Lesson 6: Strategic Planning for Value-Added Businesses

Funding was provided by the Agricultural Marketing Resource Center.
OBJECTIVES:

After completion of this unit, the students will be able to:

1. Explain the fundamental relationship between seller and buyer of a product.
2. Differentiate between the importance of individual customer trust in a seller’s product and the institutionalized trust of food grades and standards.
3. Identify methods can use to develop a personal brand of trust with their customers.
4. Describe successful strategies aimed at improving a customer’s trust of a food product and the food supplier.
5. List and provide examples of the four-step customer service process.

MATERIALS/REFERENCES NEEDED:

Value-Added Agriculture Business Strategic Planning. Martin Frick. Adapted from USDA RBS Research Report 184, Strategic Planning Farmer Cooperatives. In PDF format.

VISUAL MASTERS (VM):

See VA Lesson 06.ppt.

INTEREST APPROACH:

Discuss with the group how a team would prepare to attempt to win a basketball game. What “strategic plan” would the team prepare? What problems would the team attempt to foresee and prepare to meet? Strategic planning for a value-added business is quite similar. There will always the “known” and “unknown” that we must prepare for. Also, discuss how the team will react to the management skills learned through strategic planning including organizational planning, directing, staffing and controlling.
QUESTIONS:

1. What does strategic planning mean?

Answer: Like a plan for winning a basketball game.
- Winning a game means winning plays; thus, points on the score board.
- Businesses can use strategic plans to contend with their environment.
- These plans provide direction of purposes and policies that define the business.
- Important in laying out a future course of action.
- The most important management function.
- Deciding the direction for the future of the business.
- Planning is a continuous process.

Long-term planning is a primary responsibility of the business management personnel.

2. What questions does strategic planning answer?

Answer:
- Where is the business now?
- Where is the business going?
- Where should the business be going?
- How is the business going to get where it is supposed to be going?

3. What are the phases of the strategic planning process?

Answer:

Phase 1: Agree to plan
- Business committees agree to the strategic planning process.
- They explore the need to plan.
- Using resource persons from outside can provide insight and observations.
- The committee (directors) must accept responsibility for decisions.

Phase 2: Fact Gathering
- They decide who will be involved and the persons responsible.
- Using resource persons from outside can provide insight and observations.
- The committee (directors) must accept responsibility for decisions.

Phase 3: Evaluation
A. Create a mission statement.
   1. Define the philosophy and values of the business and how it deals with its environment.
   2. The mission statement should focus on activities the business conducts.
      a. States the needs.
      b. Communicates why the business exist.
3. The mission statement answers four questions.
   a. What does the business do?
   b. Who are the clients?
   c. Who are the stakeholders (management team, employees)?
   d. How does the business conduct its self?
4. Don’t confuse a mission statement with a vision statement.
   a. Vision statement tells where the business is going.
   b. Mission statements tell how the business will get there.

B. Identify and evaluate the strategic options for the business (content or future policies, problems, opportunities, products, services).
   1. Each option should be described briefly.
   2. Policy questions should be addressed relative to the option.
   3. Determine the consequences of not addressing the option.

Phase 4: Plan definition
A. Start by choosing a strategic option.
   1. Each option should be described briefly.
   2. Policy questions should be addressed relative to the option.
   3. Determine the consequences of not addressing the option
   4. Several choices may be apparent and planning committees may have to choose.
   5. It may not be an easy choice.
   6. The choice may require a vote of members.
   7. Any new direction, no matter how well planned, must have support of the majority of the membership.
   8. Sometimes to complete our business strategy, we simply move ahead.
   9. Other times it will mean new location, new services, new products.
B. An objective is a short-term practical target related to a goal.
   1. Objectives are specific, measurable, and related to a specific time frame.
   2. Several objectives may be needed to meet a goal.
C. Action plans are specific tasks to be performed to achieve objectives.
D. Discuss overhead #5: Implementation includes.

Phase 5: Reevaluation
- As soon as action plans are implemented, they should be reevaluated.

