

Building and Executing the Strategic Business Plan

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Building and Executing the Strategic Business Plan

- Laying the Foundation
- Looking Backward to Move Forward
- Sizing Up the Current Situation
- Moving the Organization into the Future
- Using the Strategic Plan

Laying the Foundation

- What is Strategy?
 - Consciously choosing to be clear about your company's direction in relation to what's happening in a dynamic environment.
 - With this knowledge, you're in a better position to respond proactively to the changing environment.

Laying the Foundation

- What is a Strategic Plan?
 - A formalized roadmap that describes how your company executes the chosen strategy.
 - A plan spells out where an organization is going over the next year or more and how it's going to get there.

Laying the Foundation

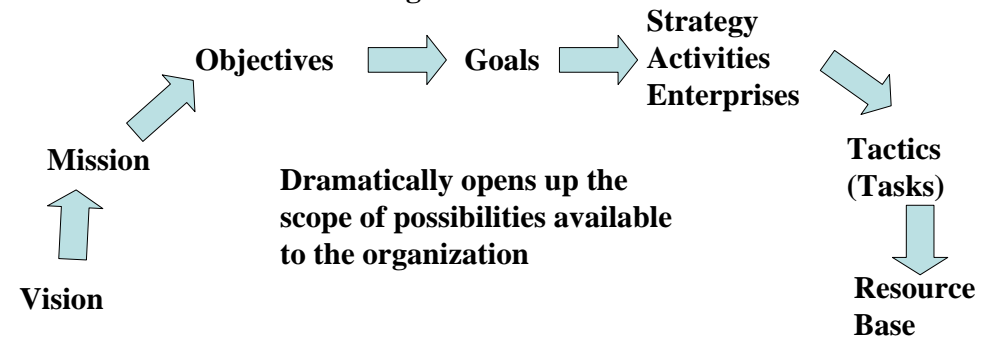
Traditional Thought Process Flow



A huge constraint on achievement is in place from the start

Laying the Foundation

Planned Thought Process Flow



Laying the Foundation

- Strategic Planning Questions
 - What is the mission and purpose of the business?
 - Where do we want to take the business?
 - What do we sell currently? What could we sell in the future?
 - To whom shall we sell it?
 - What do we do that is unique?
 - How shall we beat or avoid competition?

Laying the Foundation

- Elements of a Strategic Plan
 - Where are we now?
 - Where are we going?
 - How will we get there?

Laying the Foundation

- Where are we now?
 - Mission Statement
 - Why does your organization exist?
 - Values Statement or Guiding Principles
 - What are the core values and beliefs of your company?
 - SWOT
 - What are your organization's strengths, weaknesses, opportunities, and threats?

Laying the Foundation

- Where are we going?
 - Sustainable Competitive Advantage
 - What can your organization potentially do better than any other organization?
 - Vision Statement
 - What will your organization look like in 5 to 10 years?

Laying the Foundation

- How will we get there?
 - Strategic Objectives
 - What are the key activities that you need to perform in order to achieve your vision?
 - Strategy
 - Does your strategy match your strengths in a way that provides value to your customers?
 - Short-Term Goals, Priorities, and Initiatives
 - What are the one to three year goals you're trying to achieve to reach your vision?
 - What are your specific, measurable, and realistic targets for accomplishment?

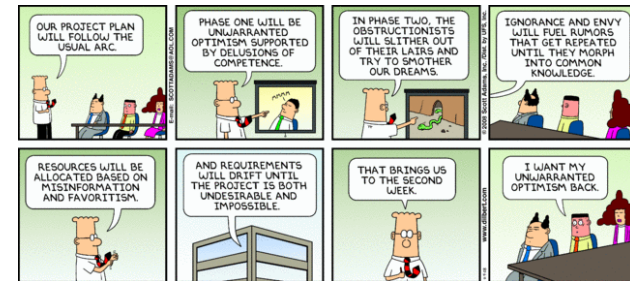
Laying the Foundation

- How will we get there?
 - Action Items
 - Are your action items comprehensive enough to achieve your goals?
 - Scorecard
 - What are the key performance indicators you need to track to monitor whether you're achieving your mission?
 - Execution
 - How committed are you to implementing the plan to move your organization forward?

