

SPA—Is It for You?

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Introduction

As the beef cattle sector faces the realities of a declining market share and focuses on finding ways to reverse the trend, participants will be more concerned about measuring business performance and clientele satisfaction. The National Cattlemen's Beef Association and the National Integrated Resource Management Committee initiated performance-measuring efforts in 1991 that resulted in the Standardized Performance Analysis (SPA) methodology. Standardized Performance Analysis is an integrated production and financial performance analysis methodology with a focus on cost of production. This paper summarizes the *Why*, *What*, and *How* of measuring performance.

Why Measure Performance?

To manage for performance requires measuring performance; what gets measured is what generally gets the most attention. To transform objectives and strategic plans into measurable results is an objective of measuring performance. Measuring and communicating results takes advantage of people's natural urge to compete. Accountability and demonstration of contribution through measured performance are important for job satisfaction. Effective performance measurements lead to more informed decisions.

Many ranch businesses can greatly enhance their information systems by using performance measures to integrate personnel and develop more effective management strategies. Present accounting systems are often operated by different personnel, providers, and users. Information generation and communications are not effective in many ranch businesses.

A good place to start bringing information together is through measuring cost of production. Calculating cost of production requires financial statements and product cost accounting. No performance measure is more important in evaluation of the business than the unit cost of production. This is where SPA can be a valuable tool.

What to Measure?

The objective is to have a limited set of meaningful measures. Measure for an integrated analysis that communicates performance that helps decision-makers establish whether goals are being accomplished. Measures should be financial and non-financial. A business must know where it's coming from and know its current status to establish goals and directions to take in the future. It is important that performance measures be linked to the ranch's goals. Performance measures should focus on the efficiency and effectiveness in achieving goals. Performance measures that link productivity and cost to determine unit cost of production are most valuable to decision-makers.

How to Get Performance Measured?

Industry benchmark databases, such as the database maintained at Cattle-Fax, can be used for comparative performance. Consensus agreement on measures, methodology, acceptance, and processing is the first step. Data accuracy and conformity with standardization are both issues of concern in obtaining data from centralized databases. Successful industry databases in agriculture have been dependent on industry commitment and willingness to participate. The National Dairy Herd Improvement Association, breed associations, and industry associations are examples of associations that have performance databases with centralized

data-processing capabilities, which are available for use by their members.

Summary

Those ranches that measure their inputs and performance will be those that survive and pros-

per in the future. Industry databases for comparative analysis will have to have an industry-wide commitment to increase participation to make them effective. Are you ready for the future? Do you have the records to show performance?

Lastly, SPA—Is it for you?

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