

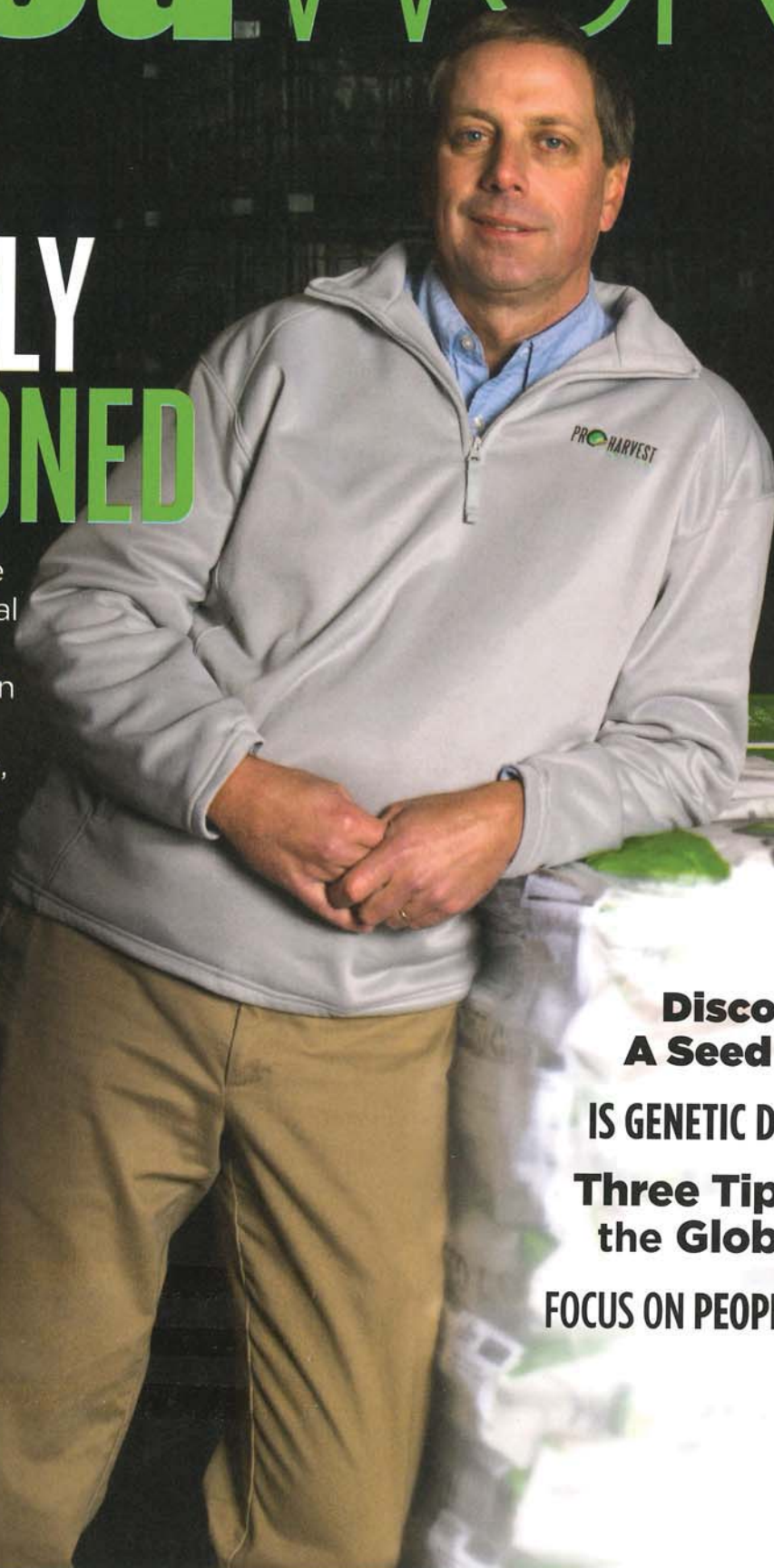
HIGHLIGHTS FROM ASTA'S CORN, SORGHUM AND SOYBEAN SEED RESEARCH CONFERENCE

SeedWORLD

January 2016

UNIQUELY POSITIONED

In preparing to lead the Independent Professional Seed Association as president, Randy Wilken focuses on strategies to grow the association, as well as independent companies.



