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UNIVERSITY OF MINNESOTA

College of Veterinary Medicine

VETERINARY CONTINUING EDUCATION



ST. PAUL, MINNESOTA
UNITED STATES OF MINNESOTA

Grumpy Old Vets: The 1960's practice hits the 21st Century

Ken Nordlund, DVM
School of Veterinary Medicine
University of Wisconsin-Madison
Madison, Wisconsin

Introduction

The dairy industry of the upper midwest is being restructured. The perceived long-term value of a 50-cow tie-stall barn with a vertical silo is low. If the owner is fifty-five years old, the plan is to ride the depreciation out to an unsaleable dairy. If the owner is forty years old, the question is whether to expand substantially or get out now. Paralleling the uncertainty of dairy operators is the palpable uncertainty of upper midwestern dairy practitioners. The daily activities of a typical midwestern dairy practice are changed very little from the practice style that developed thirty years ago. However, that mix of sick cow exams, scheduled reproductive exams, the displaced abomasum surgery, and emergency services are not well accepted in the expanded dairy herds of several hundred cows. The 1960's dairy practice has arrived on the 21st-century dairy farm and while the cows look familiar, everything else has changed! This paper will explore some issues, problems, and possible solutions for adapting veterinary services for dairies in the next decade.

Some Philosophy and Definitions

Throughout much of this century, veterinary services to dairy cattle differed little from services offered to companion animals like horses and dogs. The array of diagnostic procedures, medications, and surgical procedures were surprisingly similar. During the past three decades, however, three major changes have steadily and simultaneously changed our approach to food animals. First, the increasing sophistication and cost of medical technology has spread the difference between minimal and maximal medical service to a phenomenal degree. Second, business management approaches have been widely applied on farms with the result that veterinary interventions are increasingly evaluated on a cost: return basis. Because of the fixed value of food animals, the medical interventions that show positive cost: return benefits lie at a minimal level of sophistication. Third, regulatory agencies have responded to the public concern about chemicals used in our food supply with increasing regulation and decreased availability of pharmaceuticals. Because of these changes, dairy practice is no longer oriented primarily toward the animal, but now serves three concurrent and sometimes conflicting goals of animal care, owner profit, and consumer safety.

Since the early 1980's, a discipline of "production medicine" has developed. As an academic production medicine clinician, I am occasionally asked to define the term and I respond by comparing it to traditional medicine within a herd context. Traditional veterinary medicine is focused upon diagnostics and therapeutics of the individual animal,

with the assumption that if all the sick animals are handled properly, a healthy herd will result. Production medicine focuses upon the underlying herd management system with the assumption that if the production system that produced the problem is fixed, a healthy herd will result. Although different, the disciplines have common goals.

It may be useful to clarify the definition with an example. Veterinarians sometimes argue whether a herd reproductive program is "production medicine" or "traditional medicine". I would contend that it could be either. If a group of cows are examined, pregnancies recorded, abnormalities treated, heats predicted, and left at that point, the reproductive program is traditional medicine directed at correcting problems of many individual cows. On the other hand, if herd performance is summarized and charted, allowing management to make herd-based decisions, the reproductive program is "production medicine".

Because of subtle nuances of those terms, it is more precise to characterize dairy veterinary services as having three components: drugs/supplies, medical/surgical procedures, and management assistance services. The categories are essentially self-explanatory. Drugs/supplies would include any product dispensing or sales. Medical/surgical procedures would include almost all technical services performed on animals. Management assistance would include any informational services that assist the herd manager in analysis, controls, and decision-making.

Based upon several "raise-your-hand" surveys conducted in continuing education programs, the general consensus of midwestern dairy veterinarians is that drug sales and medical/surgical services are declining and management assistance services are increasing or have the greatest potential for growth.

Business management styles

In the book The Compleat Manager (1), Professor Alan Filley characterizes business organizations as being one of three types: the *craft type*, the *promotion type*, and the *administrative type*. A review of the characteristics of each may be useful in this discussion of management of both veterinary clinics and dairy farms.

