

**ASSESSING CRITICAL LABOR PROCESS ISSUES
DURING DAIRY EXPANSIONS**

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INTRODUCTION, BACKGROUND AND FACTS

Dairy farming is evolving and changing like every industry. Average milk production per cow across the U.S. has been rising steadily for years. Dairy farms in Colorado and around the U.S. have been decreasing in number, and increasing in size for many years (25). These shifts have caused many dairy owners and managers to modify their focus from managing cows, to managing the people who manage their cows. If you are not keeping up with the change, then you are falling behind. But, change just for changes sake can lead to unpredictable and poor results. Careful, methodical assessment, analysis and planning are necessary not to keep up with, but surpass the pack.

Today's dairy managers need to look at labor issues different than their parents and grandparents did, or different than they did in previous years. Today's larger farms require dairy farmers to effectively lead their management team, and with their team, develop, communicate, and their objectives and goals to their employees to translate this vision and strategy into manageable, measurable, workable protocols and plans. Effectively selecting, training, communicating, motivating, promoting, disciplining and terminating employees all are critical issues, which can send positive or negative messages to employees about your character, principles and attitude toward your business and employees.

Today's challenge goes beyond out-producing your neighbor, and involves a complex mix and understanding of science, medicine, nutrition, agronomy, finance, futures and options, supply and inventory management and technology all woven together by the team *you* put together and the employees you hire. Together, you can manage your cows to increase production, minimize costs and maximize profits.

Dairies often evolve through three phases marked by increasing labor demands and a relinquishment of power and control as they grow and progressively expand (24).

The *first phase* is typically what many urbanites think of as the “family farm”. Labor is almost exclusively performed by the family, and the farm employs typically six or fewer outside people. Very little training is involved, rarely are there any protocols and the organizational structure is very top down, autocratic, ‘*this is the way things get done!*’

Phase two is marked by an expansion of moderate size and is a key defining moment. The farm generally employs between 10 and 20 people and middle manager positions emerge. The owners must learn to delegate, relinquish power and trust others with ‘his’ or ‘her’ farm. Those farms emerging successfully from phase one develop standard operating procedures (SOP’s), adequately train employees and look at the people running many of the day-to-day operations as assets rather than liabilities. Those farms caught between maintaining control and letting go struggle with labor issues and constantly have a hard time finding ‘good hard working people’ anymore. Many of these are the failing ‘family farms’ we hear about in the media today.

Phase three involves large farms generally employing 25 or more people and often starts outsourcing some of the work on the farm. Lawyers, accountants, business and financial advisors, veterinarians, environmental specialists and payroll companies, to name a few, potentially get more involved as team members in the business plan. These farms emphasize training, protocols, communication and teamwork to develop and execute a successful business plan.

The average dairy in Colorado has about 400 cows and typically milks each cow three times a day. The milking parlor generally operates around the clock. Besides land, the parlor and cows represent the two greatest fixed costs on a farm (20).

Labor, behind feed costs, generally represents the second highest expense as a percent of operating expenses on dairy farms, and can range from 6.5% to 15.9% (5, 20, 29, 46).

The labor force on large dairy farms consists predominantly of Hispanic employees. Most dairy owners and managers I am familiar with in Colorado do not speak or read Spanish, and many employees speak and read very little English. This obviously can create huge communication and cultural barriers.

Many employees are illegal aliens working with counterfeit social security numbers and cards, driver's licenses, alien registration or resident cards.

Many dairies in Colorado pay employees a monthly salary, and either provide housing on site, or offer a housing allowance to their employees. Benefits often include health insurance, paid vacation and beef.

Most dairy farms I am familiar with do not have written protocols or standard operating procedures for their employees and training generally consists of working with current employees. Very little formal training, if any, exists in most operations.

In general it is not difficult for a dairy to find labor, but it is sometimes difficult to find qualified labor. The dairy I am most familiar with has approximately five to seven people a week stopping by looking for a job. These job seekers are almost exclusively Hispanic and most speak very little, if any, English.

KEY ISSUES

- Managers must first look inward to honestly assess their own strengths and weaknesses and determine their own managerial style.
- Managers need to look at and evaluate the business culture within their organization and address the most appropriate means to foster a positive, cooperative and communicative climate.
- Accurate assessment of current conditions to determine the businesses strengths and weaknesses in key areas is vital to success.
- Successful communication with your employees is critical to the success of your dairy.
- Realistic, consistent, clear and measurable goals need to be mutually set and agreed upon by the entire management team and be accurately communicated to the employees.
- Careful thought and preparation should go into writing job descriptions, protocols and standard operating procedures to accurately convey your expectations to your employees.
- Employees must be carefully interviewed and selected based on their ability and skills to perform the job.
- Employees must be adequately trained to follow the established protocols and SOP's.
- Employees should receive coaching, frequent feedback and formal appraisals to continually develop and improve their skills.

- Instituting pay for performance incentives in the areas of calf raising, reproduction, feeding and milk quality may lead to outstanding employee performance.
- Conflict is inevitable, and if managed properly can provide a platform to improve communication and productivity.
- Properly handling of employee discipline can motivate employees to succeed.

ANALYSIS

SELF ASSESSMENT

A complete and thorough understanding of where you currently stand is imperative to reach your goals. An honest and extensive self-assessment is probably the most critical and difficult challenge faced by many people. We don't want to know what we are bad at, what people dislike about us, or what we are vulnerable to. This information comes to us at a price. The price of possibly being exposed, of being at risk, and of possibly having to admit we are wrong and someone else is right. It is contradictory to our egos and may force us to face some ugly issues we have neatly tucked away to avoid others from seeing or ourselves from facing. Understanding your strengths and weaknesses, your predominant personality type and consciously being aware of the paradigm in which you see the world is the first critical step to effectively managing yourself and others (16, 17, 19, 21, 26, 38)

Many resources are available to assist us in assessing ourselves. Peter Drucker believes most people *think* they know what they are good at, but they are usually wrong. He outlines an effective strategy to determine your strengths (19). People perform best from their strengths. The only way to know your strengths is through feedback analysis. An effective feedback mechanism is to write down whenever you make a key decision or action, what you expect will happen. In nine to twelve months, compare the actual results with the initial expectations. Within two or three years, this may tell you where your strengths lie. It can show your good habits, your bad habits, or what you fail to do that deprives you of full benefit of your strengths. It can show you what you need to do, where you need to improve, or what new skills you need to acquire to succeed at your

goals. It may also illustrate where your intellectual arrogances lie: the false belief that being bright is a substitute for knowledge.