“BETTER BEFORE BIGGER. IF WE DO THINGS BETTER IN EVERY STEP OF THE WAY, BIGGER WILL FOLLOW.”

— RANDY WILKEN,
2016 IPISA PRESIDENT

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PERFORMANCE MANAGEMENT FOR THE MODERN WORLD

Learning to effectively manage and motivate employees is one way agribusinesses are looking to gain a competitive edge. *Melissa Shipman*

THERE'S DEFINITELY ROOM for improvement.

At least that's what many in agribusiness believe about how performance interacts with overall business goals. According to a recent survey conducted by Purdue University's Center for Food and Agricultural Business, more than half of all middle managers in agribusiness believe their organizations are ineffective at performance management.

Michael Gunderson, associate director of the center and associate professor of agricultural economics at Purdue, conducted the survey to help clients who are struggling with employee performance.

"The biggest challenge for most food and agribusiness companies is not only having the right talent, but helping those individuals perform," Gunderson says.

The survey gauged how various companies ranked themselves in regards to performance management within their organization and correlated the effectiveness of performance management with revenue growth, employee growth and overall company performance. Findings were presented at the recent National Conference for Agribusiness, held Nov. 10-11 in Lafayette, Ind.

"Performance management links an individual's goals to the



Survey participants were asked to rate their organization's performance management on several facets. While the survey identified that most companies are doing a good job of aligning goals with performance expectations, some participants identified that they could be challenged further. *Source: Purdue University Center for Food and Agricultural Business.*

company's goals," Gunderson says. "It is a key step of talent management."

Allan Gray, director of the Center for Food and Agricultural Business, believes performance management is now more important than ever before.

Gray says during the past few years, he has noticed a disconnect between what managers believe about their employees and how those employees really align with company goals.

"Leaders often tell us their people are their greatest strength as a company, but then say they struggle with meeting goals and productivity," Gray says.

That disconnect is especially important when faced with a changing agricultural industry in which companies must become more competitive to move forward in the market.

"The market isn't going to carry you anymore. If you want to succeed, you have to be better than your competitors, and that's done by better managing your people. We need to get people thinking more about that process," Gray says.

Thus, the survey, which helped Purdue researchers get an idea of where more companies were starting out on the scale in a quest for the best employee performance.

A similar study, conducted at by the National Center for the Middle Market, a partnership between GE Capital and The Ohio State University's Fisher College of Business, inspired the Purdue team. Their survey questioned more than 400 C-suite executives at middle-market companies with revenue between \$10 million and \$1 billion about the connection between performance management and the bottom line of their organizations.

The Purdue study, which was open during February and March 2015, asked participants Likert scale-style questions about their performance management effectiveness. More

than 700 usable responses were collected.

Ways to Improve

Gunderson says the survey proves there is significant potential for growth.

One of the key findings showed human resource departments, which acted more as a strategic advisor for employees rather than just an administrative branch, had much more effective performance management, with a much better alignment between employee and business goals.

"Performance management can't be a task that's delegated solely to HR," Gunderson says. "It has to be a partnership between all levels of managers."

However, some companies have such a small staff that there is no human resource department to partner with in this effort.

Todd Burrus, part owner of Burrus Seed Farms, Inc., in Arenzville, Ill., attended the conference and was impressed with the information, even though his own organization doesn't compare, in terms of size, to most of the presenters. Still, he found the idea of performance management to be relevant to everyone, no matter how few employees.

