

# OUTSIDE THE BOX

## Healthy ranches

by Tom Field, University of Nebraska



Ranches are inherently complex organizations confronted by uncertainty on a number of fronts

— weather, access to markets, governmental regulation, as well as the price of inputs and outputs. Given the intersection of complexity and uncertainty, leaders of ranching enterprises must embrace the challenges of effective systems management. Being good at one element of ranch management is not enough to assure success. For example, each and every bovine within a herd may be functioning within a normal range of vital signs, while the health of the ranching enterprise is failing.

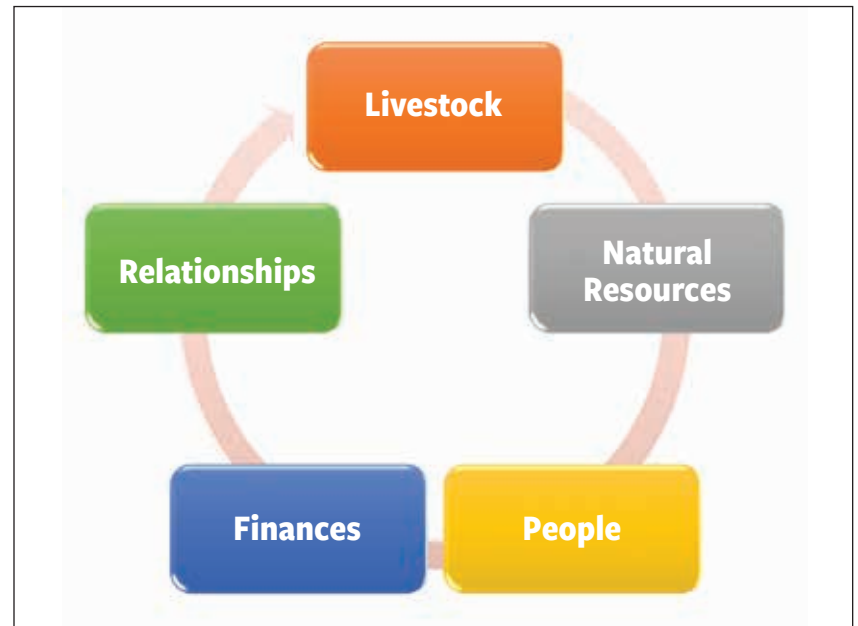
Assessing ranch health requires monitoring and measurement within key categories that contribute to overall enterprise well-being (see

Fig. 1). Assuring ranch health requires that leadership effectively design strategies and execute tactics across the key components of the system while balancing both micro and macro viewpoints. Furthermore, ranch leaders must be able to make the necessary trade-offs and resource allocations to attain short-term goals, while laying the foundation for long-term objectives.

With strong performance across all five categories, ranches will experience three fundamental benefits — higher strategic and operational flexibility, a higher likelihood of sustaining the enterprise into the future, and a greater likelihood of professional fulfillment for all involved in the business.

Consider three example ranches (see Fig. 2) with varying levels of performance in the five key

Fig. 1: Components of ranch health



categories measured on a scoring system from 0 to 100.

► Ranch 1 has excellent performance relative to livestock productivity, but only average

