**A Nuffield Farming Scholarships Trust**

**Report**

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**The Trehane Trust**

# The successful management of large scale dairy farms

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The views expressed in this report are entirely my own. They do not necessarily represent the views of the Nuffield Farming Trust, or The Trehane Trust, or any other sponsoring body.

# 1.0 Executive summary

## The successful management of large scale dairy farms

I farm in partnership with my parents on the Longleat Estate in Wiltshire, where we are tenant dairy farmers. Since my return home in 1998, the farm has grown from 300 acres with 200 cows to 600 acres with 400 cows and young stock. As the farm continues to grow in the future, I want to make sure that I am running my business, rather than my business running me.

At the start of my study I posed this question to 20 people in the UK dairy industry: What is a successful large scale dairy farmer? Is it the person who has 200 cows, 500 cows or 1000 cows? Or is it the person who makes sure they have one completely cow-free day each week to spend with their family? Is it the person who takes a couple of weeks holiday a year? Is it the person who takes a leading role in the local community or becomes an industry leader? The reality is that there is no right or wrong answer; it is about achieving a balance for yourself and the people around you.

My study started with three weeks spent in the USA, ten days looking at the large high input, housed dairies in Wisconsin, followed by 10 days looking at large grazing-based dairies in Missouri. During the winter of 2011-2012 I spent 10 weeks in the southern hemisphere visiting Tasmania, Victoria, and the South Island of New Zealand. This was followed by a month in South America travelling with fellow Nuffield Scholar Paul Lambert from Tasmania. Together we visited Chile, Uruguay and Argentina. During my Nuffield Scholarship I have been away from my business for four months in total. This has been a pleasant surprise to me, and a complete shock to anyone who knows me.

### Key findings

The successful large scale dairy businesses that I visited were profitable at both high and low milk prices. Profit was a decision and not an outcome. Profit always covered personal drawings, tax and interest payments. These businesses did not just have some of their costs of production under control; they had all of their costs under control. Typically a top 10% producer did not have a massive cost advantage in any one area; instead that producer was marginally better than the rest on all costs. This often added up to a significant difference. The operational and technical performance of the most successful businesses was always very good. These businesses set goals and targets for the operational and technical performance of the business that they knew were driving its profitability. These businesses were employers of choice with reasonably low levels of unplanned staff turnover. They knew how to attract staff, how to retain staff and how to get the best out of staff. Managers had realised that as cow numbers grow and therefore staff numbers grow, the manager is no longer a cow manager but becomes a people manager.

The successful dairy business managers had a good work life balance. Key to achieving a good work/life balance is a simple production system. The more complex the production system, the greater the chance of the manager being tied to the business. Seasonal block calving makes it easier, particularly for the smaller to medium sized family farms. Successful businesses employed the right amount of staff, with the right attitude. Performance and skills can be influenced; however it is much harder to influence attitude. Staff were given clear responsibilities, they knew what was expected of them and what they were trying to achieve. Staff followed clear systems, processes and protocols that were repeatable and interchangeable between different people.

The most successful businesses that I visited had a well thought out strategic plan that was implemented and regularly reviewed. All the key stakeholders in the business had to agree on the plan. They had to understand where the business is currently, where the business is going, and how it is going to get there. Strategic business plans worked well when they ran alongside the personal goals of all the key stakeholders in the business, particularly partners. The benefit of a strategic plan is that it creates a united focus. When all the key stakeholders are in perfect alignment, all going in the same direction, then the business will make rapid progress. As soon as one of the key stakeholders is off alignment, it is like throwing out an anchor and the progress the business makes is reduced.

I asked the successful business managers what they thought was their most important dairy business asset. The really modest business managers thought it was their staff. The really smart ones told me it was their partner, but most realised it was themselves. Time and time again I found it was not the cow or the production system that dictated the success of the business; instead it was the person leading the business. However, there needed to be a level of governance and scrutiny over the business leader, to make the business leader accountable for his/her decision making and to quite frankly ask some awkward questions. Periodically there is a need to keep the business manager focused, motivated and on track. Discussion groups, focus groups, bench marking groups, consultants, accountants and boards of Governance all offered various levels of scrutiny over the business and influenced the direction of the business.

A well thought out succession plan takes away any uncertainty. Putting together a succession plan will take time and may require some outside facilitation. A succession plan does not necessarily have to be equal; it just needs to be fair. Ideally it should be put into place before the next generation joins the business. In some circumstances it may be better to sort out a succession plan early on in people's lives. A one off payment to family members not involved in the dairy businesses may be far more useful at the age of 25, rather than a much larger payment at the age of 50.

The top businesses managers had a number of characteristics in common. Time manage-ment was one of the key factors in their success. They were always looking and organising well in advance, often two or three months ahead. They made sure they were dealing with important jobs the majority of the time and minimising the amount of time they were dealing with urgent jobs. They were not continually fire fighting. Their timing of farm operations was nearly always at the optimum time and the time it had taken for them to learn from their mistakes was usually short. They did not wait for their ship to come in; instead they went looking for opportunities. They did not wait to deal with an issue or problem at the edge of the cliff. Instead they went to meet the problem or issue, to give themselves options.

Possibly the most important characteristic I saw was exceptional leadership capabilities. I saw some exceptional managers leading some average teams of staff, yet producing some excellent results. I also saw some exceptional teams of staff lead by a poor leader, producing some very average results.

## Conclusions

As my study evolved it become apparent that the successful management of large scale dairy businesses was not simply about good cow management. The most successful and profitable dairy businesses all had excellent technical performance from their cows, but excellent technical performance on its own was no guarantee of success or profitability. It is equally important to make sure the business is profitable, the costs are under control, the business manages staff well, the business leader has a good work/life balance, a strategic business plan is in place, and all with an appropriate level of governance over the business.

I would like to take this opportunity to thank the Nuffield Farming Scholarships Trust and my sponsor, the Trehane Trust, for giving me this wonderful opportunity.

# 2.0 Introduction

I was brought up on a 75 acre county council small holding in Somerset, where my father milked 120 cows. In 1990 my father was given a tenancy on the Longleat Estate in Wiltshire, where I farm in partnership with my parents today.