Laying the Foundation

- Strategic Planning Pitfalls
 - Relying on bad information or no information.
 - Ignoring what your planning process reveals.
 - Being unrealistic about your ability to plan.
 - Planning for planning sake.
 - Get your house in order first.
 - Don't copy and paste.

Laying the Foundation



Looking Backward to Move Forward

- Reviewing What Happened Last Year
 - Recognizing What You Achieved
 - What goals did we achieve? Why?
 - What hurdles or challenges did we overcome? How?
 - What new customers did we acquire? How?
 - Who joined our team?
 - What projects were successful? Why?
 - Add achievements to list of strengths in your SWOT analysis.

Looking Backward to Move Forward

- Reviewing What Happened Last Year
 - Understanding Failures
 - What lessons did we learn last year?
 - What decisions would we have changed in the past year?
 - What goals or projects did we not accomplish? Why?
 - What roadblocks or hurdles do we keep stumbling into? Why?
 - What challenges did we fail to meet over the past few years?
 - Responses to these questions can be used to list weaknesses in your SWOT analysis.

Looking Backward to Move Forward

- Reviewing What Happened Last Year
 - Eliminating Pesky Problems
 - Two types of problems:
 - Gremlins: small annoyances
 - Monsters: big, scary, strategic issues
 - Monsters are often so big that it's easier to ignore them than confront them. If they are not dealt with, they can eventually sink the business.

Looking Backward to Move Forward

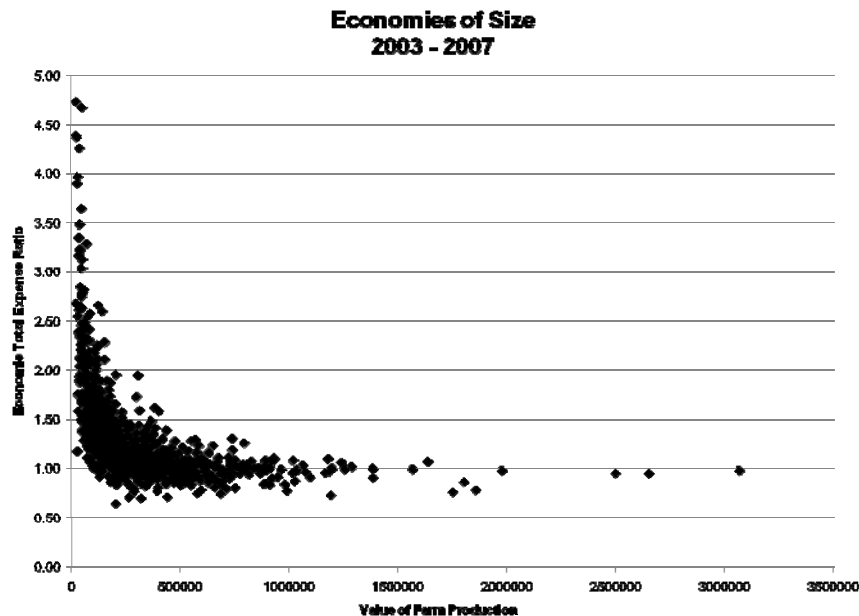
- Evaluating Your Products and Services
 - Look at how each product and service has performed over the last three years.
 - Winners
 - Losers
 - Market Attractiveness and Business Strength Matrix
 - Box 1 Grow and Invest
 - Box 2 Selective Investment
 - Box 3 Harvest and divest

Looking Backward to Move Forward

- Knowing Your Competitive Advantage
 - Your competitive advantage is what you, your company, or your department does better than anyone else.
 - It is what makes you unique.

