

# KNOW WHERE YOU FIT

Benchmarking is a key component of success.

Commentary by Troy Marshall, American Angus Association

**I**f you know the enemy and know yourself, you need not fear the results of 100 battles.” — Sun Tzu

In the above quote, Sun Tzu sums up the value of benchmarking. Benchmarking is a topic that is often mentioned at industry meetings, but I think we are all guilty of overlooking its importance. In part, it is our human nature.

To illustrate this point, I have often asked a group of cattlemen whether they believe they have above-average cattle. Inevitably, more than 90% feel they do. I bet if I were to get an honest answer from seedstock producers, that answer would be close to 100%.

You don't have to be an expert in statistics to figure that math out. At least 50% are evaluating the value of their product in the marketplace incorrectly. Benchmarking provides us with the brutal facts about the reality of our business.

The reality is that we are operating in a brutally competitive environment that is changing at an unprecedented rate.

Warren Buffett says it in a funny, but succinct, way: “Only when the tide goes out do you discover who's been swimming naked.”

## The comparison

Benchmarking allows you to know and/or measure several things:

1. How do you compare to the best in the industry?
2. Are you making progress at a sufficient pace to remain competitive?

One of the interesting things about operating in a hyper-competitive environment is that you quickly discover that to be competitive, you must be at least

as good as the current leaders. Odds are that there are quite a few working at a breakneck pace to ensure they are already doing it better than the current leaders. It is a prerequisite to know your competition and how you stack up on a day-in and day-out basis.

Understanding how you match up with your competition is an important aspect of benchmarking. It is outside of your operation where you will find opportunities and threats. Your own internal results mean little unless they are compared to your competition.

Cow-calf producers are accustomed to benchmarking. We compare the price we receive for our calves to the prices received by others who sell during the same time. We know how our weaning weights stack up against our competitors. We know how the strength of our bull battery compares to others. We know the percentage of calves qualifying for the *Certified Angus Beef*® (CAB®) brand or grading Prime, etc.

There was a time when we could compare ourselves to the industry benchmarks every five years or so and be relatively certain that we were not getting left behind. Today, we may no longer be in the game in five years. No ranching enterprise is an industry of one.



We need to know how we compare, and we need to know if our rate of progress is exceeding the progress of the industry as a whole.

## Monitor improvement

In addition to benchmarking how we are doing relative to our competition, we need to understand how we are doing internally. Are we getting better from one calf crop to the next? It helps us to first monitor

progress, and then determine if we are maintaining significant headway to stay competitive.

Benchmarking our performance forces us to be honest about our results and facilitates making good decisions. For small to mid-size producers, there is no greater market leverage than the truth. How are we doing against others, but also against ourselves? Benchmarking allows us to compare ourselves against the standard-makers. Today's great work is simply tomorrow's industry benchmark.

While prices are the ultimate benchmark for any operation, they can be a misleading metric. Prices, while important, should not be our primary strategic priority. Our top priority is creating value, and that ultimately drives prices, premiums and discounts. We must understand what we are doing well and what we need to improve.

## Documenting value

AngusLink<sup>SM</sup> is a multifaceted program. One component is about gaining market access, from age and source to Global Animal Partnership (GAP) and everything in between. It allows you to

document your management so you can gain access to those marketing programs that are making specific claims.

For many, the most important component of AngusLink is the Genetic Merit Scorecard®, which gives producers the opportunity to differentiate their calves in the marketplace by describing their genetic merit. The exciting news is

that all the AngusLink programs have proven that they will generate significant premiums in the marketplace.

Another often overlooked

component is that it is a tremendous tool to see how the genetics and management you are offering compares to the leaders in the industry. It is important that you are comparing to the best.

If you are a basketball player, you may want to benchmark yourself against the guys at the local gym. Although if you have higher aspirations, then using Michael Jordan as your benchmark probably gives you a better assessment and certainly will lead you to making the right decisions to improve your game.

I'm not sure who is responsible for this quote, but I think it sums up the power of benchmarking very well: “If you're not benchmarking your performance against your competitors, you're just playing with yourself.”

AngusLink can make sure you are playing in the right game. It can help you capitalize on marketing opportunities and garner premiums for your superior genetics and management, and it can help you monitor your position against the rest of the industry. |

Editor's note: Troy Marshall is director of commercial industry relations for the American Angus Association.

While prices are the ultimate benchmark for any operation, they can be a misleading metric.