When I returned to the family business in 1998, we were milking 200 cows on 300 acres. Today we milk 400 cows and followers on 625 acres. When I returned home we employed one full time herdsman and a couple of casual workers to help out as and when needed. As cow numbers have grown from 200 to 400 we have employed more staff, and my role has changed from simply being a cow manager, to spending more of my time managing people.

My father taught me to never put an upper limit on cow numbers. His dairy career started at the age of 15 with 9 cows, when his own father died suddenly. During my father's early years in dairying his goal was to build cow numbers up to 40 by the time he retired. In fact, by the time this happened, the business was milking 400 cows.

# 3.0 Countries visited

My Scholarship started with three weeks in the USA, spending 10 days looking at large, high input, housed dairies in Wisconsin, followed by 10 days looking at large grazing-based dairies in Missouri.

During the winter of 2012 I spent 10 weeks in the southern hemisphere visiting Tasmania, Victoria, and the South Island of New Zealand.

This was followed by a month in South America travelling with fellow Nuffield Scholar Paul Lambert from Tasmania. Together we visited Chile, Uruguay and Argentina.

## Wisconsin

All the herds I visited in Wisconsin were housed all year round. I was able to visit herds of from 400 cows up to 8,000 cows all on one site. However to put things into perspective the average herd size in Wisconsin is 100 cows. The really large units I saw rarely had the land to provide the forage or to spread the slurry on. Instead forage was purchased from local farmers - within 40 km - who grew forage crops on a contract bases, at an agreed price, and who received slurry in return.

A strong emphasis was put on daily production per cow, with 100 lbs. of milk per cow per day being the gold standard. These units produced a level supply of milk, all year round for the local market.

There was a massive range in replacement rates between units, from a low of 25% to over 40%. It was noticeable on all units that a high allocation of facilities and resources went into young stock rearing.

These large units were staffed by a mixture of local North American labour and Mexican labour. All staff members had very defined roles, with a strong emphasis put on following routines and rigorous protocols. Cows were milked 3 times a day and it usually took 7 hours to milk all the cows once. This allowed an hour after each milking to wash the milking equipment and to carry out any routine maintenance. Most units were therefore milking 24 hours a day, with staff typically working an 8 hour shift. Staff employed to milk the cows would be rotated between jobs in the milking parlour and bringing cows to and from the parlour, as well as cleaning the cubicle accommodation.

Most of the dairies I saw had expanded significantly in the last 20 years. The facilities and cow accommodation were all reasonably modern and had usually been built to a well thought out plan.

There was always a neat and tidy appearance to the units, with large farm signs outside and all unused land immediately around the diaries had a manicured appearance.

## Missouri

In Missouri I visited several large grazing-based dairy farms. These units were run along New Zealand principles, with no housing for the cows. The cows all seasonally calve in the spring and milk off grazed grass and summer catch crops. The winters can be very cold and summers can be very hot. There is a spring flush of milk production, which then tails off through the summer and autumn, before a period of no milk supply for a short period during the winter. The milk was sold in liquid form and was targeted at the Florida market.

> *There was a high level of investment in all staff accommodation.*

There was a much lower level of capital investment in these units; however it was noticeable that there was a high level of investment in all staff accommodation.

## Tasmania

I spent 10 days in Tasmania in January 2012. Much of Tasmania has a near perfect climate for pastoral dairy farming with an unlimited amount of water available for irrigation. This however had to be offset against a very strong Australian dollar - making the export of dairy products a real challenge - as well as reasonably high land values and very expensive labour.

Cows were block calved, generally but not exclusively in the spring. Milk production came predominantly from grazed grass, with any shortfalls in grass production being replaced with catch crops, grain or conserved forages. Cereal grains were competitively priced in January 2012, and their inclusion often allowed higher stocking rates. The success of adding cereals to the cow's diet was determined by whether grass utilisation was maintained. If the cow simply swapped grazed grass for cereals and did not fully utilise all the available grass, output per hectare remained the same but the milk was produced at a higher cost because the cereals had been fed without an increase in output. The dairy farmers who took advantage of adding cereals to the cow's diet increased the stocking rate at the same time. The combination of more milk per cow and more cows per hectare resulted in significantly more milk output per hectare. It was not uncommon to see cows stocked at 4 cows per hectare, receiving less than one tonne of grain. Pasture production was regularly over 13 tonnes DM per hectare, with the most productive soils producing 16+ tonnes DM per hectare. However this was all dependent on plentiful irrigation.

> *It was not uncommon to see cows stocked at 4 cows per hectare*

There has been significant investment by three major milk processors in Tasmania, expanding processing capacity. Tasmania now needs to significantly increase its production to make sure the processing capacity is fully utilised.

## Victoria

I spent a week in Victoria where I found the same challenges as in Tasmania, but with a much less forgiving environment and little surplus water for irrigation. There was a much higher requirement for conserved forages to make up for shortfalls in grazed grass.

## New Zealand - South Island

I spent one week in Southland and two weeks on the Canterbury Plains. Throughout New Zealand I found an extremely high standard of management.

*The Canterbury Plains is possibly the most dynamic dairy environment in the world. The average herd size is 730 cows*

The Canterbury Plains is possibly the most dynamic dairy environment in the world. The average herd size is 730 cows and there are 40 new dairy conversions starting production in August 2012.

The topography on the Canterbury Plains is generally flat which makes irrigation relatively straightforward. Without irrigation there would be significantly less dairying. There is abundant water available for irrigation; however the vast majority of this goes straight out to sea because the water coming from the Southern Alps is not stored for irrigation. Pivot irrigators were commonplace and made the most efficient use of water. However the use of rain guns and flood irrigation was still widespread. In general the level of top soil was fairly shallow, but this overlay a gravel base and meant the land was relatively free draining - particularly important to keep pasture damage to a minimum and to allow very high stocking densities on winter forage crops which were strip grazed during the cow's dry period.