Several other more formal and extensive assessments are available, such as the Meyers-Briggs Type Indicator and the Five Factor Personality Model (38). Several large organizations utilize these tests to evaluate their employees and managers to assist them in placing them in positions where they might be most successful in their occupations and in helping to identify their strengths and weaknesses.

Stephen Covey, in *Seven Habits of Highly Successful People*, emphasizes developing a set of principles that guides ones actions out of what he calls the *character ethic* - deep fundamental truths that have universal applications across many applications, situations and cultures (17). Fairness, integrity and honesty, human dignity, service, quality and excellence, potential and growth, and patience, nurturance and encouragement are all characteristics that are associated with the character ethic. Internal focuses, those qualities within that foster and develop success, include being proactive, having personal vision and being responsible, are the first steps to effective leadership in what he calls the *inside-out* approach. Reasonability is defined as having the ability to choose your reaction by consciously being aware that there is a controllable time frame between stimulus and response. Other internal critical elements include beginning with your end goals in mind, and effective time management skills. External behaviors, those behaviors that involve interaction with other people, are having a win-win attitude based on an underlying foundation of trust, empathetic listening and creative cooperation between individuals rather than competition, are key elements to fostering a climate

where maximum productivity and satisfaction can be attained by the both labor and management.

BUSINESS CULTURE

An organizational or business culture is defined as the system of shared meaning held by its members that distinguishes that organization from other organizations (38). Every business has a business culture. It is the set of unwritten rules inside an organization that determines people's behavior and attitudes toward work. It is determined often unconsciously by the owner or founder and is reinforced by the organizational structure, reward system, stories, symbols, rites and rituals that surround the business. Seven primary characteristics exist within a business culture: 1) innovation and risk, 2) attention to detail, 3) outcome orientation, 4) people orientation, 5) team orientation, 6) aggressiveness and 7) stability. Each of these characteristics exists on a scale from high to low within a business (38).

Assessing the culture can be done by asking employees what they think about specific issues and attitudes within the business in the above areas. An honest appraisal and assessment may be difficult. An unbiased questionnaire performed by an outside source may be more effective.

Establishing a positive business culture must be a conscious endeavor by management, and not left to chance. What kind of message am I sending to my employees by my actions and attitude? What owners pay particular attention to, how scarce resources are allocated, how conflict is resolved, how people are rewarded and

promoted, and how the leadership reacts in times of crisis all send powerful messages to employees about the priorities of the business and about the character of the leadership.

COMMUNICATING WITH EMPLOYEES

It is estimated 75 to 80 percent of the farm production employment in Colorado are Hispanic and in the year 2000 this represented about 594,000 people (34). Obviously, effectively communicating with your employees is critical to your success in all facets of your business. Communicating with your Hispanic employees represents many unique challenges (7, 35). Translating instructions, protocols, goals, objectives and feedback all take on new levels of difficulty. Bilingual employees can translate most instructions for you but this increases the risk for misunderstanding and miscommunication. Software programs can translate written material, but the precision of the translation is quite often below 100% and it is necessary for someone fluent in Spanish to review the translation for accuracy. Translation services can be outsourced but this is often inconvenient and can create unwanted delays.

CURRENT ASSESSMENT & BENCHMARKS

It is essential to monitor criterion in several critical areas; milk production, disease incidence, forage quality, inventory, heifer raising, nutrition, parlor performance and financial ratios are all key area to build a profitable business. Identifying and analyzing the various profit centers; heifer raising, farming and dairying, for return on investment and profitability will help determine core competencies, weaknesses, as well as areas to possibly outsource (28).

Several labor benchmarks have been established. These include milk sold per worker, labor expense per hundredweight of milk sold, labor expense per cow and cows per full time employee. Table 1 below summarizes several of these benchmarks (5, 26, 29, 40, 47).

Table 1

	Milk/employee	Labor\$/cwt	Cows/worker	Labor\$/cow
Benson	923,187	\$ 1.85	na	\$ 411
Grusenmeyer	1,170,632	\$ 2.26	46	na
Hyde	1,055,000	\$ 1.45	na	na
Stephenson	1,291,990	\$ 1.96	63	\$ 426
Whittel	na	\$ 0.96	na	na

Cornell University has a very helpful interactive database at their website www.cpdmp.cornell.edu/ where producers can benchmark themselves with herds of similar geographic location and size.

Benchmarks in other areas can be found at a variety of websites as well as various university extension agencies provided in the references. Veterinarians, nutritionists, agronomists, dairy consultants lenders and extension agents may all be valuable assets to your management team that may assist you in benchmarking and monitoring criteria in your herd

GOALS AND GUIDELINES

All the individuals having a vested interest in a particular business segment should be involved in identifying, setting and monitoring the criteria set to measure the progress toward these goals. This should involve management, key team members and essential employees. Un-expressed resistance or lip service by members can lead to subversion of the overall goals and sub-par performance or failure of the program (16, 20, 34). The goals and criteria should focus on the results, not the process, at this point. Five very explicit elements should be defined: 1) desired results-what and when it needs to be done, 2) guidelines, parameters, policies or principles in which to operate, 3) committed resources- financial, human and time, 4) accountability- standard of performance, and definition of roles and authority and 5) the positive and negative consequences of behavior (16).

