

Outside the BOX: The good, the bad and the ugly

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Beyond the great theme song, Clint Eastwood's spaghetti western *The Good, the Bad and the Ugly* was a classic film. Listening to a panel of producers at a recent conference describe the best and worst decisions they had made as managers reminded me that our

management team had not made all good decisions. As the panel progressed, it became clear that while each manager had a unique story, all of the participants had learned more from their mistakes than from their successes.

The panel motivated me to begin

considering the good and bad choices on our ranch. As the list grew under each category, it became apparent that we needed to add the "ugly" category. From this effort, I learned that while our choices were driven by good intentions, not all of our decisions yielded the anticipated result, and in some cases they created unforeseen negative outcomes.

The good

- Building an estate plan in the years before the passing of my father was perhaps the best decision we have made as a family. In the process we sought the advice of other ranch families, financial planners, accountants and attorneys so we could make informed decisions. We spent time to discuss goals, options, concerns and issues. Fortunately, we had made enough progress that when my Dad passed away unexpectedly, we were able to successfully transfer the business while maintaining our productive capacity and without disrupting operations. The plan and, perhaps more importantly, the conversations that preceded it provided a foundation from which to make long-term decisions and create a structure that helps us attain our goals. In retrospect, I wish we would have had the time to fully develop a succession plan (see subsection — "The bad").
- Committing to sire selection based on objective performance data has generated significant value for our business. During some tough financial times in the early 1990s, sire selection was driven by buying volumes of bulls at low prices and that decision turned out to be expensive (see subsection — "The ugly"). We recommitted to identifying and purchasing sires that had documented performance data to meet our production goals in the late 1990s. Thus began a process of continuous improvement. We have improved calf sale weights, enhanced calf crop uniformity, stabilized mature weight and substantially increased the number of heifer calves worthy of becoming replacements.
- Making informed proactive decisions has been critical to our success. We have great appreciation for the decisions of our forefathers on the ranch, but we have endeavored not to be tied to the decisions and protocols of the past. We also respect the environment in which we live and have learned to make decisions earlier rather than later when moisture, temperature or other climatic trends begin to emerge. We move in advance of emerging drought, periods of prolonged cold or other seasonal impacts to minimize risk and to preserve as much

management flexibility as we can muster.

The bad

- We did not have a functional succession plan in place at the death of my father. We were able to sort through the process, but we would have had a more seamless transition had there been more conversation and time put into assignment of capabilities and decision-making authority. While we are not a large business, the lessons of Jim Collins in his work *Good to Great* still apply in terms of getting the right people on the bus and in the right seats. We have overcome the lack of a solid succession plan, but we would have been better off to have had one in place.
- We work hard to maintain simplicity in our approach to ranching, which includes locking in a calving season of approximately 60 days. Early on, we accomplished this by pulling the bulls from the mature cows two months after turnout and from the heifers 45 days after turnout. While it accomplished our goal, we left money on the table as the non-performing females were open, whereas if a significant portion of them had been pregnant, we would have been able to increase revenue by selling bred females at a premium to opens.

The ugly

- In the early to mid-1990s the ranch was facing economic challenges. In an attempt to cut costs, the decision was made to let price become a primary driver in bull selection. While we were able to acquire some sires that would have met the criteria we currently use, for the most part we had to accept sires with moderate to substantial performance gaps.

At the same time, we were trying to hold revenue as high as possible by increasing our inventory, so cow culling was substantially reduced. In the short run, we cut costs and had modest increases in cash flow. In trade, we created replacements that had substandard reproductive performance; retained cows that were problematic due to poor dispositions or other functional issues; and reduced uniformity in our calf crop, which resulted in making it difficult to deliver acceptable quality in truckload lots.

In each case we learned, modified our behavior and adjusted our approach to decision-making. The key, however, lies in taking a hard look in the mirror to find the good, the bad and the ugly. Much can be learned from this exercise, so give it a try!

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