Southland has a much higher natural rainfall with a limited need for irrigation. However the much higher rainfall can result in challenging grazing conditions in wet weather in order to keep pasture damage to a minimum and to allow good utilisation of winter strip grazed forage crops.

The majority of the milk is sold to and marketed by Fonterra, a farmer owned co-op. The milk is processed into commodity milk products through some of the world's most efficient milk processing plants.

## Australia and New Zealand

In both Australia and New Zealand nearly every farmer was able to tell me the three key drivers of profitability in their system. First and foremost was grassland utilisation. The farmers all knew how much grass they were growing and how much the cows were actually consuming. These farmers usually listed their total farm working expenses as the second key driver of profitability of their business and the third key driver was a measure of fertility of their cows. These answers were given to me time and time again.

It was noticeable in both Australia and New Zealand how much effort employers went to in order to get the most out of their available labour, and to retain that labour. In both of these countries there was no source of low skilled labour that could easily be brought in to cover the mundane, routine jobs. Essentially employers aimed to show people what they could potentially achieve and what position they could reach. They offered them clear pathways and continually trained and motivated staff to achieve their goals.

As a result of their reasonably high labour costs, the Australians and New Zealanders operated very slick, labour-efficient systems, always questioning whether there was a more efficient way of achieving an outcome, as well as employing reliable technology to try and reduce the labour requirement further. It was noticeable that the Australians and New Zealanders had the highest number of cows per labour unit.

> *As a result of reasonably high labour costs, the Australians and New Zealanders operated very slick, labour-efficient systems*

## Chile

I started my travels in Chile in the semi-arid districts around Santiago, looking at the irrigated high input units supplying liquid milk to the local market. I then drove 800 Km to the Los Lagos/Osorno area which, with its temperate climate and reasonably high rainfall, lent itself perfectly to pastoral dairy farming.
The potential of this area of Chile is enormous and the world's large dairy processors are currently investing heavily in the area.

> *The potential of this area of Chile is enormous*

## Uruguay

The climate in Uruguay did not lend itself so perfectly to pastoral dairy farming. Even under irrigation, perennial ryegrass struggled to survive. Instead dairy farmers grazed lucerne, sorghum and millet and grew forage crops for their dairy cattle. Milking cows were often fed reasonably high grain levels, up to 2 tonnes per cow per year but, due to a proportion of their diet being made up of grazed C4 plants with reasonably low levels of digestibility and energy, output per cow remained relatively low at 5,000-6,000 litres per cow per year. The Government in Uruguay was stable and welcomed foreign investment.

## Argentina

Argentina is a country of enormous potential. There are vast tracks of highly fertile land suitable for many farming uses. Double cropping is common throughout Argentina and it is possible in some parts to grow a crop of winter wheat and a crop of soya in the same year. The climate is reasonably kind to dairy cows with no requirement for expensive winter housing, which meant capital expenditure on infrastructure and facilities is kept to a minimum.

*Nothing stifles business growth and knocks farmer confidence more than uncertainty*

However, farmers are now facing very similar challenges to those we have gone through in the UK: rapidly rising land values, rapidly rising labour costs and expectations, coupled with a high level of uncertainty about the future brought about by constantly changing government policies. Nothing stifles business growth and knocks farmer confidence more than uncertainty.

# 4.0 Key findings

## 4.1 Ability of the business manager

The number one factor determining the success of the large scale dairy farm businesses I visited was the ability of the overall business manager. At the start of my study I asked to see the best of the best and that is what I saw. Every successful large scale dairy business was run by an outstanding manager. It was rarely the type of cow or the type of production system that influenced the success of the business; time and time again it was the ability of the person running the business.

The people running these businesses had a number of characteristics in common. They were all very determined, driven people who set high standards, who were focused and passionate about what they were doing. They were professional,

> *Time and time again it was the ability of the person running the business*

approachable, well organised, paid attention to detail and were excellent communicators having mastered that most difficult of all communication skills, listening. They put a high value on honesty, were really motivated and had a positive attitude as a result of mixing with other positive, successful people. They backed themselves, pushed the boundaries and attacked everything with lots of energy.

### 4.1.1 Simple systems

Their production systems were often simple with minimal complexity. Simple did not necessarily mean easy. They did the basics well and there was no substitute for hard work. They enjoyed the challenge, gaining job satisfaction most of the time.

### 4.1.2 Good relationships

They enjoyed managing staff and had good relationships with staff and other key service providers who had the interests and success of their business at heart. They were also good negotiators and cost conscious. These managers have realised that, as cow numbers increase and staff numbers grow, the manager is no longer a cow manager, but becomes a people manager.

### 4.1.3 Continuous learning

They had usually had a good education, as well as good training from their parents and other role models. They were continuously learning, reading from technical data to autobiographies and success stories from people who have succeeded in all sorts of industries and places. They regularly attended discussion groups, farmer meetings, conferences and farm walks, and looked forward to meetings with their key farm advisers and accountant. They were as interested in their poor financial years, as in their good years, so they could learn and build from both. When it comes to new ideas and technology, they were not necessarily the first movers or implementers of new ideas or technology, however they were fast movers once something has been well proven. They are able to do this because they are already efficient, profitable producers, and are therefore not always looking for a silver bullet.

### 4.1.4 Mentors

They very often had a couple of key mentors who they would talk to periodically, sometimes for advice, sometimes to run ideas by and sometimes to simply talk to when they had run into a brick wall and could not see where to go next. These mentors were well-respected farmers, family members or friends, or sometimes just successful business people. It is important to get a mixture of opinions.

### 4.1.5 Team approach

They were always looking to improve;

> *They had a vision of where they wanted to be and a plan of how they were going to get there*

they had a vision of where they wanted to be and a plan of how they were going to get there. They recognised what they enjoyed doing and focused on their strengths but were aware of their weaknesses, making sure not to overestimate their own abilities. They knew what they did not know and filled gaps in their knowledge with external advice. They built a team of support around themselves and kept all their external advisers well informed. All meetings were minuted and the minutes then circulated between the key advisers.