Transferring this information and knowledge to employees accurately is also critical. Many communication obstacles potentially exist, even without the language barrier. Communication can best be defined as the message received, not the message sent. *That* perception is reality for the perceiver (2). Effectively communicating your goals involves writing clear and complete job descriptions. Establishing clear protocols, standard operating procedures and assigned responsibilities, and training your staff to give them the best possible chance of success.

JOB DESCRIPTIONS, PROTOCOLS AND STANDARD OPERATING PROCEDURES

Job Descriptions:

Job descriptions are essential so employees understand what is expected of them. They also serve as useful training guides, recruitment tools, evaluation tools and possibly may serve as a means of defense in the event of a legal challenge (42). A good starting point is available at <http://are.berkeley.edu/APMP/> where the ‘Dictionary of Occupational Titles’ can be found. Another good starting point may to write your own job description. This may lead to some important feedback, as mentioned in the self-analysis section above, and help you clarify your true role on the dairy.

On most dairies employees can be grouped into three categories: herd managers, feeders of outside help, and milkers (30). Each job description should have information about the knowledge, skills, and abilities required to fill the position, duties or tasks of the position, and work relationships or whom they report to. Work schedule, benefits and compensation package may also be included (11, 16, 31, 46).

Protocols and S.O.P’s

A logical step from the job descriptions is operating protocols or standard operating procedures (SOP). Using the goals and guidelines outlined previously above and the job description, a prioritization of the duties or tasks will lead to clearer understanding of your expectations by the employees. Customize and elaborate to the level of detail necessary for each specific job with the age-old acronym K.I.S.S (keep it simple stupid) in mind. This can be chronological, for example 1st, 2nd, 3rd, etc., prioritized groups: A priority items, B priority items and C priority items or flowcharts (16, 31, 46). Further levels of detail may be added as specific job

mandate. Management team members may need to be consulted in constructing these protocols, for example, your veterinarian may assist in creating treatment protocols for specific diseases, and your nutritionist may be consulted for assistance with the loading order of feed for the feed sheets (3).

Do not forget to include safety issues and concerns in your SOP's (24). This is necessary not only to protect your employees from harm, but in protecting your assets in the event of an accident.

Effective writing skills are imperative to successfully communicating your message to your employees. They should be clear, precise and to the point (2, 46).

Establishing an organizational chart defining where each an every player on your team fits into the organization can assist owners and managers in visualizing the interdependencies of the business operation, and help employees understand where they fit and how their part affects the entire organization. An enlightening exercise can be to give a blank sheet of paper to employees and have him or her draw out an organizational chart from their perspective. This may illustrate miscommunications or perceived supervisory relationships you are not aware of (26).

HIRING

Finding the right people to is another critical management decision. Accurately defining the job description, determining the total compensation package, planning a recruitment strategy and designing the selection process are all-important issues (9, 12).

Compensation is more than just wages (23). It can include a variety of direct or indirect compensation methods. Direct methods include basic wages, casual or structured incentives, or stock options. Indirect compensation includes insurance benefits, paid leave, subsidized housing or utilities, flexible working schedules, day care, retirement programs, boots and clothing, laundry, use of farm equipment, beef and milk or any other service or item employees place value on.

Recruitment strategies should go beyond waiting for potential candidates to show up looking for work. Advertising for a position in local newspapers, radio stations (particularly Spanish radio stations), trade journals, newspapers and universities may all recruit excellent potential employees.

The selection process should assist the employer in efficiently narrowing the list of candidates. Providing a detailed job preview for applicants will assist them in deciding if the job is right for them. Initially, prepare written questions and situations for tests for the potential employees. Those that qualify, can move on to practical hands on tests such as milking, driving a loader, mixing feed or giving an IV. Ask for and check out references. Final interviews may be needed if several qualified applicants are identified.

After an offer is made, follow up with written confirmation to clarify salary, benefits and schedules to avoid any misunderstandings. A pre-employment physical may be beneficial with jobs that require a higher degree of physical labor. Establishing a medical background may save future workers' compensation claims.

Those not chosen should receive a rejection letter thanking them for their interest, regretfully informing them they were not chosen from the pool of many qualified applicants, and please keep us in mind in the future and wishing them well.

Verification of an applicant's legal status is extremely important (1). The law requires only qualified resident aliens or U.S. citizens may be legally hired. Practical steps must be taken to make certain your employees understand the implications of this country's immigration laws and to ensure your business is fully protected.

Proper completion of the I-9 form, the immigration and naturalization services employment eligibility verification form is necessary to comply with U.S. law. A qualified attorney should be consulted to assist you in the details.

TRAINING

All of the above is for naught if we cannot adequately train our employees to our satisfaction. Effective training improves consistency, confidence, motivation and job satisfaction. This will lead to decreased turnover, superior performance and improved profitability. Proper training strategies can also convey a higher level of commitment toward the employees by management and lead to greater loyalty by your employees (12, 13, 44).

No one training method will work in all occasions or on all farms. Jobs have different levels of complexity and people have different learning styles. People learn experientially and by observation and modeling through visual, auditory and kinesthetic or hands on means (2, 12, 38, 44). Training methods should be broken down into smaller simplified components, and present a few concepts at a time.

Provide visual aids and handouts. Encourage questions and feedback. Invite other workers to observe and participate. We often inaccurately assume existing employees perform to our level of satisfaction. With a watchful eye, involve other employees as teachers. Often the best way to learn is to teach.

APPRAISALS, COACHING AND FEEDBACK,

How and what we reward, directly or *indirectly* will have a major impact on the employee moral, performance, efficiency and the overall profitability of the dairy. We constantly provide feedback of all kinds, positive and negative, consciously and unconsciously to our employees (2, 12, 38). Taking charge of this variable, rather than allowing it to randomly occur, can have dramatic positive impact on your dairy. Appraisals can also inform us of shortcomings in our training programs and help improve our protocols, SOP's and job descriptions and used as a springboard to motivate workers.