3. **What roles must different people play in strategic planning?**

**Answer:** Commitment
- Fundamental to successful strategic planning.
- All management persons (committee members, employees etc,) must be fully committed.
- Direct employee involvement (where appropriate) will help ensure success.
- “Ownership of” or “linkage to” will help ensure plan will work.
- Ultimate success of strategic planning depends on the people seeing it through.
4. What is management’s role in the strategic planning process?

Answer:
- Set the tone and pace for planning.
- Analyze the business position.
- Proposing objectives.
- Provide ideas for possible strategies.
- Setting time periods.
- Maintaining control of strategic planning procedures.
- Developing resources.
- Propose needed changes.
- Evaluate strategic plans.

5. What are the six elements of strategic planning?

Answer:
A. Mission statement
   1. The mission statement is discussed in a separate lesson.
   2. It is a key component of planning.
   3. It declares the reason for the business’s existence.
   4. Defining the mission statement is the committee’s responsibility.
B. Current conditions or outlook.
   1. Under what conditions is the business currently operating.
   2. What is the overall assessment of the business?
C. Strengths and Weaknesses
   1. Helps determine where the business is now and where it is going.
   2. Review a number of areas.
      a. Financial status
      b. Member service
      c. Communication avenues
      d. Market and competitive position
      e. Management and employee situation
      f. Committee (directors) involvement
      g. Member, patron relationship

External Environment
   1. External environment can affect everyday and future operations.
   2. The business need to assess:
      a. On both present and future basis
      b. Their position relative to general economy.
      c. The agriculture economy and competition.
   3. External assessment helps identify opportunities.
   4. External assessment helps take advantage of threats so they may be able to counter the threats.
   5. From the general economy consider:
      a. Inflation
b. Unemployment
c. Interest rates
d. Consumer legislation
e. New businesses
f. Changing values
6. From the agricultural economy consider:
   a. Size of farms.
   b. Future farm population
   c. Age of farmers.
   d. Environmental concerns.
   e. Technology
   f. Government policies.

Objectives
- Objectives indicate areas where the business wants to make progress.
- Strategic planning should include short term objectives (1-2 years) and long term objectives (3-5 years).
- Objectives should be consistent with the mission statement.
- Use the overhead to discuss the attributes of good objectives. Note: Use Overhead #7.

Strategies
1. A means by which to achieve ends.
2. They define specific actions.
3. They spell out precisely how the business will move forward.
4. Before developing strategies, prioritize the objectives by long and short term.
5. Strategies should be developed in line with:
   a. Business mission
   b. Boundaries of human, physical and financial resources available.
6. Use overhead to discuss process.
7. It would be wise to develop alternative strategies for different scenarios.
   a. Changes in economic environment.
   b. Reaction by competitors.

Strategic Implementation
- “Action Plans” spell out what the implementation plan will entail.
- Strategic implementation can be risky and uncertain.
- These plans need to be carefully monitored.
- Time constraints may need to be established.
- It may be necessary to make corrective modifications.

2. How is feedback obtained through the strategic planning process?

Answer:
1. Necessary to be able to measure whether implemented strategies were successful and effective.
2. Were strategies carried out correctly?
3. Did they improve overall economic conditions?
4. Did they provide benefits to members?
5. To measure the progress and performance of strategies, performance measures (e.g., ratios or indicators) can be useful. These factors should:
   a. Be measurable at reasonable expense.
   b. Be controllable either directly or indirectly.
   c. Be readily understood.
   d. Indicate operating results as well as financial results.
   e. Include key comparisons with competitors.

CONCLUSIONS:
As with any major effort, a planning process has its proper time and place in the organization. Certain organizational elements must be in place to ensure that the planning process will provide the maximum benefit to the business. It is important to be candid when assessing the business's readiness to engage in the planning process. Even if you get halfway through the planning process before you realize that the business is not ready, stop and remedy the situation before continuing with the process.

How do we increase our chances of implementing our strategic plan?
**Three areas** must be addressed to ensure that the planning process and resulting strategic plan are valuable and useful for the business:
1. The process that is used to develop the plan can guarantee success or failure. Credibility and ease of use are often direct results of how the plan was created.
2. The format of the plan will influence how and when people use the document in the workplace. Complex, outdated documents are doomed to remain on the shelf.
3. Management's use and respect for the plan influences the acceptance for the rest of the staff.