Outside the Box

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Not by chance, nor by strategy

I recently heard someone describe his method of attaining success as "not by chance, nor by strategy." The comment didn't register with me as a profound thought until I read Stephen Ambrose's account of D-Day in the book *Band of Brothers*.

The allied invasion of Normandy was painstakingly planned, rehearsed and scripted. The troops had been superbly trained, and individual units had developed unflappable discipline. Yet, the implementation of the invasion was less than textbook perfect, with individuals and individual units required to deal with unforeseen obstacles, changing circumstances and unpredictable resource levels.

The invasion was successful neither because of a perfect strategy nor because of dumb luck. Rather, the combination of a clearly communicated set of objectives, the commitment of time and resources to training, and the ability of people on the field of action to adapt and innovate provided the setting for victory.

Beef cattle managers have the same challenge — to balance creation of long-term strategy with the need to maintain flexibility and responsiveness. Life provides only a few opportunities when profitability, the forces of the market and structural shifts align to allow for the development of strategies without undue stress and focus on short-term forces. We are living in just such a time. We have much to be thankful for, including the opportunity to forge strategies to shape our businesses for the future.

Market forecast

A historic evaluation of the industry suggests that, more often than not, the majority of producers tend to focus on adapting and adjusting management plans when prices are declining, drought conditions are increasing or other stressors are affecting the situation. As one industry leader put it during the National Western Stock Show (NWSS), "We need to do our best strategic work when most of us are profitable and operating from a position of strength."

Most analysts forecast prices for 2006 to lay between the historic highs of 2004 and 2005. Export markets are reopening, and per capita beef spending is at significant levels. Herd rebuilding appears to be under way, and it is generally agreed that we will see the cattle cycle slip downward, with prices finding the low in the last year or two of this decade.

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External influences

The macro trends — those that individual producers have a difficult time controlling — that bear monitoring include the pace of industry consolidation, the formation of supply chain and value-added marketing strategies, the cattle cycle, and the continued push for additional regulations in regard to environmental effects, animal welfare and food safety. Each of these outside forces offers both challenge and opportunity. Consider the following:

- The top five food retailers now control 60% of supermarket sales.
- Whole Foods Market (not a top-10 food retailer) achieves per-square-foot sales nearly triple that of the largest food retailers.
- Consumers worldwide are increasingly interested in food attributes other than nutrition (welfare, environmental impact, etc.).
- The cattle cycle is still a force to be reckoned with, and individual herd plans need to account for the fluctuations of inventory and prices.
- The major export markets are now nearly reopened, but a new set of rules for international trade has been established.
- As individual farms and ranches look to the future, these factors must be understood, and the risk associated with each should be accounted for in the business model.

Assessing ranch success

Measuring performance against a realistic set of goals and objectives at the enterprise level is also of critical importance for individual cow-calf herds. At the 2005 Range Beef Cow Symposium (RBCS) in Rapid City, S.D., Barry Dunn of the King Ranch Institute for Ranch Management advocated that ranch success should be measured in the following areas: learning and growth, cattle, natural resources, finances, people in the enterprise (staff), and people outside the enterprise (customers). (See the article "Six Signs" in this issue for more information on Dunn's approach.)

The development of measurable goals that contribute to both short-term profitability and long-term viability is an important task to be completed in the first quarter of 2006. The next step is to develop a system for capturing the information and data that allows individual enterprises to measure actual performance in the six categories described by Dunn. This process results in the creation of what business leaders call "a balanced scorecard."

In developing performance measures for a ranch, it is important to keep the following concepts at the forefront:

- Describe the assumptions upon which the plan is based. This allows the manager to also track the trends and information upon which the plan is founded and thus make adjustments as conditions shift.
- Keep the number of goals in each of the five categories to a manageable number.
- Consider and account for the interactions between the various benchmark goals.
- Communicate the goals both within the organization and externally to key suppliers and customers.
- Provide updated scores and progress reports on a regular basis.

Beyond a doubt, the conditions the industry faces will change, but the creation of a meaningful plan and performance-tracking system allows cow-calf managers the tools with which to make better adjustments, to motivate their people, and to assure that the enterprise fulfills the aspirations of the management team.