### 4.1.6 Strong partnerships

They had strong partnerships with the other key stakeholders in the business. I saw multi-generational partnerships and same generation partnerships working well. The biggest issue with multi-generational partnerships was the difference in businesses and personal goals, as well as their attitude towards risk. However, time and time again the strongest partnerships were husband and wife teams. They did not necessarily have to work together, they just needed to be in tune with one another. They often complemented each other's strengths and weaknesses. You often got the equivalent of double the horse power.

### 4.1.7 Achieving a balance

The most successful business managers had achieved a balance in their lives, having reached their sweet spot in terms of business development and personal life. They had developed interests outside the farm, which helped them focus on the bigger picture and gave them a sense of perspective. These businesses managers were also giving something back to the agricultural industry and their local community.

### 4.1.8 Time management

Their timing and time management was one of the key factors in their success.

- They were always looking and organising well in advance, often two or three months ahead. It was not uncommon to see a daily plan, weekly plan, monthly plan and a seasonal plan.
- Farm operations were nearly always carried out at the optimum time.
- They made sure they were dealing with important jobs the majority of the time therefore minimising the amount of time they were dealing with urgent jobs. They were not continually fire fighting.
- The time taken to learn from their mistakes was usually short.
- The timing of their decision making was usually quick, but also well thought out. They tend to make the right decision at the right time and do not procrastinate. If a decision turns out to be wrong, they do not beat themselves up over it, as long as the decision made was the right decision on the day.
- They did not wait for their ship to come in; instead they went looking for opportunities.
- They did not wait to deal with an issue or problem at the edge of the cliff. Instead they went to meet the problem or issue to give themselves choices and options.
- They dealt with issues, problems and everyday occurrences quickly and promptly.

### 4.1.9 Leadership

Possibly the most important characteristic I saw was exceptional leadership capabilities. I saw some exceptional managers leading some average teams of staff, yet producing some excellent results. I also saw some exceptional teams of staff lead by a poor leader, producing some very average results. Good leaders create willing followers and willing followers will understand the leader's vision.

## 4.2 Profitable

The successful large scale dairy businesses I visited were profitable at both high and low milk prices. These businesses were very profit focused and profit had often become a decision and not an outcome. They focused on the key drivers of profitability of their system and profit always covered personal drawings, tax and interest payments. Profit gave these businesses choices. These businesses were continually tracking and monitoring their return on capital and their change in net worth.

## 4.3 Costs of production

These businesses had their costs of production under control; not just some of their costs but all of them. Typically, a top 10% producer did not have a massive cost advantage in any one area; instead that producer was marginally better than the rest on all costs. This often added up to a significant difference. They had achieved this through a relentless pursuit of cost control. These producers knew which inputs to reduce or cut out during periods of low milk prices. They tended to focus their efforts on the larger costs, particularly feed and labour costs. They knew their cheapest feeds and made sure they got a reasonable return on any other feed inputs. They were always looking for some 'bang for their buck'. These units also tended to be labour efficient with reasonably high numbers of cows per labour unit. This was not necessarily achieved by making staff work long hours; instead it was achieved by operating simple, slick systems, as well as making some use of proven reliable technology.

## 4.4 Operational and technical performance

The operational and technical performance of the most successful businesses was always very good. These businesses set goals and targets for the operational and technical performance of the business that they knew were driving profitability. These were recorded, measured and constantly reviewed.

## 4.5 Good financial and physical performance recording and monitoring

The successful businesses found that as they grew, a higher degree of financial control was essential, particularly through periods of significant expansion. This included close monitoring of performance, income and expenditure, with comparisons to historical performance and forward budgets. Accurate monitoring of physical and financial performance was often the bedrock to good decisions regarding future planning.

A detailed budget meeting the requirements of the longer term business plan was set and agreed by key stakeholders, ahead of the start of the financial year. Actuals were monitored against this budget at a frequency that reflected the size of the business. This was often monthly or at least quarterly.

Key parties such as the bank manager were kept informed of significant changes to the budget, particularly once any potential issues were identified that affected the overdraft level and loan repayments. The main budget presented to the bank manager was realistic and not over optimistic. Other more challenging targets were sometimes set, particularly as individual staff objectives.

Budgeting and regular monitoring of the cash flow and bank balance was essential to predict and manage potential overdraft issues. Successful business managers closely monitored cash flow but focused on business profitability to promote growth.

## 4.6 Staff management

The successful dairy businesses were employers of choice and well known and respected in the local area, with reasonably low levels of unplanned staff turnover. Whenever a staff member leaves a certain amount of knowledge leaves with that person, however a staff member leaving can also become an opportunity.

### 4.6.1 Attracting staff

To attract staff successful businesses provided:

- good facilities
- a pleasant and enjoyable working environment
- sensible hours
- reasonable time off and holidays
- secure employment
- appropriate supervision
- good housing
- a fair salary

### 4.6.2 Retaining staff

Once recruited, successful businesses identified the following as key factors in staff retention:

- Give staff recognition for what they have achieved; always make staff feel valued and appreciated. Praise costs nothing and can be a great motivator.
- Show staff respect and treat people as you would like to be treated, always treat staff with decency, patience, fairness, as well as being straight and honest.
- Reward staff with both a fair salary and job satisfaction. Salary is rarely a great motivator; however if a staff member feels they are not receiving a fair salary, salary can become a demotivator.
- Empower staff by giving them clear roles and responsibilities.
- Be approachable, flexible and always try to accommodate people's needs.
- Be interested in the welfare and advancement of staff. Make an effort to know staff members' goals and what is driving them - whether it is status, security, advancement or job satisfaction. Allow staff to see their way to a future but always be realistic. Know the names of staff members' partners and children, and know when it is a staff member's birthday.
- Offer continuous training and development to staff. Training and development of staff is a major factor in improving their performance and motivating them. It serves three vital areas:
  1. to improve knowledge and skills
  2. to stimulate interest and enthusiasm.
  3. to develop and further their careers.
- Encourage a team approach. All good people want to work with other good people. Get rid of rotten apples before they rock the boat.
- Communication is the most under-used resource on most dairy farms. The frequency and timing of communi-cation is vitally important. For effect-

tive communication the timing needs to be right for both parties. Pick the times of day when you know your staff member is the most responsive. The most important communication skill is listening. Most people do not really listen, they are simply waiting for their turn to speak. They are not absorbing the other person's message, but mentally preparing their response. Good people skills mean you listen with the intent to understand. That means listening and not interrupting, not drifting off and thinking of other things, but paying full attention to that person's message. The best cow people are often the poorest communicators so essentially you are facilitating the process of unburdening the staff member of important information.

