic and financial security for my family through producing and marketing high quality milk.*

Now suppose you: 1) want to live in east central Texas; 2) have 250 acres of good quality year round pasture; 3) are within two

miles of a river bottom where high quality corn silage can be grown and which you can buy at a fair price; 4) have a good quality herd.

An example strategy might be to use a modified intense grazing system, with a concentrate and purchased corn silage ration fed in a portable feeder line. Your strategic planning can begin by determining what resources you have available to carry through with your strategies.

Make a list of the resources available to your dairy.

**Resources Available to my Firm**

Now develop a strategy to achieve your mission.

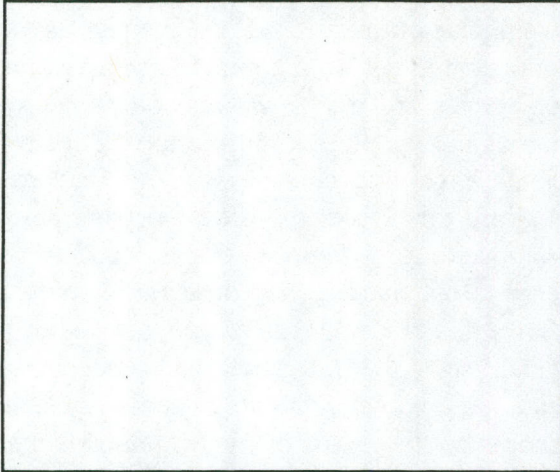
**Strategy**

As a manager, you will certainly develop economic and business strategies such as cost minimizing, profit maximizing, Strategies are full of goals. Goals are the objectives or targets that we strive to meet as we pursue our mission. If the strategy is the road map to get from point A to point B, the objectives are the towns and cities we go through as we pursue our mission. Effective goals have five characteristics. They are 1) Simple, 2) Measurable, 3) Attainable, 4) Rewarding, 5) Timely. Goals need to be easy to understand; they need to be straight forward, not complicated, and not tedious. Goals must be measured and understood easily so we can evaluate success. Goals should not be so low or easily attainable that little or no effort is made to attain that goal. On the other hand, no goal should be so hard to attain that it can not be reached. Attaining a goal should be rewarding. Usually we think of rewarding as being a monetary reward, but rewards can also be satisfaction, or a feeling of accomplishment. Goals need a time limit. Time is the distance measure. Time tells us we have or have not reached our goal.

Here is an example goal: To market milk with an average somatic cell count of less than 100,000 by May 1, 2000. Is this goal a SMART goal? Well it depends. Suppose the day we set the goals is April 15, 1999. Suppose our current cell count averages 150,000. Suppose we get a 10 cent per cwt. premium for every 50,000 we lower our cell count. This goal is simple; it is measurable; there is a time element, one year, and two weeks, and it seems attainable and rewarding. But what if it costs us \$1.00 per cwt. to lower cell count by 50,000? Is the goal a SMART goal. Would we change our minds if it only costs 9.5 cents per cwt. to attain the goal?

List some goals for your dairy. As you list the goals give them the SMART test.

### **My Goals**



### **Jobs and Tasks**

Planning and goal setting are action oriented. Attaining goals requires physical activity. There are groups of activities or tasks that must be done to accomplish a goal. The planning process involves the process of setting down the jobs and tasks within these jobs to accomplish our goals. An example job would be that of milker. Within the milker's job is set of tasks such as teat dipping, wiping, and attaching milkers.

### **The Organizing Function**

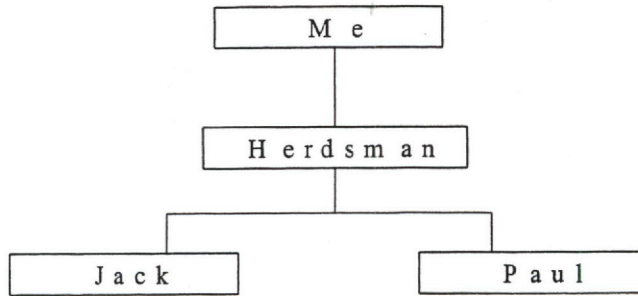
We defined the organizing function as the process of identifying or establishing, jobs and positions, chain of command, channels of communication, and delegation of managerial authority within the organization. Organizing is also inventorying physical and financial resources and, identifying skills and talents among employees, and physically arraying these resources for efficient use. The manager

must understand how the firm is organized, and as part of the planning process determine if that organization structure must be modified, or replaced. How the firm is organized is fundamental to communications within the firm and the delegation of authority and to the process of sharing managerial authority.

