

Six Signs for Success



*How can a ranch determine if it is successful?
It takes a balanced approach in these six key areas.*

Story by
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Barry Dunn, former South Dakota State University Extension livestock specialist now at the King Ranch Institute for Ranch Management (KRIRM) in Texas, is a long-time student of evaluating why some ranch operations are more successful or viable than others. From his own ranching experience and his years in Extension education, Dunn has amassed an insightful understanding for the variety of factors that can affect a ranch.



Barry Dunn

He advocates that the ability to monitor and measure is critical to any business' success. And, to that end, Dunn and Matthew Etheredge, a student in the KRIRM graduate program, have developed a balanced scorecard for ranch businesses to use to help achieve sustainable long-term success.

The scorecard they propose looks at the ranch from six different perspectives: 1) learning, 2) natural resources, 3) cattle, 4) customers, 5) financial and 6) people. All categories are important, and

no single area should outweigh another.

This management tool is based on "The Balanced Scorecard" first developed by Robert Kaplan and David Norton in the early 1990s and used successfully in many business applications. By using both lagging and leading indicators, the scorecard measures the progress of an organization toward its vision from multiple perspectives.

Dunn describes this evaluation process by suggesting producers approach it as if they were putting a report card together for their ranch. The "report card" should assess how the ranch is doing in each of the six different areas.

Making the grade



Learning. To evaluate how the ranch is doing in the "learning" category, Dunn suggests

ranch operators set goals to attend educational events and seminars, then evaluate if they meet those goals during a given time frame.

As examples of opportunities to enhance learning, Dunn says, "I would encourage ranch owners and managers to attend beef seminars and conservation and range tours, as well as use different Web sites as resources. You may even take a course in business."

He adds, "The ability of a company to build its intangible assets or intellectual capital has become a critical success factor in creating and sustaining a competitive advantage."



Natural resources.

When looking at a ranch from this perspective, Dunn says key indicators of success have been to match stocking rate with carrying capacity. But,

he adds, "The kicker about the range resource base is that carrying capacity is variable, and stocking rates need to be [variable, too]. These need to fluctuate, but our industry has lost the flexibility to do that."

Thus, he says, "Liquidation of cows can't be viewed as a disaster. It needs to be considered part of the normal business of ranching."

So, in evaluating your success in this category, Dunn stresses that the ability to be flexible and adapt to resource conditions is key. As an example, he says ranchers should track precipitation. If it isn't above normal by July, you need to be able to destock, because the forage production for that season is already set.

Additional resource factors to track include improvement in range condition, wildlife populations and cattle performance.



Cattle. How do we measure success in cattle? Everyone seems to have his or her own opinion, but Dunn

says his first priority is to measure pounds weaned per cow exposed. "That's the measure of efficiency. It's the whole package," he says.

He says that number is a true summary of genetic potential; reproductive performance; death loss and herd health; and preweaning nutrition from milk, pasture and supplement.

Other indicators Dunn advocates monitoring within the herd include pregnancy rate, replacement rate, cow body condition score (BCS) at weaning and the number of days hay was fed during the winter.



Customer. In any business, you've got to know who your customers are and if their needs are being

satisfied. For ranchers to "listen" to customers, Dunn suggests getting involved in retained ownership programs or marketing alliances where information is passed up and down the market channels. By doing so, ranch operators can monitor feedback, as well as identify if there are repeat customers and how much customer inquiry is produced.



Financial.

When evaluating a ranch's financial success, Dunn advocates calculating a unit cost per 100 pounds (lb.) weaned. Of the more traditional means of calculating a breakeven per hundredweight (cwt.) of weaned calf, Dunn says, "That's been abused, and [it's] something we've got to move beyond. It's not a per-cow cost measure."

Regarding financial success, Cattle-Fax's Randy Blach adds, "It's not a matter of being least cost. It's a matter of knowing where to spend the money. You can't cheat when it comes to nutrition, animal health [and] genetics. Those are the drivers."

Dunn also advocates that ranchers calculate return on assets (ROA), which measures the percentage return (regardless of source) to each dollar invested in the operation. He also suggests calculating net income, which is the money available to the operation to pay off debt and for family living.



People.

At the heart of a ranch are the people and their quality of life. Dunn admits, "Ranching is a tough business, but it also can be an enjoyable business." When looking at a ranch from this perspective, determine if the people involved are healthy, have a sense of security and have minimal stress. General family

Fig. 1: Example of a balanced scorecard for a ranch

<u>Perspectives with strategic objectives</u>	<u>Goal</u>	<u>Actual</u>
<u>People</u>		
Healthy, happy family	Yes	_____
Sense of security	Yes	_____
Low stress	Yes	_____
<u>Financial</u>		
Return on assets	8%	_____
Net income, \$	\$200,000	_____
Breakeven, \$	\$0.75	_____
Current ratio	2:1	_____
Long-term ratio	5:1	_____
<u>Customer</u>		
Feedback good	Yes	_____
Repeat customer	Yes	_____
Customer inquiry	Yes	_____
<u>Cattle</u>		
Lb. weaned per cow exposed	500	_____
Pregnancy rate, %	94	_____
Replacement rate, %	15	_____
Cow body condition score at weaning	5+	_____
Days fed harvested feed	85	_____
Percent of calves born in first 21 days	65	_____
Vet expense per cwt. weaned calf, \$	\$0.02	_____
Cattle identified	Yes	_____
<u>Natural resources</u>		
Stocking rate = Carrying capacity	Yes	_____
Prescribed burn	Success	_____
Residual forage adequate	Yes	_____
Noxious weeds treated	Yes	_____
Precipitation as a % of normal	110	_____
Range condition score	Improving	_____
Photo points compared	Improving	_____
Grouse count	Increasing	_____
<u>Learning</u>		
Attend Range Beef Cow Symposium	Yes	_____
Attend KRIRM Symposium	Yes	_____
Participate in grazing school	Yes	_____

Source: Barry Dunn. Proceedings, 2005 Range Beef Cow Symposium, Rapid City, S.D.

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relations and employee turnover should also be monitored.

Strive to improve

As a final tip in putting your scorecard together, Dunn says when evaluating these categories, you need to be able to identify leading and lagging indicators.

“Lagging indicators are in the past, and you can’t change them — such as a diploma or a photo point. Leading indicators you can change and improve upon, and may offer tremendous opportunities,” he points out.

Dunn concludes, “You want a balanced

scorecard, and it builds from learning on through to people. The better job you do at being a lifelong learner, the better you’ll be able to meet your cattle, natural resource, financial, customer and people goals.”



Editor’s Note: Dunn presented information about this balanced-scorecard approach during the 2005 Range Beef Cow Symposium in Rapid City, S.D., Dec. 6-8, 2005. Angus Productions Inc. (API) provides online coverage of this event, including links to streaming audio/video presentations, at www.rangebeefcow.com.