Performance appraisals involve obtaining performance information about an employee and providing them with that feedback in a manner that benefits both the employee and the farm (12, 21, 38). Managers must determine first what to evaluate. Three basic areas can be evaluated; tasks, behaviors and traits. Tasks are concrete quantitative measures reflecting an employee's performance. Conception rates, milk per shift or feed weigh back are examples of task measures. Task measures should be a direct reflection of the employee's performance. Difficulty arises when choosing measures due to extraneous variables which influence the outcomes. Behaviors are those *actions* a person displays to perform a task. Behaviors are the habits or means

to accomplish the work. Traits are the personal *attitudes* or *mental state* workers have while on the job. 'Showing confidence', 'working hard' or a 'good attitude' are all examples of traits. Though the most widely used, traits are probably the least effective evaluation criteria. They should be used de-emphasized and used the least to evaluate employees.

Employees should be involved in choosing the variables they are to be evaluated and in setting personal goals. Taking ownership, helping develop and being accountable for the measures, can help motivate people to perform beyond your and their expectations. Care must be taken to avoid some employees in setting too high of goals and subsequent disappointment (12).

The next major issue is who should perform the appraisal. Logically, the owner should of course. But, should he? Evaluations may come from four separate areas or a combination thereof (12, 38).

First, the owner or immediate supervisor. However, they may *not* be the most qualified or knowable to judge an employee's performance. Also the supervisor may unfairly wield an unusual amount of power single handedly over an individual. Workers may also react passively or defensively to a supervisor.

Secondly are co-workers or peers. They are probably the most reliable source of information about an individual's performance, *if* you can get accurate information. Often anonymous evaluations must be performed to minimize bias from friendships, or workers may give someone a poor rating based on personal feelings, rather than performance. A preprinted form addressing tasks, behaviors and traits directing the

co-workers through the process will assist you in avoiding irrelevant or nebulous factors.

Next a self-evaluation can be performed. This is consistent with the value of self-management and empowerment, and can assist the employee in taking ownership of a problem. However, obviously, it is subject to self-serving bias and over inflated assessments.

Lastly, employee's subordinates may evaluate their supervisor. This is consistent with fairness, openness, and lower level empowerment involvement. Anonymity is critical out of fear of reprisal from an unfavorable evaluation.

Another approach is a combination of all of the above called the 360-degree appraisal. Here, anyone who the employee comes in contact or works with on a day-to-day basis performs an evaluation. This, although the most involved, probably gives the most accurate evaluation of an employee's performance.

Methods for appraising workers include narratives, critical incidents, graphic rating scales and multi-person comparisons. No matter what methodology is used, emphasis must be put on the tasks and behavior and not on the traits (12, 38).

Written essays are simply a form an evaluator writes down what the strengths, weaknesses, past performance and suggestions about the employee. Obvious disadvantages are discontinuities among evaluators and employees, and the writing skill of the evaluator.

Critical incidents are events, which occur that made an employee particularly effective or prevented an employee from doing their job effectively. Keeping a list or

record of these events and periodically reviewing them with the employee can be a very effective tool to evaluate workers.

Rating scales are a very simple way to employ an evaluation, but require time to develop a comprehensive and fair evaluation form. Individual tasks or behaviors can be described along an incremental scale from poor to excellent. Areas to write specific incidents or events will assist in the evaluator being specific about any particular areas.

Multi-person comparisons are evaluation where workers are compared relative to each other. Obviously, forcing to place someone at the top and the bottom may not be a fair evaluation.

No matter what method of combination of methods used, employees should be given the opportunity to come up with their own assessment of the areas they performed well, areas they've improved on and weaknesses or areas they need improvement in. It is human nature to prefer to point out our own weaknesses, rather than have someone else do it (12).

Effective coaching skills are important to employee development (12, 16, 19, 22, 23, 33). An effective coach sees potential in people. They spot the strengths in their employees and put them in positions to succeed. They ask the question, "How can I help you succeed?" and, "How can I make it easier for you to excel at your job?" A coach is a good observer. They watch their players perform and interact and offer a positive word when things are good, or offer constructive criticism to correct and redirect the work towards the goals when they see mistakes. They listen effectively. They try to understand what their employees are going through and experiencing.

They try to put themselves in their workers shoes. They ask themselves, “Would they want to work in this environment or be treated in this manner?”. Effective coaches develop and challenge their people to be better, to go beyond their current level of performance. They operate from a position of internal strength. Not operating out of a position of self imposed external ego, power and authority, but out of principle and the desire to set everybody up for a win-win environment.

Employees want to know what you think of their work. They want and expect feedback. Specific, constructive feedback is generally welcome. Feedback shouldn't be restricted to the annual review. It should be frequent and explicit. The greatest opportunity to correct a fault in positive way and to motivate people is to address the problem shortly after it occurs. It can come in many varieties. Posted reports, goals and graphs are all indirect means to convey your message. Informal conversations offer many opportunities to let employees know how you feel about their work. Generally it is best to separate appraisals from pay reviews (2, 12, 22, 33, 38).

MOTIVATION AND INCENTIVE PAY

The most comprehensive explanation of motivation is the *expectancy theory* (38). Basically, it says how hard we work is dependent on our *perception* of the effort *required* to attain a level of performance that will result in receiving what we *perceive* an appropriate reward. Is it worth it to work for our goals? An emphasis is placed on the perception of the employee. It involves three variables: 1) *Attractiveness*. The importance the person places on the potential outcome or reward. How bad do I want this? 2) *Performance-Reward Linkage*. The degree the person believes their

performance will result in acquiring the reward. If I work perform to that level, what are my chances of getting what I want? and 3) *Effort-Performance Linkage*. The probability perceived by the individual that exerting a given amount of effort would result in that performance. How hard will I have to work to get to that level?.