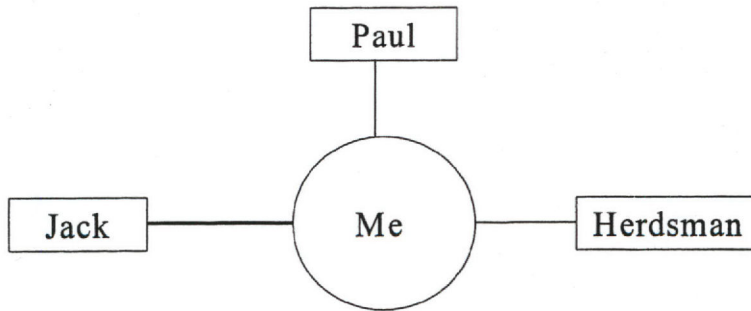
We can have all the resources, have a mission, develop a set of strategies with set of SMART goals, but if we don't have communication and information flows we don't fulfill our mission. Every decision made by any manager is based on information. The firm is organized to aid information flow. The control function is not a viable function without information. Staffing the firm is impossible without communication and information flows.

How is your firm organized? A good manager must understand who makes decisions in the dairy and the lines of communication within the dairy. An chart is a simple way to illustrate who answers to whom.

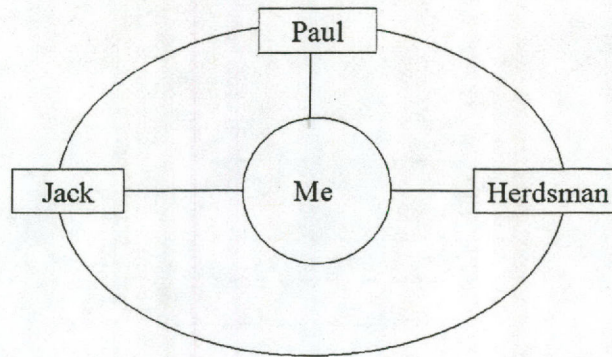
Example I Organization Chart



Example II Organization Chart



### Example III Organization Chart



The three examples of organization charts illustrate the chain of command within the organization and the lines of communication, information, and authority. In the first example, authority flows down the chart, but information flows both up and down. In the first example illustrates the delegation of authority within the organization.

In the second chart, authority is concentrated in the organization with information flowing back and forth between the centralized authority and each of the workers, but there is no direct line of communication among workers. There is no line of authority. Each of the individuals reporting to the central authority may have authority over some part of the organization, but there is no direct line for making decisions. In the third example power is still concentrated, but there is communication and coordination. There is no right or wrong organization structure if information flows and goal are met. In every organization there is an informal organization based more on

seniority or informal power, or perceived knowledge. Sometimes this informal structure caused problems, but many times it is a vehicle for conveying information and it can be a mechanism for building loyalty to the organization.

Developing an organization chart for a dairy allows you to determine the jobs that need to be done, and how authority is to be shared. The organization chart allows you to determine how decisions will be made if part of the management team is not present.

Each level or ring or layer of an organization chart represents a different level of authority. In example I the level above has more authority than the level below. In example II the inner ring has more authority than the outer. At each lower level the authority and the jobs and tasks associated with those jobs become more specific. For example, if Paul and Jack are milkers, they have very specific jobs with very specific authority to do certain tasks and to make certain management decisions related to their



jobs. That authority exists only if you allow the herdsman to delegate authority to the milkers. This statement may seem trivial, but suppose you made it clear that all decisions had to be reviewed by you before anything could be done. Suppose a problem with a milking claw developed. If you have to be consulted before the problem is corrected, then milking could be halted for a couple of hours. If the milkers have the authority to deal with the problem, then down time is only five minutes.

**Developing an Organization Chart for Your Dairy**

Now take time to draw an organization chart of your dairy. As you draw in each position, write the position title at the top of a page then list the person or position to whom the position reports, list the persons or people that are supervised by the position; finally list the responsibilities of the person in the position. Begin with your own position. For example. If you drew a chart similar to Example I your description for the Herdsman's position might look like the following:

**Example Position Description**

Position: Herdsman
Reports to: Me
Supervises: the milkers, Jack and Paul
Responsibilities:
1) herd health
2) milking, milk quality
3) milking equipment
4) herd nutrition

5) dry cow maintenance
6) replacement herd care

**My Organization Chart**

**My Position Description**

Position:
Reports to:
Supervises:

Responsibilities:

attracting prospective employees by creating a working environment attractive to staff.

Directing is telling employees what is expected of them. Directing is creating a sense of well-being and satisfaction for the employee. Directing is disciplining the employee. Directing is training and educating the employee.

Quality labor begins by staffing each position with the best people available. Management must understand completely what the position is, why it is important to the organization, what is required of the person filling the position. The job description developed during the development and review of the organization chart is critical.

As you review the organization of your dairy, you can review the need for improving the quality of the worker filling each position and the quantity of the work per worker. Labor issues can create some of the most frustrating problems for managers. In addition to the fact that each worker brings with them a set of motives and ambitions, experiences, and skills, there is competition from other potential employers, finally there are federal and state labor regulations that must be met. Personnel management is a critical part of managing any dairy.