The manager of a craft-type organization will be engaged in technical rather than administrative duties. When asked what the business objectives are, the manager will reply that the objective is "to serve my clients needs for" and "to keep the bills paid". Policies evolve by tradition "because we've always done it that way." The structure is based upon an "official family" of sometimes family members, licensed professionals, and has "trusted employees" and "transient" help. There is a de-emphasis of direct supervision and reporting. People in the organization are usually satisfied in that their expectations are usually realistic. While craft firms tend not to be innovative, they may provide traditional products or services of high quality. The craft organization is dependent upon a stable, benevolent business environment for survival.

The promotion-type business is a reflection of the personality of the manager. If asked about business objectives, the promoter will reply "to make a million" or "to shoot the

moon!". Promoter-managers are motivated to high achievement, do not easily take orders from others, they keep score, and need personal control of operations. Policies vary from day to day, "just ask me". The promoter does not delegate management responsibility. Rather, the promoter hires personal assistants who do things. Staffing is based upon the current problem, not upon a business plan. Morale in a promoter-type business tends to be very high in early stages, but low after some time. The promoter-type business is dependent upon exploiting advantages in the market for survival. Because advantages like a unique product, a new production method, a distribution advantage, or others tend to disappear with time, the promoter-type business is always changing and always has to be changing.

The administrative-type business is characterized by professional management. Time is allocated to planning and formal organizational structures and reporting systems are in place. If the manager is asked about business objectives, the reply will be "return on assets is targeted at 20%, our goal is to increase sales this year by 15%,....". Policies will be written in a manual. There will be no indispensable people. Morale will vary from good to bad, depending upon how people feel about their job in the organization. The administrative-type business will emphasize evolution of its products or services more than innovation. Survival of the administrative-type organization is dependent upon the careful planning of management.

Professor Filley writes that every business will usually have some component of each of the three types, but one type will dominate the management style. If we look candidly at most dairy practices, they are dominated by craft-type management. Similarly, most of our traditional dairy farms are clearly craft-type organizations. Because craft-type organizations depend upon a stable and benevolent business climate for survival, both traditional dairy farms and traditional dairy practices are struggling in an unstable dairy industry undergoing restructuring.

It would be convenient to conclude that all expanded dairy farms are administrative-type organizations. However, it becomes abundantly clear after a few farm visits that many dairy farms have expanded and are struggling to define a management style. Some owner-managers cling to their craft-type background by continuing to perform technical tasks and do not allocate specific time and energy to management. Others adopt a promoter-style approach and will be seen in the middle of every decision, cellular phone in hand, moving people to fix the current crisis and trying to find unique opportunities in a mature commodity business. My opinion is that the promoter-type organization dominates the recently expanded dairy farms of the region to date. Because promoter-type organizations depend upon unique advantages for survival, the trend will be toward administrative-type dairy farm management as we move into the 21st century.

What are the characteristics of large dairy farms that challenge veterinary services?

Clearly, the overall goals of profitable, high production and excellent animal health remain the same, regardless of herd size. However, there are at least three factors that become

exaggerated on large dairy farms: specialized labor, purchasing/marketing clout due to volume, and an emphasis on schedules and constancy.

Large numbers of animals mean that labor becomes specialized. Milkers will milk, feeders will feed. Cow health problems that were seen twice a year in a 50-cow dairy may be seen every other week in a 500-cow dairy. Routine observation of common problems will give owners and farm labor the confidence to diagnose and treat most dairy cow health problems. Coupled with specialized labor will be the principle that each task will be delegated to the lowest-paid person who can competently perform the task. Usually, that means that most of the individual cow diagnostic and treatment procedures are assumed by farm personnel, and they will be supervised by dairy managers who usually do not have veterinary training

The manager of a large dairy manages a substantial cash-flow and expects that volume purchases will secure a cost advantage. Because of the large volume, more attention can be given to each product and service that is purchased for the dairy. A savings of 20 cents a dose for 100 doses of vaccine cannot justify a lot of bargaining time, but does justify some phone calls for a 1,000 doses.

Schedules and constancy become paramount. Special animal procedures conducted in the parlor can slow milking, running one shift into the next. In addition to disrupting the next milking shift, other operations such as barn cleaning, stall maintenance, AI, and feeding may be affected. The turmoil created by schedule disruption is not trivial.