It is worth mentioning, most motivation theories were developed in America by Americans, and are bound by culture. Directly exporting these theories across cultural barriers may result in unexpected behaviors.

The practical application of motivation theory is incorporated into pay for performance reward systems. Specifically, individuals should perceive a strong relationship between their performance and the rewards they receive, if motivation is to be maximized (38). Pay for performance directly reinforces the second condition, the *performance-reward link*. Training, feedback, appraisals and coaching indirectly reinforce the third condition, *effort-performance link*, and the first condition, *attractiveness*, by providing the means for the worker to succeed, and by providing praise, recognition, appreciation and understanding. *Attractiveness* is also met by providing a competitive compensation package. (24).

Incentive pay programs in dairies have been described for areas in reproduction, milk production, milk quality, feeding management, and calf mortality (4, 6, 10, 12, 15, 28, 34, 36, 37). Incentives can be divided into two main categories: casual incentives and structured incentives.

Casual incentives are the occasional, non-routine rewards distributed by the boss at *unexpected* intervals. They consist of a sincere 'Thank you', a pair of tickets to a game or show, or a \$100 dollar bill. Disadvantages include perceived favoritism or

envy among employees. One way to avoid favoritism is to have the employees nominate workers to receive these rewards, or reward an entire crew for outstanding work. Also, rewarding employees whose suggestions have made substantial contributions to the profitability of the dairy may be rewarded. A balance must be maintained between rewards that encourage teamwork, and those that reward individual effort.

Structured incentives set up a set of criteria in advance, and workers know ahead of time the exact relationship between their performance and the rewards. In a study performed in California, dairy farmers were divided about their perceptions about incentives (10). To quote the survey:

Incentives work well: they have either helped motivate or maintain high worker performance. One dairy farmer spends \$7,000 each year to implement his incentive program and gets \$57,000 back in increased productivity. Most of the dairy farmers surveyed (71%, n = 34) felt they had made or saved money by using incentives. Most dairy farmers who used incentives were either very pleased (46%, n = 23), or somewhat pleased (42%, n = 21) with the results.

Incentives do not work: (a) they require excessive record keeping efforts; (b) there is little connection between effort and reward; (c) there is no response from employees; (d) they promote one type of result or performance over another, such as quantity over quality; or (e) they are unfair to workers. In the survey 13% of the dairy farmers felt they had lost money (n = 6). Another 16% felt there was either no change brought about by the incentive, or were uncertain about its effect (n = 8). Twelve percent (n = 6) of the respondents were not pleased with their incentive program.

Most incentives were directed toward production employees (e.g., milkers, feeders, 74%, n = 37), and a few to herd managers (8%, n = 4) or management level employees (4%, n = 2). A number of dairy farmers (14%, n = 7) provided incentives that rewarded employees at more than one hierarchical level.

Workers are also divided in their feelings about incentive pay. In one dairy, an employee said incentives are what farmers pay when they do not want to pay workers a fair wage. In contrast, another worker was very enthusiastic about the incentive program the farmer had instituted. It made him feel part of a team.

The same study asked dairy farmers who have and have not used incentive programs to rank by importance, their concerns with incentive programs. Table 2 summarizes the findings:

Table 2: Ranking factors from greatest to least concern

Factor	Dairymen who <i>had</i> used incentives	Dairymen who had <i>not</i> used incentives
Neglect important goals not directly rewarded	1	4
No change in worker performance	2	1
Poor quality	3	8
Change in work methods or technology	4	11
Difficulty setting standards	5	2
Conflict among workers under incentive	6	10
Better way to solve problem may exist	7	6
Worker difficulty in understanding incentives	8	9
Lack of teamwork	9	5
Incentive doesn't reward hardest working	10	13
Record keeping	11	3
Jealousy with workers not part of program	12	7
Reduced profit margin: cannot pay incentives	13	12
Worker dislike for incentive	14	14

Seven guidelines have been established to design and set up a structured incentive program (10).

1. *Analyze your farm and determine if incentives are appropriate.* Incentive programs, like everything else, need to be carefully planned out and determined if and how they fit into the dairies strategic goals. Goals and problem areas must be clearly understood and assessed. Why are those strategic areas weak? Are your employees properly trained? Do you have the proper equipment and facilities and is it maintained appropriately? Is your management team properly put together and cohesive? Do you provide the proper leadership?

Worker performance must be assessed. *Rewarding employees for bringing poor performance up to standard is like having to pay for the same job twice.* Employees should be appraised and divided into three classifications: poor, standard and superior. Incentive pay should be given to those workers showing superior performance, and to encourage those workers who are performing good work to excel.

2. *Link pay with performance.* It is often difficult on a dairy to identify measurable factors, independent of other variables, the employee can substantial control over. When workers have partial control over the results, decreased motivation or conflict may arise. Environmental and nutritional factors can have huge impacts on other aspects of the operation and may adversely affect a workers performance measures. Profits vary considerably with the price of feed and milk, and workers may not see the link between their efforts and profitability. Cost savings and non-financial criteria may be the most appropriate measures.

3. *Anticipate loopholes.* Workers will perform what they are given incentive to do-good or bad. Employees paid in full after performing a ‘full days work’ are given incentive to rush through their job and go home early. Workers rewarded by detecting the number cows in heat may result in a high number of cows bred who are not really in heat.

4. *Establish standards and determine pay.* Incentives need to be determined by a number of balancing criteria. For example, good heat detection and good conception rates. The percentage of the wage represented by the incentive should be based on the amount of control the worker has in the area, the importance of the results to the overall goals, and possible loopholes not covered by the reward system. An estimate of the potential savings or gain should be made. Under no circumstance should the measurements be made harder after implementation because loss of trust and credibility may result. Those workers with a vested interest in the results of any trials should not be allowed to participate due to potential sandbagging.