- Put golden handcuffs on the top staff you want to retain in the business, making it difficult for them to find a better job. It may be as simple as offering an extra day's holiday for every year a good staff member stays with your business. After 10 years that person will have 10 days additional holiday and it will be difficult for them to find a job to match that amount of holiday. You may have to go further for the very best and offer a share of the profit or a small stake in the business. But before you do any of this you need to find out what is motivating them to ensure that what is being offered is right for that person and not pushing them out of their comfort zone.
- Going the extra mile will build goodwill and loyalty from staff as well as showing them and their partners how much you value them. For example, a couple of social events for farm staff and their partners, perhaps a Christmas meal or summer BBQ. It is also a good idea to invite along a couple of key service providers to your business e.g. contractor or vet. This will help reinforce the team approach. Look after the people who look after your business. During busy periods, or when staff are working a lot of hours, give them afternoon tea or a pie supper. If you expect staff to go the extra mile for you, you will have to go the extra mile for them.

> *Look after the people who look after your business*

- Show good leadership, lead the charge, set the tone and instil the culture. The leader must inspire, motivate and give the staff confidence. Spend some time at the coal face. Do not ask someone to do a job you would not do yourself. People vary rarely leave because of the job; they leave because of the boss. People want to be proud of where they work, who they work with and who they

> *People want to be proud of where they work, who they work with and who they work for*

work for. It is amazing where an inspirational leader can lead a team.

### 4.6.3 Getting the best from staff

#### 4.6.3.1 Select the right staff Advertise the job well.

Conduct a thorough interview and ask someone from outside the farm to sit in on the interview to give an external view, and act as a sounding board. Make sure the interviewee's partner is at the interview. Invite the preferred candidate back for a second interview to confirm the job description and for the prospective employee to ask more questions. It is going to be a big step for both parties.

Thoroughly check all the references and speak to as many ex-employers as possible.

Be honest about the job you are offering and be clear on the role and level of responsibility.

Manage the first year very closely, particularly the first three months. There will be a honeymoon period and the aim should be to extend that as long as possible. The key is regular communication, both formal and informal. Make time for that catch up. It is the manager's job to facilitate the process of unburdening. Ask those insightful questions.

#### 4.6.3.2 Job descriptions

Key members of staff should be issued with a job description, which should incorporate key business and physical performance goals, targets and objectives. These goals, targets and objectives will need to be reviewed annually. A job description should outline what the job entails. It should contain duties and responsibilities. Duties are specific tasks that individuals are requested to do, while responsibilities are much less prescriptive and outline areas where an individual has an obligation to deliver performance. Job descriptions are aimed at focusing an individual's attention on what they are accountable for and how they contribute to the business. The job description should have SMART objectives that are Specific, Measurable, Achievable, Realistic and Time bound.

#### 4.6.3.3 Manage effectively

- Employ the right amount of people with the right attitude. Performance and skills can be influenced and developed. It is much harder to influence attitude.

- Employ staff whose strengths mirror your weaknesses. Employ staff who are better than yourself!
- Keep one step ahead of staff – do not operate a ‘just in time’ approach.
- Work with people’s strengths and give them the resources to do the job.
- Encourage staff to attack the day with a positive attitude.
- Let people have an input and focus on outcomes.
- Set key SMART goals, targets and objectives that are applicable to all staff.
- Encourage respect between staff and look for team players.
- Pick your fights – you do not have to win every battle, just make sure you win the war.

#### 4.6.3.4 Empower staff

Give staff clear roles and encourage ownership of areas of responsibility. This can be formally pulled together by creating a job description and individual objectives for each member of staff. Fully immerse staff in the business and keep looking for ways to widen staff involvement and interest.

#### 4.6.3.5 Structure and hierarchy

Make sure staff members know their place in the system: who they are responsible to and what they are responsible for. There needs to be a chain of command and staff need to learn to address problems, issues and questions to their immediate supervisor, rather than simply going straight to the overall business manager. Questions, problems and issues should filter up through the chain of command.

Staff need to know the purpose of their role and how it fits into the business. A staff member’s position in the team should be determined by their ability and not how long they have worked on the farm.

#### 4.6.3.6 Bonuses

The top businesses I visited did not simply give out bonuses for meeting goals and targets. Goals and targets are standards that should be met and the reward is the salary. Bonuses should be a reward for effort above and beyond expectations and for going the extra mile. Bonuses should go to staff who make the manager’s life easier. For a bonus to be really appreciated it is often better to be a gift, rather than monetary reward. For example, this could be a voucher for a meal in a restaurant or a paid night away in a hotel. This way you are also rewarding the partner.

Any bonus scheme implemented should only reward things entirely under staff control, e.g. an improvement in skill levels. Do not put bonuses on things where the physical environment can have an impact. Any bonus scheme implemented must reflect the owner's aims and objectives.

### 4.6.3.7 Communication

Regular communication with staff is paramount to keep everyone informed. This regular communication takes many forms from daily catch-ups and dairy shed meetings to plan the day or next day so everyone knows what is going on and what is expected of them, to more formal monthly team meetings and quarterly or half yearly operational and technical performance meetings. The aim at all levels of communication is to keep staff informed, allowing them to make suggestions and have an input.

**Monthly meetings**

Monthly meetings should be attended by as many staff as possible, to inform them what is happening in the month ahead. These meetings are best held over a meal, usually breakfast, so they do not take up too much of the working day and staff look forward to them when provided with a meal.

