

Employees are a Resource: Relationships and Retention

Dr. Vera Bitsch
Michigan State University

Each dairy farm is unique and has a different set of resources coming together to create a successful operation and sustain its members. Employees help to create that success and benefit from it in terms of having a job and earning a living. Managing employees to fully contribute to farm success is a skill that most farmers need to learn over time.

More productive employees do not only make the farm more successful, but can also be paid higher wages. This means it is in the interest of both the manager and the employees to work together efficiently. How can dairy farmers manage employees for success from the first day and help employees become as productive as possible? What can they do to improve relationships with employees and reduce turnover rates?

During Spring 2003, researchers at Michigan State University worked intensely with six dairy farms to study employee management practices and take a closer look at how practices work together on the farm level. Participants invited the researchers to their farms and volunteered their time and experience to provide insights into their management practices.

On each farm, the researchers interviewed the owner or manager, a herdsman or supervisor, and a non-supervisory employee—20 interviews, overall. All participating farms were family-owned and operated. The six farms represented a wide variety in sizes and number of employees. The number of fulltime employees ranged from five to 75. Full-time

employees worked between 50 and 78 hours per week. Four farms used three milk shifts; two farms used two shifts.

The insights gained from the participating farms, compared with research results in other industries, are used here to develop employee management recommendations for dairy farmers. One caveat: a farmer who perceives employees as simply a cost factor might find these recommendations less useful than a farmer who sees employees as a resource and significant contributors to farm success and profitability.

The key to developing successful employee management practices is understanding that each farm is unique. Practices used on one farm cannot be taken in isolation and implemented at a different farm. A farm is a system where everything needs to fit together to work in the most efficient way. Therefore, a practice that works well on one farm, e.g., paying a fixed wage rate per day, no matter how many hours it takes the employees to get their jobs done, may not work at all on the next farm.

Each dairy farm has a specific culture created in the daily interaction of employees and managers. Farm practices must fit with this culture to work well. Crucial to the farm culture is whether the farm has an inspir-



ing mission statement that guides day-to-day decisions or whether employees do not really know what the plans for the future and the priorities are. A clearly stated mission statement shows employees which tasks are important and how to best apply their skills and experiences. A mission statement needs not be written to be effective. It must be lived. Employees are motivated by clear and consistent communication, and communicating the mission and vision of the farm is part of that.

Based on their diverse visions, the participating farms had different long-term goals. Expansion was the long-term goal for four farms, two wanted to maintain the current farm size. These long-term goals translated into measurable and specific operational goals on five farms. Employees oriented themselves toward those goals in their daily work. Dairy management goals evolved around cow health, milk quality, total milk production, milk yield per cow, conception rates, calf mortality and parlor cleanliness.

Most employees want to take part in accomplishing goals beyond their daily work routines. Engaging employees in setting short-term goals in their jobs makes them feel appreciated and valued, and thereby facilitates their contribution to farm performance and increases their commit-

ment. On one dairy farm, where the manager solicited advice and input from all employees, they showed high loyalty despite lower compensation levels.

The mission and vision for the farm should guide all decisions, particularly important ones such as whom to hire and train.

Many dairy farmers prefer hiring through employee referrals or word of mouth in the community, at least for non-supervisory positions. An advantage of this form of hiring is that it saves time. In most cases, existing ties with current employees will facilitate team building and ensure the new employee's fit with the farm culture. Also, turnover is usually lower than when walk-ins are hired. There are also disadvantages, such as a limited pool to choose from and the lack of fresh ideas.

Long-term farm profitability depends on either decreasing operational costs or increasing revenues or both. Employees are better able to contribute to these goals when trained comprehensively. Training can help to decrease costs by avoiding costly mistakes. In addition, well trained employees are more likely to develop ways to save costs and increase efficiency. While some farmers seem concerned that additional training and professional development will make their employees more competitive on the job market, investment in employees tends to increase their commitment to the farm. It is often useful to train employees beyond the basic needs of the current job to allow for job rotation to decrease boredom or stress and have someone ready to fill in in case of an emergency.

Well-paid employees are less likely to shop around for better paying opportunities and more likely to not be temped by other offers. Although most

dairy farms pay above the legal minimum of \$5.15 per hour, wages vary widely. Bonuses are a flexible way to increase wages and steer employees toward the long-term farm goals through rewarding desired behaviors. Examples include: bonuses tied to calf mortality, milk quality, or even net returns. In addition to wages, employees also look for benefits, such as paid vacation, health insurance, and retirement plans. Benefits are particularly important in terms of employee retention.

Employee retention and performance do not only depend on wages and benefits.

For example, one large dairy farm pays higher wages and provides many benefits compared to a smaller farm. Yet employees on both farms reported to be satisfied with their current employment and wish to stay there. Another large farm also pays above average wages and provides benefits, but employees are dissatisfied and looking for alternative employment.

Trust-based relationships are an important factor in retention and motivation of employees.

During the hiring process, selection criteria that emphasizes not only job tasks, but also includes how the employee will fit with the current workforce and the mission and vision of the farm, will increase the likelihood of good relationships. One way to develop trust is through interaction among employees and managers outside of work. Close relationships help create a positive work environment, which enables employees to work more productively and reduces turnover. Another way to cultivate trust is through frequent interactions of managers and employees at the workplace. Fair and respectful treatment will reassure employees

that they will not be taken advantage of and motivate them to behave in a similar way.

Increasing farm sizes make it necessary for dairy farmers to attract and manage a growing workforce.

Taking a resource view of their employees can help farmers to better utilize and empower them to contribute more effectively to overall farm success. The skills needed to manage an increasingly complex farm and a growing workforce can be learned in workshops and seminars, but must be implemented and applied daily on the farm. Managing people works best when integrated in a framework of trust-based relationships and clearly communicated overall farm goals and a vision for the future. Therefore, implementing isolated practices, such as incentive pay, may not lead to the desired results, when not embedded in the unique farm culture and skillful overall management.

More information on hired labor is available from Dr. Bitsch's "Personnel Management in Agriculture" web site at <http://www.msu.edu/user/bitsch/>. You can also print the Agricultural Employer Checklist, which provides an overview of current hiring regulations. Dr. Bitsch thanks the participating dairy farmers and their employees for open discussions of their management practices and job experiences.

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