5. *Protect workers from negative consequences.* To avoid animosity from the workers toward the program, certain protective measures should be put in place. Many workers will fear their pay will get cut under the incentive programs. Maintaining fair standards, providing a fair wage, and protecting slower workers are ways to preserve a trusting relationship with your employees.

6. *Communicate with workers.* It is critical to communicate to your employees during these phases and clarify the measures and expectations. Carefully explain the programs, give examples, provide feedback, listen, listen, listen and be open to suggestions.

7. *Review the program periodically.* Keeping records of the performance measures and their economic significance is vital to determine the success of the programs. Statically analyzing the results and establishing controls is crucial. It may also provide information to improve the programs so they correlate closer to financial gains.

Many companies all over the world have instituted performance programs, in one form or another (38). They have the potential for dairies to serve as a critical link between employees and the criteria management has set for short and long term goals to excel in the industry.

CONFLICT

Conflict is inevitable. Conflict is generally uncomfortable. Conflict is necessary. Conflict takes on many different meanings for many different people in many different circumstances. The common denominator: it *will* occur.

Conflict can be functional or dysfunctional (2, 38). Functionally, it can prevent stagnation, increase interest, stimulate curiosity, and serve as means to air and solve problems collaboratively. It can be the antidote for 'group think' and blind conformity. On the negative side, it can also alienate, create dissonance, resentment and stress, be destructive, increase turnover and decrease productivity and profitability.

Conflict generally progresses through four stages (38). *First* is the presence of conditions that create the opportunity for conflict to arise. Poor communication, conflicting personalities, or poor structures may predispose a situation to be

conflictive. *Next* is the recognition and personalization of the feeling of conflict within a person. *Third* is the behavioral response. At this point the conflict is out in the open. The consequence of the approach, methodology and strategy taken during the third stage, result in the *last stage*, a functional or dysfunctional outcome. During the behavioral response we have the greatest potential to intervene and align the outcome in a positive manner.

Behavioral responses are generally manifested five ways: competition, collaboration, avoidance, accommodation and compromise (38).

With *competition*, one party generally tries to dominate and a I win-you lose atmosphere predominates. It generally is not an effective strategy, as it often alienates the other party. It may be indicated in situations where quick, decisive action is needed or where an unpopular decision needs to be made. *Collaboration* fosters a win-win solution for both parties. It is an integrative approach where both parties through reciprocal understanding and respect come up with a mutually beneficial solution. It can require considerable effort and time. This is habit number four in Stephen Covey's *Seven Habits of Highly Effective People*. *Avoidance* is where a party withdraws or suppresses the conflict. Avoidance can be positive or negative. Negative results will occur when a person suppresses animosities that they have strong feelings about. This can lead to resentments, outbursts and deteriorating relationships. Positively, avoidance can be used when the issues are trivial, when the issues potentially subordinates the greater organizational objective, when others may handle the conflict more effectively or when a cooling off period is required. *Accommodation* is when one party seeks to appease the situation. In order to

maintain the relationship, one party is willing to be self-sacrificing. In the long term, this may lead to resentments. Accommodations may be sought when you realize you are wrong, when you want to express reasonableness, build social credits for later issues, or when the issues are more important to others than yourself. Lastly, a *compromise* is when each party must give in and give up something for the outcome. It is used when the goals are important, but not worth the effort of collaboration, when equal parties seek mutually exclusive goals or when quick temporary settlements, generally under time constraints are desired.

It takes skill, effort and commitment to successfully navigate through conflict resolutions. The tyranny of short-term relief over the long-term goal and solution will often create dissonance. We are generally our own worst enemies when unsuccessfully dealing with conflict (8, 12, 16). Our first enemy is needing to first explain our side and justify our position. Secondly, is our ineffectiveness as a listener. Being quiet until we have a chance to speak is not effective listening. Third, the false assumption the only way to win is if the other person loses. Fourth, fear. Fear of not getting our way, fear of looking foolish, fear of the truth.

Two key features are usually present when successfully communicating during conflict. The first is empathetic listening. First seek to understand and then to be understood. This as habit number five in Covey's book. It is listening inside another's frame of reference. People want to be understood and validated. As you listen with a sincere desire to understand, you can be influenced, and that is the key to influencing others. The second feature is focusing on your *needs* rather than your position. A position states the problem as an absolute, '*this* is what I want'. A need

describes the desired end state, ‘this is *why* I want it’. There are many possible ways to fulfill a need. When we focus on needs, we find we have more in common than we originally thought (12).

Often times an owner or manager will find himself or herself in the middle of a conflict. At those times, they find themselves in the position of a mediator (12, 38). A mediator moderates, listens and helps the two parties find their own solution. Contrast this with an arbitrator, who makes judgments in favor of one side or another. A mediator’s role is to assist by listening to the parties, setting ground rules for the conflict and coaching the participants towards an equitable resolve.

The business culture affects the perception of conflict within an organization. Again, it is up to the owners and managers to set the tone with conflict management.

DISCIPLINE, TERMINATION AND TURNOVER

There are times when no matter how adequately trained, or how much positive reinforcement and feedback is given, employees will under-perform and disciplinary measures will have to be instituted. Often management’s reaction is to ‘tighten the reins’ and try to increase control over the employee. This often backfires and employees react defensively and withdraw mentally from their work. This can create a negative spiral that ultimately leads to the employee leaving or being fired (12).

Conversely, effective disciplinary measures can motivate employees by creating an environment where the workers take ownership of the problem and the responsibility for its resolve. To be effective, disciplinary measures should follow basic arbitrators rules.