Competitive Advantage

		Relative Price Per-Unit		
		Lower	Average	Higher
Relative Cost Per-Unit	Lower	1 Indeterminate Position	2 Competitive Advantage	3 Competitive Advantage
	Average	4 Competitive Disadvantage	5 Parity Position	6 Competitive Advantage
	Higher	7 Competitive Disadvantage	8 Competitive Disadvantage	9 Indeterminate Position



Looking Backward to Move Forward

- Strategic Foundation
 - Core
 - What you do best (competitive advantage)
 - Why you exist (mission statement)
 - What do you stand for (values statement)
 - Future
 - Where you're headed (vision statement)
 - What does it look like (vivid description)

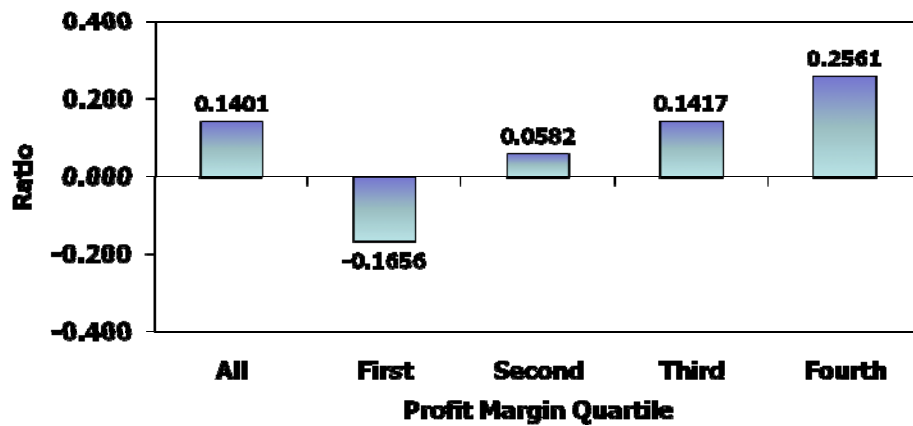
Looking Backward to Move Forward

- Assessing Your Mission
 - A mission statement is a statement of the company's purpose or its fundamental reason for existing.
 - Elements of an effective mission statement:
 - Focuses on satisfying customer needs
 - Based on your core competencies
 - Motivates and inspires employee commitment
 - Realistic and clear
 - Specific, short, sharply focused, and memorable
 - Clear and easily understood
 - Says what the company wants to be remembered for

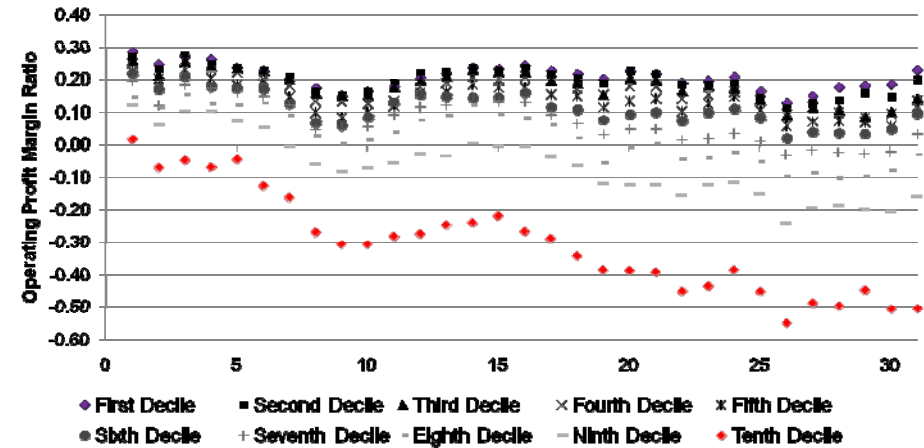
Looking Backward to Move Forward

- Example of Mission Statement
 - The Mission of _____ is to operate a diversified small grain and cow-calf farming operation in north central Kansas. We are recognized as reliable community citizens, neighbors, and stewards of the environment. We base decisions on the best available "science based" information, and avoid emotional decisions. We strive to produce high quality commodity and cattle. We maintain a "family farming" environment, while targeting at least a 20% profit margin and 35% asset turnover ratio.

Operating Profit Margin



Operating Profit Margin



Looking Backward to Move Forward

- Evaluating Your Organizational Values
 - Values are enduring, passionate, and distinctive core beliefs.
 - Guidelines to developing your list of values:
 - One word isn't enough to convey the real meaning of a value.
 - Make your values statements specific, not generic.
 - Some values-driven language may be part of your mission statement.
 - Values need to be shared.