Maintaining an attractive place to work, keeps current employees satisfied, helps the firm to retain employees, and helps the firm to hire and maintaining quality people. Many times dairy producers forget that they may have treat hired workers better than they treat themselves and family workers. It may even be an advantage to learn a foreign language if the workers you hire speak only that foreign language. It may take nothing more than a picnic or small party once a month to show appreciation for employees.

### **Staffing and Directing**

We defined Staffing and directing as personnel management. Staffing is the process of putting people in jobs and positions. Staffing involves identifying strengths and weaknesses in each employee. Staffing involves matching jobs and positions with people that can best perform in those areas. Staffing involves hiring, training, and sometimes firing employees. Staffing involves

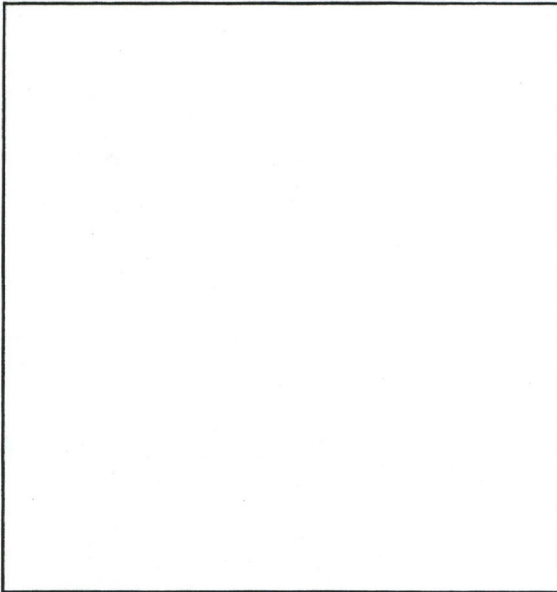
Adequate training and continuing education is important to keeping labor productive, and loyal. Some producers video workers and use the videos to help workers sharpen their skills. Employers should not worry that they are making their employees more marketable. High quality labor, while attractive to other employers, will benefit you, because they will take pride in what they do, and will do things correctly. High quality labor will only move if they feel they are better off in doing so. But even if the best

employee move to another firm, if that employee leaves with a good feeling about your firm, it does help you to attract good replacement workers.

Coaching, directing, encouraging, helping workers to do their best, and reprimanding occasionally, is important, because it helps employees to feel the firm's mission and goals are their mission and goals. Employees that feel good about where they work are likely going to feel the better the firm does the better they do.

Make a list of the things that make your dairy an attractive place to work.

#### **Why My Dairy Is A Good Place To Work**



The organizing function allows information to flow through the organization, but unless you as a manager know what information is necessary and how to use that information to make decisions then planning and organizing are useless.

#### **The Controlling Function**

The controlling function is the process of measuring, and identifying a firm's progress. The controlling function involves developing measures to assess progress. The controlling function is the process of collecting and using parameters to track the business health, and the progress of attaining goals. Among the financial parameters that can provide information for management decisions are: 1) current ratio, 2) debt structure ratio, 3) acid test ratio, 4) leverage ratio, 5) net capital ration, rate of return on total farm capital, 6) rate of return on equity capital, 7) turnover ration, 8) expense structure ratio, 9) gross ratio, 10) returns per cwt. of milk, 11) cost per cwt. of milk sold, 11) net returns per worker, 12) net income per enterprise. Among the physical production parameters that can provide information for management decisions are: 1) milk per cow, 2) milk per string, 3) milk production per worker, 4) feed fed per pound of milk sold, 5) average somatic cell count for milk marketed, 6) voluntary cull rate, 7) involuntary cull rate, 8) average percent dry, 9) days open, 10) percent death rate; 11) TMDL for manure, 12) sick days per worker, 13) pay rate per worker, 14) cost of producing milk per worker.

Make a list of the control parameters you find useful to monitor your business. Note if the parameter is to monitor financial or production health.

### Parameters I Use To Monitor My Business

Parameter	financial	production
Example: net returns per worker	X	
Example: SSC		X

### Reevaluating My list of Good Management Characteristics

At the beginning of this article, you listed your perceptions of the characteristics of a good manager. Go back through that list. Do the characteristics you listed still seem to be the characteristics of a good manager?

Managing is something we all do, and it is something we all can learn to do better. Managing involves using the mind more than brawn. Managing is taking control and being pro active rather than reactive.

### Management References

A wealth of information about the principles of management exists. Nearly every bookstore has a section on business management. One of the mos prolific writers on the subject of management is Peter F. Drucker. Both Cornell University in New York and the Ohio State University have developed extensive materials dealing with management. Cornell's program is the Pro-Dairy program. Ohio State developed their Dairy Excel program, but it was so popular that it has expanded to include over a dozen business management programs and materials for hog farmers, cash grain farmers, vegetable growers, and other major commodity groups, including horse farms. We are providing a list of references here, but it is by no means complete.

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