1. Develop fair rules and consequences
2. Clearly communicate expectations and policies
3. Conduct a fair investigation
4. Balance consistency and flexibility
5. Use corrective, not punitive, action

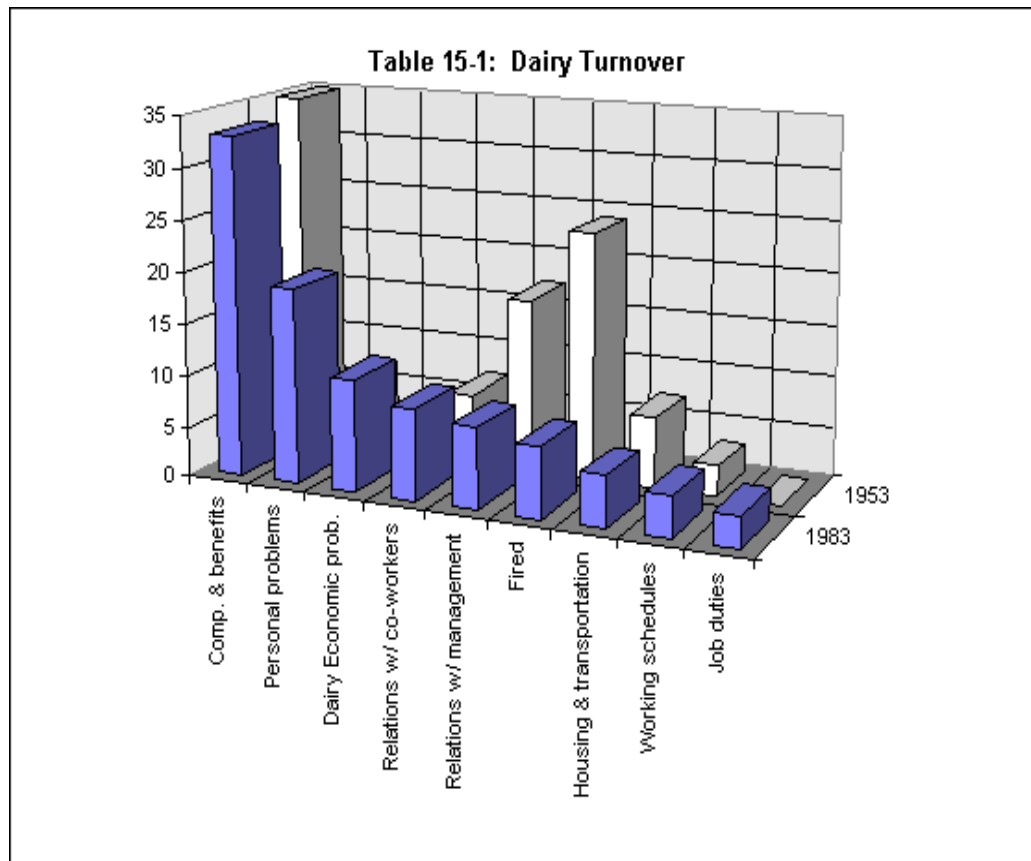
Confidentiality is a must. Employees must trust you will not discuss the matter with only those on a need to know basis. Always allow the employee to explain their side of the issue first. Keep an open mind. Employing effective listening skills will help you from forming an opinion before the evidence has been provided. The more serious the offense, the more proof needed to seriously reprimand an employee. Often false accusations occur. Focus on the action and the behavior, not on the person.

If the incident is serious enough to require documentation, it is serious enough to take official disciplinary action. Formal documentation should include four elements; 1) Be specific about the offense, 2) Be clear what the employee needs to improve, 3) Notify the employee of the seriousness of the offense and the official nature of the discipline, and 4) Inform the employee about future consequences if no improvement is made.

If the offense is serious enough to merit termination, do it in a private setting, preferably early in the day, and early in the week. If proper communication concerning the job expectations and disciplinary measures are followed, the firing should come as no surprise. The employee should be informed why they are being terminated in a calm, understanding manner. This is not the time to dwell on the reasons, blame or

recount every incident. Try to avoid being too vague when explaining why they are fired, and talking too much due to the awkwardness of the situation.

Excessive turnover is usually a symptom of other problems, usually unsatisfactory work, or working conditions. Billikopf performed a study in 1983 to determine the reason workers left dairies. His findings, along with a similar study from 1953 are summarized in the table below (12):



Compensation and benefits reasons accounted for the greatest cause of turnover. Holding exit interviews can help identify specific reasons for leaving and may shed some light on problem areas. Conducting formal or informal satisfaction surveys with your current employees can substantiate these findings (12).

CONCLUSIONS

As dairies expand, incorporating a standardized process to manage labor and it's increasing labor demands will be more and more crucial to success. The processes can't be handed to you out of a manual or emailed to you by someone else. Canned job descriptions, protocols, and SOP's from someone else are like Chef-Boy-R-Dee spaghetti compared to an authentic classical Italian restaurant. Plain, flat, and dull compared to personal, rich, and full of your flavor. The real value in establishing the processes is from the interaction between you, your workers and your team that is required to think, discuss, design, writing, and implement new policies and procedures. Trust, understanding and consideration is developed. It makes you think about your people, understand them, their jobs, and what they go through, and vice versa. You become a person, not just the rich boss on the hill. Effective managers set their employees up for success, while ineffective managers set them up for failure, and often blame everyone else, except themselves.

Your dairy reflects your personality. This is essentially your business culture. Nothing is hidden. Everything is out in the open for all that care to see. Your flaws, your strengths, your weaknesses. All are generally obvious, except to you. This is your blind self. That part of you person that is so obvious to everyone, except you. Stand back. Do

you like what you see? What kind of people work there? What does the place look like? Would you want to work in a place like that? What kind of a boss are you? Are you respected, admired, despised, hated? Do you even care? Do you care about your people?

Expanding the business first necessitates some difficult introspective analysis and expanding your mind. An honest evaluation of whether or not you can manage people is necessary. Why are you doing what you are doing? To be in charge? What are your priorities, your goals, and your aspirations? They are first a creation in your mind, and only then can they become reality. It can't be done alone. Along the way are many other people, also creating and manifesting their own dreams for a better life for themselves and their families. They will work very hard and be very dedicated if they feel appreciated and respected. Some will have to be kept on a narrower path. They will try to take advantage of the situation, shortcut, or cheat. By establishing clear objectives and fair policies, and through encouragement many will understand with hard work and honesty, everyone can achieve mutual success.