Looking Backward to Move Forward

- Focusing on Strategic Vision
 - A vision statement is a short, concise statement of your organization's future state.
 - A vivid description is a list of words and phrases that describes what that future is like.

Looking Backward to Move Forward

- Focusing on Strategic Vision
 - Elements of an effective vision statement
 - Bold
 - Capitalizes on core competencies
 - Contains scenarios
 - Inspiring
 - Motivating
 - Purpose-driven

Looking Backward to Move Forward

- Example of Vision Statement
 - In ten years our farm will be producing beef and grain products. We will be widely recognized for our ability to achieve high levels of production at a low per-unit cost. We have a passion for family based agriculture, and the rural lifestyle, however we are committed to a reasonable family living standard.

Sizing Up Your Current Situation

- SWOT Analysis
 - Internal
 - Strengths
 - Weaknesses
 - External
 - Opportunities
 - Threats

Sizing Up Your Current Situation

- Strengths and Weaknesses
 - Capabilities:
 - Human
 - Organizational
 - Knowledge
 - Resources:
 - Financial
 - Physical
 - Intangible

Sizing Up Your Current Situation

- Strengths and Weaknesses (continued)
 - Processes:
 - Operational
 - Customer management
 - Relationship management
 - Innovation
 - Technology management
 - Communication
 - Current Customers:
 - Customer mix
 - Satisfaction
 - Loyalty

Sizing Up Your Current Situation

- Strengths and Weaknesses (continued)
 - Internal Processes Provide the Connection Between Your Capabilities and Resources
 - Efficiency
 - Doing things right.
 - Are your processes producing the end result you desire?
 - Effectiveness
 - Doing the right things.
 - Are you involved in the processes you should be involved in?

Sizing Up Your Current Situation

- Opportunity and Threats
 - Operating Environments:
 - Political and legal issues
 - Environmental issues
 - Social issues
 - Technological developments
 - Industry
 - New competitors
 - Substitute products
 - Power of suppliers
 - Power of buyers
 - Competitive rivalry

Sizing Up Your Current Situation

- Opportunity and Threats (continued)
 - Market:
 - Growing, shrinking
 - Size of markets
 - New markets
 - Competitors:
 - Who they are
 - Strengths, weaknesses
 - Strategies
 - Objectives

Sizing Up Your Current Situation

- Resource Based Theory
 - Framework for Analysis
 - The Question of Value
 - Does the firm’s resources and capabilities enable the firm to respond to environmental threats and opportunities?
 - The Question of Rareness
 - How many competing firms already possess particular valuable resources and capabilities?

Sizing Up Your Current Situation

- Framework for Analysis (continued)
 - The Question of Imitation
 - Do firms without a resource or capability face a cost disadvantage in obtaining it compared to firms that already possess it?
 - The Question of Organization
 - Is the firm organized to exploit the full competitive potential of its resource and capabilities?

Resource Based Framework

Is a resource or capability ...

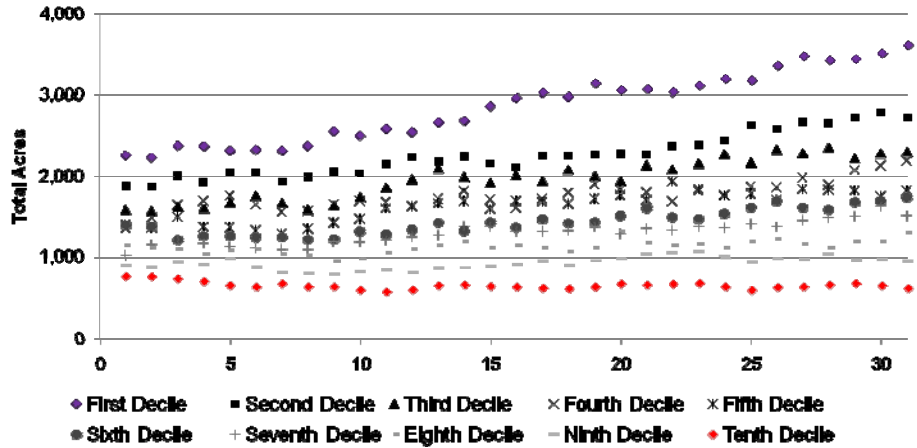
Valuable?	Rare?	Costly to Imitate?	Exploited by Organization?	Competitive Implications	Economic Performance
No	No	No	No	Disadvantage	Below Normal
Yes	No	No	No	Parity	Normal
Yes	Yes	No	No	Temporary Advantage	Above Normal
Yes	Yes	Yes	Yes	Sustained Advantage	Above Normal