At the monthly meeting allow all staff to have input and ask for their thoughts and suggestions. This is the manager's chance to reaffirm their expectations, their standards and their values. Over time this will encourage staff to share the same values as the manager. This is also the manager's chance to review staff mistakes and to hold people to account, but it is important to keep these meetings positive, and take minutes to ensure that what is discussed is acted upon.

**Operational and technical performance meetings**

Quarterly or half yearly operational and technical performance meetings should again be attended by as many of the staff as possible. They are often facilitated by a key adviser to the business, e.g. consultant, nutritionist or vet. The aim is to review the operational and technical performance since the last review. Have we met our goals and targets? If not, why not? What went well, what did not, what have we learnt and what do we need to do differently next time to improve.

After analysing current performance, the next step is to look forward. Set some achievable goals and targets and put a plan in place to achieve these. The overall aim is always to have all staff pointing in the same direction. If you do not show staff which road the business is taking, then any old road will do. Staff need to know where current performance sits, what we are trying to achieve, and how we are going to achieve these goals and targets.

#### 4.6.3.8 Celebrate success

When targets and goals are achieved, celebrate that success. Reward the whole team, as a team. Go out for a steak or go ten pin bowling. It is important to consolidate the success and sustain that level of performance. Only once you are constantly hitting those goals and targets, should you raise the bar and set higher goals and targets.

#### 4.6.3.9 Making staff accountable

The discipline of reporting encourages a culture of self-discipline and accountability. Make sure staff are accountable for completing their role to the required standards. One way of achieving this is by making them fill out check lists and daily sign-offs of completed tasks, e.g. bulk tank tapes closed, bulk tank milk temperature at the end of milking, cows shut in the paddock. When staff are asked to do non-routine tasks, ask them to fill out exactly what they have done and achieved in a daily diary. All dairy staff can share one diary. That way each person can see what the other has done. It also provides a work history on record, often useful as checking up on things is time consuming. Give staff without routine work an individual diary. Ask them to record exactly what they have done each day, e.g. fields sprayed with which chemical and at what rate, fields fertilized with which product and at what rate. Ask them to fill out a wish list or shopping list of things they need or would make the job easier. If a job is made easier it is more likely to get done.

#### 4.6.3.10 Financials

It is usually a good idea to show some of the staff the cost of the inputs they are responsible for, asking them to check bills and invoices. You cannot expect them to make the right decisions if they do not know the costs. It is worthwhile working out these costs on pence per litre basis so you can benchmark these costs from year to year or between farms. This will help engage staff.

#### 4.6.3.11 Encourage ownership

Most people want to be part of a great team. They want to be proud of where they work. Try and get them to refer to the farm and business as their farm and business. Providing tee shirts and overalls with the farm or business name will help them differentiate.

#### 4.6.3.12 Farm management guidelines

Protocols, processes and systems for staff to follow will help create habits. However they need to be written down to prevent protocol drift or corners being cut. When putting together these management guidelines, allow staff to have an input. Staff are far more likely to follow these guidelines if they have had an input into putting them together. Staff must understand the reasons why a job has to be done and the manner in which it has to be done.

#### 4.6.3.13 Day-to-day management

Encourage staff to start the day with a positive attitude. Non-routine jobs should be put on a white board in the dairy, with their level of urgency and possibly the appropriate person's name. When the job is complete, the job should be ticked off, not rubbed off. Only the manager should rub jobs off the white board, when the job has been completed to an acceptable standard. The person completing the job should write what they have done in the daily dairy.

#### 4.6.3.14 Leadership

It is up to the manager to get across their standards, their expectations, their values and their vision. Good leaders create willing followers. The manager needs to provide clear leadership and, by leading from the front, the manager instils the culture and sets the tone. The standards, expectations and values the manager sets will determine the outcomes. A tidy, well-organised farm sets a standard. Consistent leadership is needed from all the senior people in the business.

## 4.7 Staff performance and development review

The most successful dairy farms commonly completed staff performance and development reviews at least once a year and, ideally, at a quiet time of year and well away from a pay review. They made the review a positive and forward thinking experience, encouraging a relaxed atmosphere. They minuted the meeting, so all information given was acted upon. Staff reviews varied enormously in complexity, however there were a number of underlying objectives:

- To address any concerns, issues or problems. Give staff time and every opportunity to get things off their chest. Keep looking for signs and signals all is not well. Keep probing but try not to be personally threatening.

Honesty and integrity should be valued and encourage an environment where people are prepared to tell you their mistakes. React to any issues or problems and address staff concerns quickly. This will help to take the steam out of small issues, before they become big issues.

- To seek ideas and suggestions from staff, so they feel they have an input. Some staff members are more likely to give you their ideas and suggestions at a one-on-one meeting rather than at a team meeting.
- It is the manager's chance to look someone in the eye and to reaffirm their standards, expectations and values.
- To find out what is driving and motivating that member of staff. What they like about the job, what they do not; where they see themselves in the future and how the business can help them get there.
- To focus on the development of staff members; a time to make staff aware of skills and areas where they could improve. Identify any training and development needs of staff. Training and development of staff is a major factor in improving their performance and motivating them. There may need to be some brutal honesty at this point if staff are currently over-estimating their own ability.
- To review the SMART goals, targets and objectives that were agreed at the last annual review. Have they been met, if not why not and what have we learnt.
- To set and agree SMART goals, targets and objectives for the coming year and to put in place a plan of how we are going to achieve them.
- Do not allow the annual review to become dominated by an annual nag over points of trivia.

At the end of the appraisal always reinforce the positives. Some staff reviews I saw involved a degree of self-scrutiny and self-awareness, where staff were asked to score themselves for their performance and various skill levels. Often staff members tended to underscore themselves and were in effect telling the manager the areas where they felt they were not up to scratch or needed to improve.

**Exit Reviews**

When staff members do leave the business asks them to fill out a questionnaire. Why are they leaving and what could the business have done differently to have retained that person.