I think Peter Drucker's "Managing Oneself" is a great way to learn more about your 'blind self'. Understanding your personal strengths and weakness is the only way to capitalize on your strengths and improve your weaknesses. Keeping a journal of your intentions not only allows you to track what happened a year later, but it forces you to think about it. Many people in this instant results and gratification society don't have the patience or persistence to follow through with a project like this. Farmers by the sheer nature of their business - planting and waiting - may have the necessary patience to track their intentions and actions and develop a better understanding of their strengths and weaknesses to aid themselves in support of their long-term goals.

I believe learning to speak Spanish is the most effective way to accurately communicate your message to your employees. When workers see you attempt to speak Spanish, they are more willing to attempt a little English. This is a win-win situation that can foster a climate of mutual trust, understanding and respect. This also allows you an opportunity to get to laugh with your employees and have a little fun with them as they get a chance to be the ‘expert’ and they see the human, informal side of your personality.

Even at smaller dairies, management should put together a labor plan. Determining all the steps in every phase of people management – hiring, training, appraisals and termination - will well be worth the effort and lead to far greater returns. Having the entire management team support the decisions once made, whether they personally agree whole-heartedly or not, is essential. I have seen several fundamentally sound programs undermined by a player on the management team. I believe that sentiment is easily apparent to the employees, and the programs are doomed to mediocrity or failure.

I am trying to limit the criteria in which I track each manageable area to five core indices or key drivers. This is very difficult for me, as I am constantly thinking of ‘new and improved’ methods to monitor the different sectors of the dairy. Ideally, they need to be comprehensive, quick to calculate, and lead indicators of potential problems. Too many criteria can lead to data overload and inaccurate or misleading conclusions or no conclusions at all. It is far beyond the scope of this paper to dive into benchmarks and drivers of the different sectors in the dairy.

I believe this is where information technology has great potential. Unfortunately, the dairy industry is behind the rest of the world with our IT sophistication. I do not believe any major software companies will supply us with product. Overall, the number of farms

across the U.S. is falling (therefore shrinking demand and revenue base) and we cannot afford an IT specialist to custom design a system to meet all our IT needs. There are some excellent small companies out there to service the industry, but they simply cannot meet everyone's requirements.

Almost every dairy has people stopping by frequently looking for a job. Is this due to the overabundance of workers, or the inability of dairies to adequately train and retain good employees? I believe there are many highly qualified people out there looking for work at these dairies. We should go beyond a simple application, interview, and here is your job. Critically evaluating the applicants will increase the odds of finding qualified candidates. Putting them through some work simulation trials should also help narrow the field.

Once we hire someone, we must adequately train him or her. Having experience is one thing, performing up to our standards is another. We must establish comprehensive training seminars. The learning should never end. We must continually review and coach to reinforce those behaviors we deem appropriate. Initial training seminars should be followed by a written summary of the protocols, procedures and safety issues for the job initialed by the employee that he/ she fully understands the instructions, requirements and safety issues necessary to satisfactorily perform the job. This is *especially* important in areas that may pertain to jobs with higher risk.

I believe all employees want to know what their boss thinks of their work-good or bad. Formal assessments give everyone an opportunity to relay their views at the dairy. Properly performed, it can be like having 25 pairs of eyes constantly looking around, evaluating, and looking for better ways to do things. It can give everyone an opportunity

for feedback. Performance measures may be difficult to come up with. Ask the employees for their input.

I think pay for performance incentives are a missing key ingredient for most dairies. None of the systems are foolproof and it may take several attempts, and several months until a good reliable set of measures is found. I think this is an area where ideas from other farms may be directly exported for use. I believe they cannot be penalizing, only encouraging. Retrospective analysis and forecasting future potential cost benefits is critical. It may also be advantageous to ask workers to contribute ideas for the performance measures. Do not get discouraged.

Conflict management is one of the hardest things we face. It's easy to get defensive when someone challenges your thoughts or actions', believing it is you being attacked. It is something I constantly work on. I believe this is the space between our thoughts and our actions Covey refers to. The objective in sport is to minimize that time, to make it an instant *reaction*. The objective in human interaction is to adequately control that time. In your mind, role-play different scenarios out. Determine the specific objective in this particular situation. Construct an answer or solution or action congruent with your values and overall objectives. Maximize your potential by controlling your response-ability. Understand this is a two way street. Your employees often feel the same way. Remember this, and defuse the situation when engaging in disciplinary measures with your employees.

You may believe I am a proponent of a 'kinder gentler' work environment, where the fox guards the henhouse or the inmates run the jail. Not necessarily. I believe in a commodity based business, like a dairy, where owners are limited to what they can do to

differentiate themselves from their competitor, the only way to improve profitability is two things-increase production and, or decrease costs. Strict financial performance measures must be rigorously upheld. This is also something I believe in. Let the employees know what the finances are in their area of responsibility. Give them goals and the means to achieve them. Set them up to succeed. I believe it is reaffirming to people to be held accountable, and to be given boundaries. You can smile quietly as they proudly say, “Look how good we are. We did it ourselves”.

Recommendations

- Tomorrow morning look at yourself in the mirror honestly and critically.
- Ask for help from a wide variety of professionals to assist you in developing a strategic plan for your dairy. It is not engraved in stone. Revisit, review and modify.
- In that plan, address all aspects of your business-calves, feeding, nutrition, reproduction, transition, milking, parlor management, finance, farming and particularly how the human resources component cuts across and affects each segment.
- Be a good coach. Positively impact the people around you.
- Institute pay for performance. Allow your employees to reap a little of the benefit with you.
- Conflict will happen. Learn to positively manage it. It isn't how well we play together that will determine success, but how well we fight.

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