"The ideas might be different but the basic human needs of significance and security are the same for every employee on your staff. Performance management focuses on meeting those needs and doing it in a fashion that incorporates those needs into your overall business goals," Burrus says.

Another significant finding showed that though managers sometimes feel they are doing a good job, many employees don't feel they

FAST FACT
More than half
of all middle managers in agribusiness believe their organizations are **ineffective at performance management,** according to a recent survey conducted by the Center for Food and Agricultural Business at Purdue University.

receive effective feedback.

"Managers may think they are communicating effectively, but that's not always the case," Gunderson says.

One way to help close that gap might be to reshape the entire performance management system, if a company even has one in place.

"It's often viewed as busy work," Gunderson says.

"Companies need to find a solution for providing feedback that is quick and effective. It's also probably wise to focus on feedback more than just once a year for an annual review cycle."

Gray says the key to improving performance management is to not only think about setting goals and using metrics to track them, but to also focus on developing people.

"We have to give people the tools they need to achieve their goals," he says.

Burrus says the survey helped affirm some recent changes the company had made.

"We're taking steps in that direction, and we came away feeling the results are going to follow those efforts," he says, mentioning strategic goals, alignment within the organization and effective incentives

as the key reasons to focus on performance management.

However, one of the main takeaways for Burrus was to think about the company's younger generations of workers.

"One of the things I found particularly interesting was the focus on looking into keeping those younger folks well-engaged and aligned with company goals," Burrus says. "There were several good ideas to think about there."

Gray agrees. "The biggest reason more companies are thinking about performance management is the sense of urgency they feel to develop succession plans to combat the age gap we're seeing within the food and agribusiness industry," he says.

Upper management is composed almost entirely by older generations, and there's a significant age, and experience, gap between the next

generation of leaders.

"We need to start training leaders how to manage others and help them learn effective employee management skills," Gray says. "It's about helping people understand goals and how they connect to the company. Employees can't improve unless their managers are very clear about setting and achieving goals."

One good thing about taking the time to focus on these strategies is that improvement can often be seen almost immediately, despite a learning curve.

"We'll have to spend time training managers and coaching employees on the new metrics, so there's a transitional period," Gray says. "But I believe companies will see impacts right away, simply because their tools for setting and measuring goals will be more effective." **SW**

GET STARTED

For organizations wanting to improve performance management, Gunderson recommends starting with three simple steps.

- 1. Consider scrapping the annual review.** Many successful companies have moved to an environment that nurtures ongoing feedback between all employees. "One of our speakers from GE shared that the company uses a few minutes after each meeting to focus on things to both 'continue doing' and 'consider doing differently.' That language is really permeating the entire organization now and helping foster development," Gunderson says.
- 2. Don't force the "bell curve."** Normal distribution theory suggests all companies have a small number of very high performers and a similar number of very low performers with the bulk of employees performing near the average, but Gunderson says many successful companies are abandoning this idea. "Distributions were made famous by Jack Welch during his time at GE, but even they no longer use that system. There are many problems associated with this model and it might not fully reflect the full diversity of people, roles, and the alignment of the two," he says.
- 3. Skip the self-assessment.** This annual process is often dreaded by employees, but more than that, it's ineffective. "Research suggests that we are notoriously poor self-evaluators," Gunderson says. "With the goal of keeping performance reviews simple and effective, self-assessment makes them more complicated and might lead to them being less effective."



INDEPENDENT BY CHOICE

Four seedsmen share their outlook for the future and what drives their customer base. **Richard Hagen**

THERE'S NO DENYING the U.S. agricultural industry is feeling an economic squeeze. Unfortunately, this dog appears to have a long tail. Michael Swanson, a Wells Fargo agricultural economist in St. Paul, Minn., says the strength of the U.S. dollar is likely to be the strongest wind against us for the next three to four years.