## 4.8 Achieving a good work/life balance

### 4.8.1 Simple systems

The key to achieving a good work/life balance is a simple production system. The more complex the production system, the greater the chance of your being tied to it. Seasonal/ block calving makes this easier, particularly for the smaller and medium sized family farms. There are busy periods in the year and not such busy periods. Families will tolerate not seeing members of their family for periods of the year, but not indefinitely. Everyone needs to see light at the end of the tunnel.

One key advantage is holidays can be booked well in advance for quieter periods of the year, rather than snatching a few days' break. Half the enjoyment of a holiday is looking forward to it and spending time as a family.

### 4.8.2 Delegate responsibility

All staff should have clear roles and responsibilities. Do not let all processes start and finish with one person. The process should carry on regardless of whether that person is there or not. Encourage all staff to think and to plan ahead. Have enough trusted staff in place and find natural leaders within the team.

### 4.8.3 Work rosters

Have a written work roster in place and always work well in advance. Have a year planner so staff can see when other staff have booked time off. If someone wants time off on a rostered work day, they should be encouraged to swap with other staff members before expecting the manager to cover for them.

### 4.8.4 Whole farm manual

For times when the manager is away from the farm it is a good idea to have a whole-farm manual, so staff know what to do in an emergency or for an event out of the ordinary. This should contain information about where they can find water stop taps and trip switches, and a list of contacts of who can help if there is a problem e.g. electrician, dairy engineer, contractor or neighbour. This manual should be updated regularly and staff encouraged to use it rather than simply phoning the manager.

### 4.8.5 Communication

Make sure staff know what is expected of them and what they are trying to achieve. Make sure staff are aware of the priority jobs. Encourage staff to ask that stupid question before they make that stupid mistake. Give staff mobile phones or walkie talkies so they can communicate with one another. Walkie talkies have the advantage of everyone listening in and therefore knowing what is going on.

## 4.9 Strategic planning

The most successful businesses I visited had a well thought out strategic plan that was implemented and regularly reviewed. All the key stakeholders in the business had to agree on the plan. They had to understand where the business was currently, where it was going, and how it was going to get there. Strategic planning is a continuous process, with constant reviews.

It is important a strategic business plan runs alongside personal goals. The personal plan should take into account the goals of all the family members, particularly partners. The benefit of a strategic plan is that it creates a united focus. When all the key stakeholders are in perfect alignment, all pointing in the same direction, the business will make rapid progress. As soon as one of the key stakeholders is off alignment, it is like throwing out an anchor and the progress the business makes is reduced.

*Writing the goals down is important*

Writing the goals down is important. They are far more likely to happen because everyone knows what you want and what you are trying to achieve. If the goals of all the family members are being met, then a much more relaxed atmosphere will exist and there is a greater chance of family unity and happiness. Very often people's personal goals are actually very easily met, once everyone realises what they are. The number of goals should be limited in number – probably at least 6 but no more than 10. Having too few goals tends to focus the business too narrowly whereas having too many will dilute the focus. The business goals should include all the issues that are important to all the key stake holders in the business. These will include business performance, technical performance, growth, succession, staffing, environmental issues, relationship with the local community and personal goals.  These goals should be SMART goals – **S**PECIFIC, **M**EASURABLE, **A**GREED, **R**EALISTIC, and **T**IME RESTRAINED.

A strategic plan does not necessarily have to be to grow from 100 cows to 200 cows, or from 500 cows to 1000 cows. You need to optimise where you are currently with cow numbers before expanding. Scale has the potential to magnify problems, as well as profits. A strategic plan may be simply putting yourself in a position for retirement or the best way to bring the next generation into the business. It is important to realise when you have reached your sweet spot. This point may not be the point at which the farm or business is at its most efficient or profitable, but it may allow all the key stakeholders to achieve their goals.

*Continuous expansion involves the danger of crossing the point at which you are at your most efficient.*

Continuous expansion involves the danger of crossing the point at which you are at your most efficient. The strategic plan may simply be to optimise the current resources.

Simply adding more cows may mean the farm is no longer as efficient at utilising labour, facilities or on-farm feed. It is important not to feel inadequate. Size is not everything.

## 4.10 Succession plans

A well thought out succession plan takes away a level of uncertainty. Putting together a succession plan will take time and may require some outside facilitation. Some of the really successful succession plans I saw have been driven by a matriarchal mother. A succession plan does not necessarily have to be equal; it just needs to be fair. Ideally it should be put into place before the next generation joins the business. They then have a choice and can make decisions early in their farming careers. In some circumstances it may be better to sort out a succession plan early on in people's lives. A one-off payment to family members not involved in the dairy businesses may be far more useful at the age of 25, rather than a much larger payment at the age of 50. You cannot put a price on family harmony. A successful succession plan is complete when everyone can still sit down around the family dinner table and the most noticeable sound is laughter.

## 4.11 Governance

I asked the successful business managers what they thought was their most important dairy business asset. The really modest business managers thought it was their staff. The really smart ones told me it was their partner, but most realised it was in fact themselves. Time and time again I found it was not the cow or the production system that dictated the success of the business; instead it was the person leading the business. However, there needed to be a level of governance and scrutiny over the business leader, to make the business leader accountable for their decision making and to quite frankly ask some awkward questions. There is very fine line between being a business's greatest asset and being the business's greatest liability.

> *There is very fine line between being a business's greatest asset and being the business's greatest liability*

It can be lonely place managing a business and periodically there is a need to keep the business manager focused, motivated and most importantly on track. Discussion groups, focus groups, bench marking groups, consultants, accountants and boards of governance all offered various levels of scrutiny over the business and influenced the direction of the business.

Discussion groups, focus groups and bench marking groups all gave the business manager the chance to mix with positive people. Aim to fly with the eagles, do not scratch around with the chickens. Seeing the financial performance of other businesses helped to motivate the business manager by showing what is possible to achieve, which ultimately influenced the direction of the business.

Quarterly meetings with a consultant force the discipline of continuously monitoring the actual financial performance of the business against the budget. Cash flows can be tracked and updated, so that everyone, including the bank manager, is aware of any immediate financial pinch points. These meetings are a chance to develop ideas, to plan ahead, and to see where the business is going. The consultant will be continually helping to steer the business.

