Some dairy farmers look at their employees as a cost factor, which needs to be kept minimal. Others see their employees as a resource. With proper management, employees can help keep a farm successful in the long run. How a farmer looks at his or her employees determines how employees will be managed and what role labor will play on a farm. If you are the kind of farmer who sees employees as a resource, applying the resource-based theory to farm labor offers some suggestions on how to manage employees to best contribute their skills, knowledge, and abilities.

The resource-based theory explains how a firm can achieve competitive advantages from its distinct resources. A business is considered a bundle of specialized resources that is used to create a privileged market position. Applied to labor management, the resource-based theory focuses on understanding the relationships among strategy, human resource management practices, and the people (their knowledge, skills, and abilities) to create a competitive advantage. Based on this theory and six case studies with Michigan dairy farms, we suggest management practices, which help dairy farmers develop a system for selecting, training, and motivating their employees to efficiently contribute to farm goals and accomplish superior performance.

Case Farms
Six Michigan dairy farmers volunteered their time and their employees’ time to participate in labor management case studies during the spring of 2003. On each farm, we interviewed at least one owner or manager, one herdsman or supervisor, and one non-supervisory employee—20 interviews, overall. All case farms were family-owned and operated. In 2002 the case farms averaged, per full-time employee, $193,000 in gross revenues and $36,000 in gross labor expenses. Gross labor expenses ranged from 15 to 30% of gross revenues. On average, farms milked 961 cows, ranging from 225 to 3,200. Four farms used three milking shifts; two farms used two shifts. The number of full-time employees ranged from five to 75, with an average of 21. Full-time employees worked between 50 and 78 hours per week. Almost 50% of the workforce was of Hispanic descent, some with no or very little English language proficiency.

Mission Statements and Operational Goals
To achieve a competitive advantage, a mission statement and operational goals provide a road map for how dairy farmers deploy, develop, and manage their employee resources. Research shows an advantage of enterprises with well-articulated mission statements over those that lack them. The mission statement defines where priorities lie, and the operational goals specify how to achieve these priorities. For employees, the goals and mission statement provide the necessary focus about how to best contribute to the overall success.

Two of the case farms had written mission statements. On three other farms, interviewees did verbally define the future direction of their farms. A mission statement is crucial in formulating goals geared toward the realization of the mission. While writing down the mission statement is useful, it need not be written, as long as it is clearly and persistently communicated to everybody on the farm. A lived mission statement guides strategic planning as well as every day decision making, enabling employees to understand their roles.

Expansion was the long-term goal in four cases; two cases wanted to maintain the current farm size. These long-term goals were translated to measurable and specific operational goals on five farms, which served as yardsticks for employees to gauge their contribution to overall farm performance. 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 through the use of participatory management makes them feel appreciated and valued, and thereby facilitates their contribution to organizational performance and increases their commitment. On one case farm, where the manager solicited advice and input from all employees, they showed high loyalty despite lower compensation levels.

Selective Hiring

One way to establish a competitive advantage through human resources is by hiring employees with strong work ethics and competencies. Due to comparatively low wage rates in agriculture, the labor market is more likely to provide low quality workers, because high quality workers who are well compensated are often reluctant to change jobs. Managers can handle this situation in two different ways. Because they do not know whether an applicant will turn out to be a below average or above average worker, they pay low entry-level wages, to avoid overpaying a below average worker. If the new employee turns out to be above average, his or her wage will be increased. On the other hand, managers can pay higher entry-level wages, if they obtain favorable information about an applicant before hiring. Employee referral and word of mouth were the most common recruitment methods of the case farms because they enable managers to learn about candidates’ work ethics prior to hiring.

Most participating managers prefer to select and hire non-supervisory employees based on their kinship or friendship ties with current employees. The resource-based theory explains the success of this strategy in the context of team development. When a team of new employees is formed, they spend considerable time on developing relationships, building trust, and figuring out how to work together. Employees who are acquainted with each other and belong to the same social group achieve effective teamwork quicker and more easily. On the case farms, turnover was low when selection was based on kinship and friendship ties. In one case, where walk-ins were hired, turnover and termination were high. Poor working relationships among coworkers were reported as a cause of quitting only in this case.

Training and Development

All case farms provide on-the-job training for newly hired non-supervisory employees regardless of their prior experience, but training approaches varied from farm to farm. New hires typically work with experienced coworkers. In some cases, they get prior formal training from their supervisors. Competitive advantage through training stems from more than general skills, which can be used on different farms. Training is most advantageous, where it focuses on specific skills, procedures, and protocols, which differ from farm to farm. Farms that have identified unique operating procedures also make it difficult for their employees to use their skills elsewhere, because other farms will employ different procedures. Hence, retention rates increase because employees’ skills and knowledge are not readily applicable on another farm without retraining.