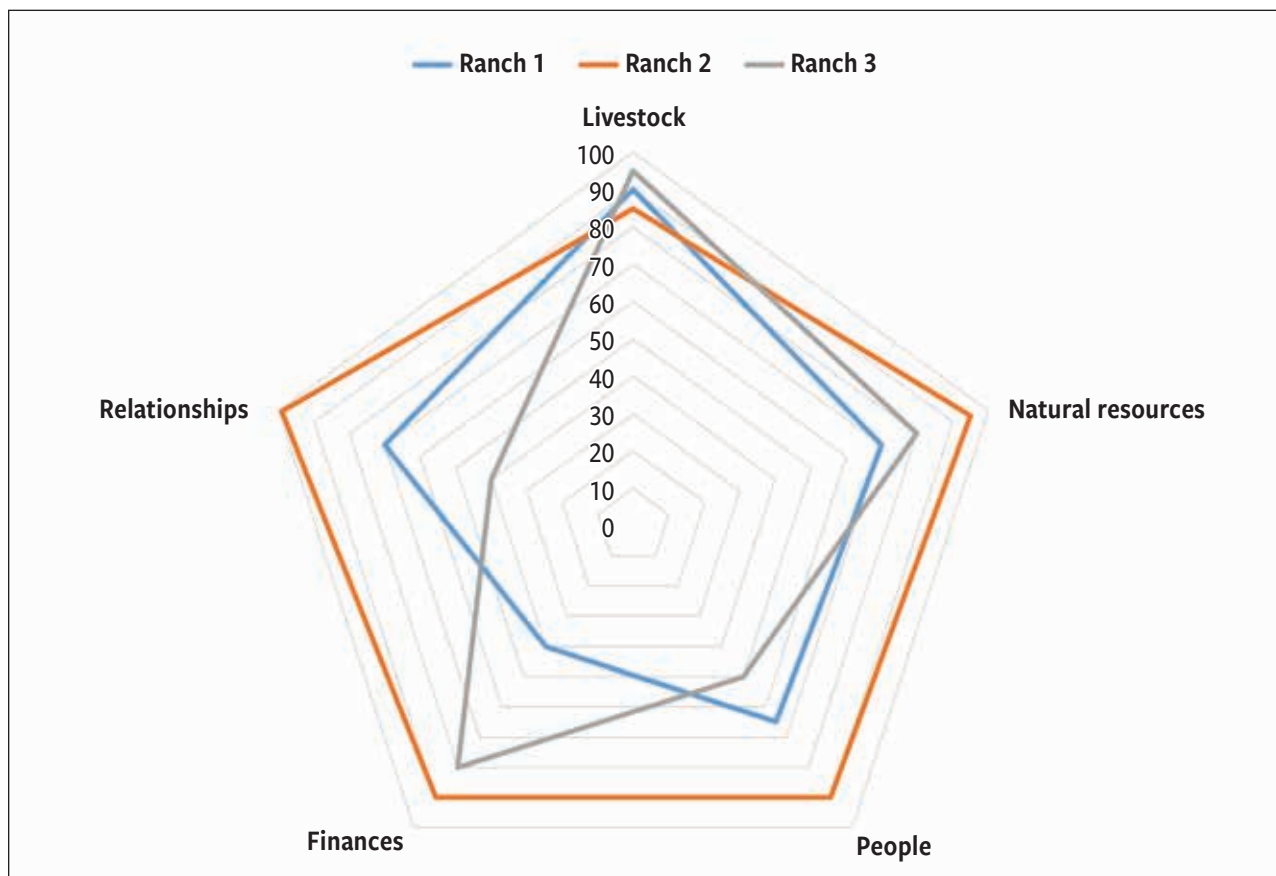
performance relative to natural resources health, engagement of people and strength of relationships. Relative to financial health, the ranch is at relatively high risk of failure.

► Ranch 2 has attained strong performance across all five categories and even though it has only B-level livestock productivity, its success across the other four elements creates a strong enterprise poised to create personal, professional and financial wealth.

► Ranch 3, while performing admirably relative to livestock, natural resource and financial health, has significantly underperformed in terms of people and relationships. Sustaining high levels of livestock, natural resources and financial performance is undercut by a lack of focus on people and relationships.

The use of a balanced scorecard approach helps us to understand that performing well in only a few key areas shrinks the footprint of the enterprise and creates a structure that is lopsided with more

Fig. 2: Ranches experiencing differing levels of health



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jagged edges. This indicates an organization will perform less effectively (like in examples 1 and 3). The organization with excellence across all five elements (Example 2) has a larger footprint, is better balanced and thus able to better deal with the proverbial bumps in the road, and offers greater opportunities to produce wealth on a systems level.

Those who choose to invest their time, treasure and talent into cattle ranching tend to be drawn to the process of improving the performance and health of livestock, land and financial resources. Clearly all three of these elements have an effect on the success of the enterprise and cannot be ignored or minimized. But, for the ranch to truly be healthy and capable of generating long-term wealth, it must value and invest in the health (physical, emotional, spiritual and intellectual) of those who are engaged in the

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business. It also needs to invest in the quality of the relationships with customers, vendors, suppliers, neighbors and the larger community.

In the long run, those leaders with a holistic view of the health and well-being of their ranch develop stronger, more resilient, and higher-performing organizations with true staying power as compared to their counterparts who choose to ignore the challenging work of focusing on the health of people and relationships. ■

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Editor's note: In "Outside the Box," a regular, separate column in both the *Angus Journal* and the *Angus Beef Bulletin*, author Tom Field shares his experience as a cattleman and his insightful perspective on the business aspects of ranching. Field is director of the Engler Agribusiness Entrepreneurship Program at the University of Nebraska-Lincoln, where he holds the Paul Engler Chair of Agribusiness Entrepreneurship.