Further scrutiny and governance of the business can be provided by a specialist agricultural accountant. Most accountants will give the business good tax advice, but a specialist agricultural accountant will be able to offer the business an additional level of governance. If the accountant has a large enough client base, the business can be benchmarked. Do not compare your business to the accountant's average business and make sure you are comparing apples with apples. Compare yourself to the top 10% most profitable businesses within your production system. Try and see what they are doing that you are not. Look for the areas where you can improve. Also look to compare yourself with the top 10% most profitable businesses across all production systems. There may well be a far more profitable production system that could be easily implemented on your farm.

A board of governance is usually made up of the business accountant, the business consultant, and an independent chairperson, who is usually someone from the local business community that all the key stakeholders respect. The bank manager and solicitor may also be required periodically. A board of governance will provide lots of eyes looking in on a business. The board will be able to scrutinise the decision making of the business leader and to hold the business leader to account over those decisions. The board will be steering the business in an agreed direction. A board of governance becomes extremely useful when you are dealing with businesses run by several family members, which may be multi-generational. These meetings should be attended by wives and husbands. This is their chance to have their input.

Most businesses will only need one or possibly two meetings a year. Large businesses, with more key stakeholders, may need quarterly meetings. At the meeting the accountant can report back on the financial results of the business for the last year. The consultant can give an update on the financial position of the business versus the budget.

Once these areas have been covered the board can look forward, helping to update strategic plans, making sure they have been implemented and then the board can review progress. The board will be able to help formulate business plans and succession plans and then review and monitor their implementation.

## 4.12 Income streams in retirement

Most managers had put some thought into additional income streams during their retirement. These took the form of pensions, income from shares, income from let property, as well as income from other off-farm investments.

Encouraging the next generation to buy their parent's cows and then share-farm with their parents for a share of the profit, had a number of advantages. It freed up cash for their parents and gave the next generation a large financial stake in the business as well as the burden of debt.

*Debt at a young age focused the mind and was often a massive motivator.*

Debt at a young age focused the mind and was often a massive motivator.

# 5.0 Conclusions

***As my study evolved it become apparent the successful management of large scale dairy businesses was not simply about good cow management.***

***The most successful and profitable dairy businesses all had excellent technical performance from their cows, but excellent technical performance on its own was no guarantee of success or profitability.***

***The most successful businesses that I visited had achieved the following :***

- **They were all managed by an outstanding manager with inspirational leadership abilities.** These people were excellent communicators with exceptional people skills. These managers have realised that as cow numbers increase and staff numbers grow, the manager is no longer a cow manager, but becomes a people manager. It is not the cow or production system that dictates the level of success of a large scale dairy business, it is the ability of the person managing the business. These management and leadership skills are developed over time and can be taught and influenced.
- **Their time management was one of the key factors for their success.** They were always looking and organising well in advance, often two or three months ahead. They made sure they were dealing with important jobs the majority of the time therefore minimising the amount of time they were dealing with urgent jobs. They were not continually fire fighting. It was not uncommon to see a seasonal plan, a monthly plan, a weekly plan and a daily plan. The timing of their decision making is usually quick, but also well thought out. They tend to make the right decision at the right time and do not procrastinate. Farm operations were nearly always carried out at the optimum time, and the time taken to learn from their mistakes was usually short.
- **Team Approach with strong partnerships**. There is a team of staff that have clear roles and responsibilities, who have a united focus as a result of setting goals and targets for the physical performance of the business, with a plan in place on how to achieve these goals and targets. There is also a team of service providers to the business who have the interest and success of the business at heart. These service providers will include contractors, vets, key farm advisers and suppliers, consultants and an accountant. Often the most important person in the team was the business manager's husband or wife. They did not necessarily have to work together, they just needed to be in tune with one another. They often complemented each other's strengths and weaknesses. You often got the equivalent of double the horse power.

- **These businesses are very profit focused and their costs of production are under control**. The business's managers are very cost conscious and understand the key drivers of profitability of their business.
- **They are employers of choice with a low level of unplanned staff turnover.** Outstanding physical performance is determined by the people that manage and look after the cows, which in turn relies on people performing to the best of their abilities all of the time.
- **The business leader has a good work/life balance.** They run simple systems with minimal complexity, however simple did not necessarily mean easy. This allows them to have a reasonable amount of family time. They had developed interests outside the farm, which helped them focus on the bigger picture and gave them a sense of perspective. These businesses managers were also giving something back to the agricultural industry and their local community.
- **A strategic business plan is in place that takes into account the personal goals of all the key stakeholders in the business and there partners**. This gives the business a united focus and the business will make rapid progress towards these goals.
- **There is an appropriate level of governance over the business and the business manager**. The business manager has the potential to be the business's greatest asset but also has the potential to be the business's greatest liability. There is a fine line between the two.

# 6.0 Recommendations

- Develop the management ability and leadership skills of the person running the business.
- Immerse partners in the business. When all the key stakeholders are going in the same direction the business will make rapid progress.
- Know your strengths. As the size of the herd increases you will become a people manager and no longer a cow manager. If you would rather work with cows than people, this will limit the size of the herd.
- Time management. Plan well ahead and make sure you are dealing with important jobs rather than continually fire fighting urgent jobs.
- Know, understand, measure and monitor the key drivers of profitability of the business.
- Focus on the cost of production. Know your costs of production. There is a massive range in costs of production between businesses operating similar production systems. The most cost conscious managers always had the lowest costs of production.
- Make it a discipline to regularly monitor the physical and financial performance of the business. This will mean decisions will be made on fact and not gut feeling.
- Be operationally and technically efficient.
- Ensure the business is an employer of choice with a reasonably low level of staff turnover. Retain and invest in these people.
- Use a team approach to running the business and keep everyone well informed.
- Make sure the business manager has a good/work life balance.
- Put into place a well thought out strategic business plan that takes into account the personal goals of all the key stakeholders in the business, and regularly review progress with a third party.
- Put into place a well thought out succession plan before the next generation joins the business.
- Put into place an appropriate level of governance over the business manager.

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