Non-supervisory employees often crave training beyond what is necessary to function at their current job level. Employees mentioned technical aspects of dairy management, such as animal health care, nutrition, and calf rearing, as ways to improve their performance on the job and better contribute to overall success. Employees with less training are less likely to be loyal and more likely to make costly mistakes. In addition, employees with very specialized tasks and rigid work schedules are likely to experience monotony and dissatisfaction. In these cases, additional training would enable job rotation and thus increase overall job satisfaction.

Hispanic Employees

Case farmers reported having increasingly hired Hispanic, often recently immigrated, labor at their farms. Some found it difficult to attract local labor and also felt they encountered more discipline problems with local labor. Once managers had made the transition to hiring immigrant employees, they did not want to revert to the local workforce. One manager reported that, currently, seven Hispanic employees complete the same workload that had previously required 13 employees.

The language barrier between employees with limited or no English language proficiency and their managers may, how-
ever, cause friction and hinder full utilization of employees’ potential. Managers with Spanish language abilities or with bilingual employees in supervisory positions or at least on staff may have a competitive advantage over those who are not able to communicate clearly with their employees. When working with immigrant employees, bilingual abilities on all levels of the farm will likely enhance farm performance. Managers approach this communication gap through learning Spanish and (or) sponsoring English language classes for employees. Also, a better understanding of the culture, values, and expectations of Hispanic employees can facilitate day-to-day workplace interactions and help to avoid misunderstanding.

Compensation
A competitive compensation package ensures that employees will not be on the lookout for better paying employment opportunities and taking their skills elsewhere. All case farms reported to pay entry-level wages for full-time employees above the legal minimum of $5.15 per hour. Wages reported for entry-level full-time employees ranged from $6.00 to $9.00 per hour. Wages paid to employees in a given position depend on the characteristics of the employees, such as education level, job-related skills, and tenure in current employment, and also on the size of the farm. The wage rate for herdsmen on the three larger case farms ranged from $14 to $20 per hour and from $12 to $14 on the three smaller case farms. The three larger farms also provided more benefits.

The benefits package is often seen as a means of retaining employees and increasing their commitment to a specific employer. Three case farms provided health care insurance for all employees, while two farms provided health care only for supervisory personnel. Of the three farms that provided health care to all employees, two also provided retirement benefits to all employees. Of the two farms that provided health care to supervisory personnel, one also provided retirement benefits to supervisory personnel. The job tenure of the interviewed non-supervisory employees on the case farms that provided health care insurance and retirement benefits to them ranged from 6 to 12 years. On the case farms that did not provide both, their tenure ranged from 1 to 4 years.

Long-term competitive advantage will depend on either decreasing operational costs or increasing revenues or both. In achieving these goals, employees play a major role. Training contributes to avoiding costly mistakes and hence, helps to decrease costs. Well-trained and motivated employees also will be creative in developing more active ways to save costs and increase efficiency. Providing incentives to motivate employees and reward their contributions is another way for farmers to increase revenues and decrease costs in the long run. Bonuses are a flexible way to reward desired behaviors and employees’ accomplishments. For example, in one case, each employee received a bonus of $50 at the end of the month if no calf loss occurred. In another case, positive net returns translated into bonuses for employees.

Trust and Relationships at the Workplace
Employee retention and performance do not solely depend on compensation packages. For example, a large case farm was paying higher wages, providing more benefits and training opportunities to employees than one of the smaller case farms. Yet, employees on both farms reported to be satisfied with their current employment and not looking for employment elsewhere. Another large case farm provided competitive compensation and training opportunities, but employees were not satisfied and would consider and possibly accept alternative employment offers.

Trusting relationships can create a competitive advantage for farms. One way for trust to develop is through social interaction among coworkers, workers and supervisors, and owners or managers and employees. Nurturing relationships, as well as, kinship and friendship ties contribute to a cohesive work environment, which enables employees to work more productively and reduce turnover. Relationships between managers and non-supervisory employees seem closer on smaller farms, but herdsmen in all six cases reported to have good relationships with their managers. Another way to cultivate trust, without necessarily being socially close, is based on the repeated interactions of managers and employees at the workplace. Fair and respectful treatment and interpersonal management skills will ensure employees that they will not be taken advantage of and motivate them to behave in a similar way.

Conclusions
Increasing farm sizes make it necessary for dairy farmers to attract and manage a growing workforce. Taking the resource-based perspective of managing people can help farmers to better utilize their employees 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 recreated 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 a unique organizational culture and skillful overall management.

We would like to thank participating dairy farmers and their employees for open discussions of their management practices and job experiences. Partial funding for the case studies was provided by the Northcentral Risk Management Education Center at University of Nebraska. More information on hired labor is available from Dr. Bitsch’s “Personnel Management in Agriculture” website at http://www.msu.edu/user/bitsch/. You also can print the Agricultural Employer Checklist, which provides an overview of current hiring regulations.

Further Readings on Resource-based Theory