"Our strong dollar significantly impacts commodity exports," he says. "Unless we get a significant weather scare, we're going to be dealing with \$4 corn for some time. We're trading \$4 corn on the 2016, '17, '18 and the '19 contract now."

So how do America's independent seedsmen handle this challenge?

"We've weathered these storms before," says Tom Burrus, president of Burrus Hybrids in Arenzille, Ill., and a fourth-generation seedsmen. "Providing products and management strategies that produce higher yields at less cost is the simple answer. That's how we'll get out of this quagmire we're in.

"Yes, some farmers will get squeezed out but not the mass exit of the 1980s. There might be a few losses within our seed industry too."

But Burrus sees a bright future. "We're well financed, and we're producing the seed on our own land," he says. "Quality control favors us simply because we have our hands around every aspect of putting our seed into the market."

Additionally, Burrus Hybrids is able to access worldwide breeding programs, which lets them select the genetics and special traits targeting the geography of their sales territory, and its seed fields are monitored daily.

"Perhaps the bigger advantage of most independents is the greater total service we provide," Burrus adds. "Extension in

many states doesn't provide the 'on-farm' teaching anymore. Yet, our farmers have a growing appetite for information, and they want an independent source of knowledge. Independents are rapidly becoming that total source."

Scott Beck, president of Beck's Hybrids in Atlanta, Ind., says that they can truly focus on the individual farmer. "His success is our success," Beck says. "We don't have shareholders outside the company that we need to satisfy. Our 'shareholders' are each and every farmer that buys our product."

With 548 employees, Beck's claims to be the largest family-owned retail seed company in the United States. "We currently have eight family members involved in the ownership of Beck's Hybrids, including my brother who farms in Illinois and also raises seed for us. My great grandfather and grandfather started the company in 1937.

"Customer loyalty is a key advantage for us. We don't view this business as just being a seed transaction but rather an ongoing relationship that offers advice and assistance throughout an entire cropping program."

Delivering Information

Beck's provides agronomic information through Practical Farm Research studies and assists in data storage management by offering FARMserver — a technical platform that supports farmers' precision farming needs.

"In a nut shell, we're offering more value," Beck says.

Joe Merschman, president and CEO of Merschman Seeds Inc., in West Point, Iowa, points to communication.

"We talk with our customers," he says. "We match our products exactly to what they need for their farms. We're not a

one-size-fits-all company. We have the flexibility and freedom to virtually custom fit our products with their soils, production challenges, tillage programs and even planting schedules."

Merschman understands the importance of investing time and resources into training its team of people.

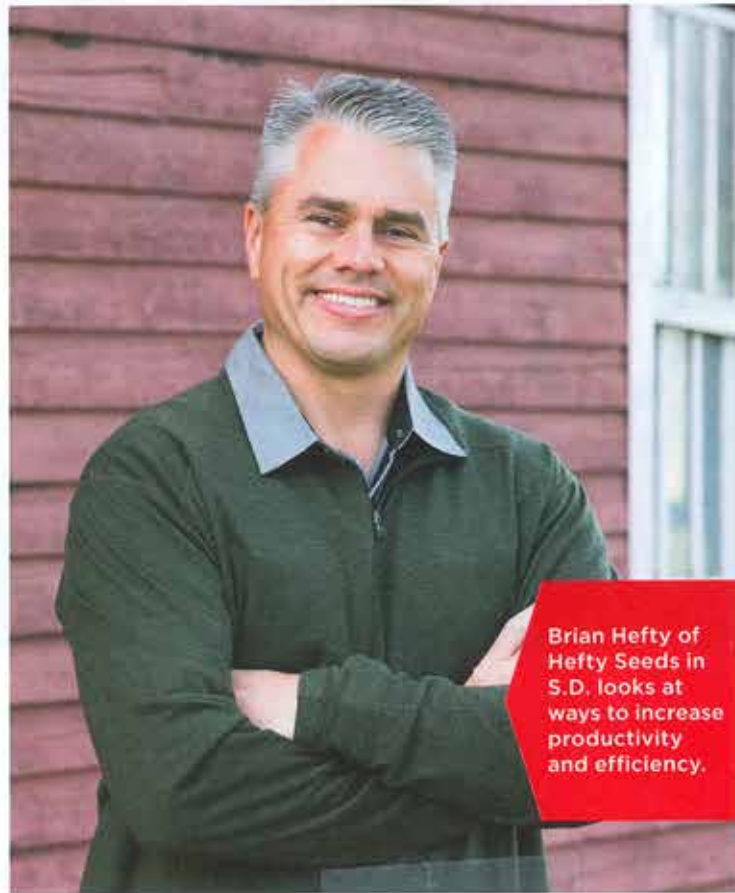
"Farmers are knowledge hungry these days," Merschman says. "That requires more from us than just getting seed to their farms. We're an open book. Honesty and integrity are the cornerstones of every independent seed company if they want to be successful. Most independent seed companies are tied closely to their farm customers."