Constancy of animal numbers in subgroups is a high priority in order that both facilities and labor will be fully utilized, but not overwhelmed. In a small dairy, the owner feels good when a group of cows are confirmed pregnant in late fall following a summer of herd reproductive problems. However, the manager of a large dairy will be less pleased. The coming year will bring double the normal number of dry cows for a two-month period, reducing cash flow from milk, crowding the dry cow barn, overwhelming the calving pens and hutches, and disrupting the dairy from one end to another. The disruption will appear again when a flush of two-year old replacements hits the calving pens. Labor schedules and the uniform flow of animals are interrelated.

What are the characteristics of traditional veterinary clinics that create challenges?

1. The large dairy does not conform to the traditional veterinarian's concept of how "good" clients behave. The large herd manager looks at each purchase independently. Many veterinarians cling to an old concept that the "good" client buys everything related to cow health (drugs, veterinary services, and advice) without question from "their" veterinary clinic. The traditional clinic sets fees so that income from one component (drugs or reproductive exams) will subsidize others (emergency services, consulting services). And if the client decides to find a different supplier of the "overpriced" component, the veterinary clinic expresses anger and sometimes threatens to withhold the subsidized services (no midnight emergency service for you!). In the closing lines of this

play, the jilted veterinarian accuses the new provider of marginal professional conduct (dairy terms of skimming! creaming!).

2. The traditional veterinarian is uncomfortable in the role of overseeing the work of "lay" treatment personnel. Initially, the veterinarian will look for opportunities to point out the deficiencies of the farm employee's work. In many cases, the veterinarian and the treatment crew eventually assume roles where they work completely independently and pretend to be ignorant of each other.

3. The farm needs the veterinarian to be at the farm at the scheduled time for reproductive work, etc., so as not to disrupt the schedule. However, the veterinarian finds that emergencies and unanticipated requests at other farms create difficulties in making appointment times.

4. The emphasis on stability of numbers is unfamiliar territory to vets. The veterinarian may not have access to herd inventory projections, and may not have any awareness of its importance. The traditional veterinary emphasis is on solving the problems of the individual animals, not anticipating future problems of staffing and space.

Changes for overall dairy practice management

First, it should be apparent that the emergence of large dairy farms does not present the stable, benevolent business environment that is required for the survival of the craft-type veterinary clinic. The owners of veterinary services may, heaven forbid, have to allocate significant time or money to practice management and transform the clinic into an administrative-type business.

Perhaps the most important step in modernizing the traditional dairy practice is to decouple drugs/supplies, medical/surgical procedures and management assistance services and manage them as separate enterprises. These are different businesses and they should be managed as such. It is probably be useful to manage emergency services as a subset of medical/surgical services.

Specific management responsibilities for each enterprise should be assigned to an interested veterinarian in the practice. According to Peter Drucker (2), the essential operations of a manager are to 1) set goals or objectives, 2) organize assets (finance, people, facilities, etc.) to accomplish the objectives, 3) motivate and communicate the mission and plans, 4) measure and monitor business and individual performance, and 5) develop people to fill special needs. By managing each enterprise separately, the services will gradually become more well defined even though individual veterinarians each deliver all of them.

Once decoupled, an enterprise accounting system should be established for each division. Enterprise accounting will help the manager make better decisions for the overall good of the practice. If the practice has covered the cost of herd management assistance services

in the fees for drugs or medical procedures, clarification of that subsidy should sharpen the development, delivery, and pricing of further services.

It is very clear that managers of larger dairy farms intuitively and automatically decouple these offerings from veterinary clinics. In fact, many dairy managers will explicitly state that they want a health advisor to be completely independent from the sales of the drugs that they may recommend.

The idea of decoupling the component services does not mean that they are delivered separately. Herd management assistance programs will almost always be delivered in the same visit with herd-based medical procedures. However, emergency services are generally incompatible with scheduled services of any kind.

How should veterinarians develop and market management assistance services.

1. **Get the skills!** To serve as a herd management advisor, the veterinarian will need to develop a knowledge of dairy record and monitoring systems, disease management including some statistical and epidemiological analysis techniques, and an understanding of dairy finance including cost of production determinations and partial budgeting. There are opportunities in areas like training and monitoring performance of sick pen personnel, nutrition management including ration formulation, inventory management, feedstuff price monitoring, mastitis management including milker training and milking system analysis, reproductive monitoring and projecting replacement heifer, lactating cow, and dry cow inventories based upon reproductive records, consultation on facility design and maintenance, and calf health monitoring and management programs. There will be strong demand for expansion advisors in the midwest in the coming years.

