Uncovering the Linkage Between Managing People and Profitability

Joseph R. Manning, DVM, MBA

1. Introduction
The way equine practitioners manage people has a direct impact on the profitability of their business. Understanding formal business concepts in managing people will help practitioners focus on long-term value creation. The first basic concept is that “People Matter,” and this fact is especially important in businesses where service is the product. Creating an environment where the best employees are attracted to careers and where they show up and put forth their best effort is the essential goal of managing people. Successful management of people creates employees who directly contribute to profitability.

The business environment has and will continue to change. This fact has an impact on all businesses big and small. The gender, generational, and economic changes are some of the changes evident in equine practice. Successful businesses will need a strategic plan for managing human capital in this new environment. The strategy for managing people in a changing environment is critical for overall business success. Competing in this changing environment will require acquiring the right talent, managing human capital, meeting leadership challenges, and designing reward systems linked to profitability.

All businesses, big and small, have a culture. In most simple terms, a business culture is “How We Do Things Around Here.” A culture can be a competitive advantage for a company and part of overall successful business strategy. A culture can also impair a business’s ability to compete and therefore change is needed. Equine practices have cultures that are evident to clients, vendors, employees, and all who come into contact with the business. This culture exists for all sizes of practices; from solo ambulatory to multi-doctor equine practices. The dominant type of culture of practice can be diagnosed and changed if needed. Building a culture aligned with the strategic goals of long-term profitability is the primary challenge of managing people.

The goal of this presentation is to share with practitioners a formal tool used in business to diagnose and change organizational culture. The tool uses a competing values framework allowing users to graphically visualize an existing culture. There are four cultural types (clan, hierarchy, adhocracy, and market), and all business has some component of all cultures represented. The dominant type of an existing culture dictates “How We Do Things Around Here” on a day-to-day basis. This tool also illustrates the relative strengths and weaknesses of cultural types within specific business challenges.
The strengths and weaknesses will specifically be related to equine practice. Understanding this concept will provide the most important linkage to long-term profitability. Examples will be provided to illustrate successful use of cultural type by business leaders to foster competitive advantage. Business culture impacts organizational characteristics, leadership, employee management, organizational glue, strategic emphasis, individual behavior, and criteria of success. The linkages to profitability will be a surprising concept to practitioners.

Much of what has been presented regarding human resource management in equine practice has promoted a cultural shift toward a hierarchal culture. This culture is a very formalized and structured place to work. It functions around organizational charts, with a great deal of separation between customers and leadership. Job descriptions are used and strictly adhered to. Formal rules and policies hold the organization together. In today’s business environment, hierarchies are best suited to compete in a manufacturing and commodity-type business. There are few successful business models in services marketing using the hierarchy cultural type. Modern businesses are often working toward reducing this component of their culture to become more competitive in the changing business environment.