His only real concern in competing against the 'big boys' are potential price wars.

"They may try to crush you in a certain market, in essence buy the business," he says. "We don't have the margins to compete in a price war. We differentiate ourselves by selling value, information, service and quality. Anybody can sell 'cheap.' We know that if a major wants a particular customer, or a market segment, they can target us. But if selling cheap doesn't work, you'll never get on that farm again."

Along with communication and proximity, comes friendship. "Our customers are also our friends," Merschman says. "You don't let a friend down. We're very focused on sharing information with our customers so they can make good decisions."

With a long history of weathering the cycles, Merschman Seeds is entering its 62nd year in business. The company launched soybeans in 1957 when the crop was still mostly a stranger to farmers in southeast Iowa. Today, soybeans continue



Brian Hefty of Hefty Seeds in S.D. looks at ways to increase productivity and efficiency.

to be their No. 1 revenue source; however, corn keeps expanding, and alfalfa and wheat fill out the cupboard.

He chuckles, "There's a bit of a stigma out there that soybean outfits can't be successful in the corn business. We're loving it ... we're proving that's not so."

Brian Hefty of Hefty Seeds in Baltic, S.D., relates their early start was in the crop chemical and fertilizer business. "We could sense that adding corn and soybean products was a good fit for the total service commitment we make with our customers," Hefty says. "That's great economic logic for our customers too."

Today, there are 38 Hefty retail centers across 10 states.

"Farmer's ask how we can offer just as good, or better, genetics than the majors. I tell them we are dealing with very similar genetics," he says. "That's because turnover on new hybrids is now about a two-year swing. They put millions into the research and development of new pedigrees and new traits. Getting a good return quickly is vital to them ... and their shareholders."

Hefty appreciates the aggressive nature of today's farmers, noting that they don't want to be tied to the apron strings of the majors. "We see farmers becoming more knowledgeable and independent," he says. "They are recognizing that we provide that total service package that enables them to maintain their independence."

Moving forward, Hefty expects continuing merger and acquisition activity. "Margins are simply getting tighter for everyone," he says. "Just like our customers, the challenge ahead is how can we get more productivity out of all our resources."

"We don't have the margins to compete in a price war. We differentiate ourselves by selling value, information, service and quality."

— Joe Merschman

But Todd Martin, executive director of the Independent Professional Seed Association, doesn't expect to see a rash of consolidations as a result of the tightening agricultural outlook.

He says the very strength of independents is their ability to adapt swiftly to a changing environment. "These folks know how to weather down turns in the market," he says. "They have a unique way of seeing opportunities and taking advantage as the market dictates. That's why they continue to be successful."

Merschman says the independents here today will be the ones around for the long haul.

"We have a passion and joy for the business," he says. "My father (Bill) is 87 years old. He started this business and he still unlocks the door every morning at 6:30. When he turned 80 he told me, 'You know, son, this business is starting to get fun.'" **SW**