The skills needed can be acquired in self-directed programs that might be centered around special seminars at the AABP or various state meetings like this program in Minnesota. It is useful to identify a topic-a-year to focus the effort. Dairy health management certificate programs such as are offered currently in Pennsylvania, Michigan, and Wisconsin can accelerate the learning curve and provide a support group of colleagues.

2. **Let your clients know what you are prepared to offer.** Prepare a brochure that describes the services that you want to provide. Keep it short. Prepare business cards that identify your interests and pass them out everywhere. Get personal cards for each individual veterinarian. Do not try to market dairy herd management assistance services with a business card that promotes pet grooming and 24-hour a day emergency service!

3. **Work out a schedule within your clinic where each veterinarian who wishes to develop management assistance services gets designated time for those services.** Identify days or weeks where those vets are excluded from sick cow calls and emergency services. Without that exclusion, there will be pressure to curtail the time in scheduled services and consultation in order to help with the sick call list. By prioritizing management assistance services in that way for those clients, the practice indicates their commitment to the service.

4. Start herd visits with an overview of herd performance, not with a sleeve. Many veterinarians talk about their desire to become involved with management assistance services and complain that they cannot get beyond rectal palpation. In most cases, those veterinarians also enter their client's barns carrying a reproductive exam kit and sometimes wearing an exam sleeve. Put yourself in your client's shoes. If you saw a veterinarian entering your barn wearing a plastic sleeve and carrying an automatic syringe loaded with prostaglandin, you might logically conclude that the primary mission that day is to palpate those cows! To put herd management services in perspective, enter the barn with a clipboard. Take a few minutes to review or monitor the herd records and performance, make some notes or update a graph. Then go back to the vehicle for the sleeve and kit. In doing so, the reproductive services symbolically become a subset of overall herd monitoring.

5. Work with herd manager to define herd-management goals. I have published a "Goal Form" (3) and update it annually with current industry benchmarks. It is a very practical tool to identify and prioritize current herd management problems. The goal-form can become a key worksheet for dairy herd managers.

6. Utilize veterinary technicians in the delivery of dairy services. In general, our profession has done a poor job of integrating veterinary technicians into dairy practice. There are many dairy services that can be facilitated by a technician including a variety of data recording and/or entry tasks, sample collections including milk, urine, blood, fecal and feedstuffs, and preparations and assistance with procedures. Many of these tasks take too much time or cost too much if they are to be completed by the veterinarian. The technician can also assist the practice while on the farm by preparing bills, maintenance and inventory of veterinary equipment and supplies in the practice vehicle, and by driving between farms, which allows the veterinarian to complete telephone calls, finish projects, and prepare for other clients.

Technicians fit well with the concept of delegating tasks to the lowest paid person who can competently perform the task. The idea of bringing a technician to the farm and charging for the technician time is salable to dairy managers. It is best approached by asking "how much of a reduction in veterinarian's time will we have to see in order to keep the total fee the same?" For example, assume that the veterinarian bills at \$80 per hour and the technician time is billed at \$20 per hour. Using the formula $V = V(x) + T(x)$, where V = vet hourly rate, T = technician hourly rate, and x = total billed-time factor for equivalent bill, $80 = 80(x) + 20(x)$, then $x = 0.8$. If the veterinarian and the technician can accomplish in 80% of the time what the vet can do alone, the client will realize no difference in fees. In almost all cases, the client will realize an expanded service for the same cost. Most dairy veterinarians struggle with long hours at work. Better utilization of technical staff can help to win the battle.

Conclusion

Many traditional dairy practices are very uncertain about their future with large, expanded dairy farms. The management-style of most dairy practices and traditional dairy farms can

be characterized craft-type, and they depend upon stable, benevolent business environments for survival. Because of the restructuring taking place, most practices and dairy farms will have to change toward administrative-style management in the coming years. Drug sales, medical/surgical procedures, and herd management assistance services should be decoupled so that they can be managed better. Large dairy herds have specific demands and needs, and veterinary practices can accommodate these needs and thrive if they restructure services creatively. Individual veterinarians can develop thriving herd management assistance practices if they acquire the skills, market them correctly, and utilize technicians more fully.

References

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