Adapted using information in Chapter 3 of Barney and Clark (2007).

Moving the Organization into the Future

- Strategizing How to Grow
 - Your growth strategy is the way in which you position your company to exploit your strengths and opportunities and mitigate your weaknesses and threats.
 - By strategizing how to grow, you’re actively deciding how to connect your mission with your vision.

Growth in Total Acres – KFMA Farms



Moving the Organization into the Future

- Four Growth Strategies
 - Market penetration
 - Focusing on your current markets and products.
 - Product development
 - Leveraging your market knowledge to develop new products.
 - Market development
 - Leveraging your product knowledge to enter new markets.
 - Innovation
 - Diversifying by offering new products in new markets.

Moving the Organization into the Future

<i>Growth Strategies</i>	Existing Market	New Market
Existing Products	Market Penetration	Market Development
New Products	Product Development	Innovation

Moving the Organization into the Future

- Executing Your Growth Strategy
 - Going it Alone
 - Advantages
 - Have more control
 - All of the additional revenue is kept in the business
 - Realize all of the potential cost savings through economies of scale and shared resources
 - Disadvantages
 - Limited resources
 - Lack of skills
 - Greater risk

Moving the Organization into the Future

- Executing Your Growth Strategy (continued)
 - Developing Partners
 - Reasons for joining forces:
 - Increased market reach
 - Faster product development
 - Access to a customer base
 - Facilitate international trade
 - Gain access to needed technology
 - Enhanced purchasing power
 - Shared marketing
 - Shared logistics, distribution, and operations
 - Shared administrative and human resources

Moving the Organization into the Future

- Executing Your Growth Strategy (continued)
 - Developing Partners
 - Hidden pitfalls of partnerships:
 - Lack of trust between the two parties
 - Moving too fast into the agreement
 - Lack of buy-in from senior management in both organizations
 - Failure by one or both partners to clearly articulate the alliance's potential value to managers or employees
 - Failure to define who owns what
 - Getting bogged down in bureaucracy in one of the two companies
 - Lack of consistent, regular communication
 - Failure to establish the exit clause before the partnership starts making money or goes south

Moving the Organization into the Future

- Executing Your Growth Strategy (continued)
 - Mergers and Acquisitions
 - Advantages:
 - Expand your markets
 - Acquire access to knowledge, systems, technology, equipment, intellectual property, or processes
 - Improve economies of scale
 - Reduce overhead expenses
 - Reduce or eliminate competition

Moving the Organization into the Future

- Executing Your Growth Strategy (continued)
 - Mergers and Acquisitions
 - Disadvantages:
 - Cultural mismatch
 - Overvalue expense savings
 - Overestimate customer retention
 - Misread the acquired company's market

Moving the Organization into the Future

- Strategic Priorities
 - Financial
 - Customer
 - Internal
 - Employee

Moving the Organization into the Future

- Financial Priorities
 - Revenue Generation
 - Increase gross revenue by x% per year
 - Cost Improvement
 - Improve overall efficiency by x% per year

Moving the Organization into the Future

- Customer Priorities
 - Examples of customer goals:
 - Introduce existing products into a new market
 - Introduce new products to new and existing markets
 - Anticipate future customer needs
 - Expand sales to the global marketplace
 - Improve customer retention and loyalty

Moving the Organization into the Future

- Internal Priorities
 - Examples of internal goals:
 - Establish at least one new strategic alliance
 - Improve internal communication
 - Redirect or restructure available resources
 - Improve organizational structure

Moving the Organization into the Future

- Employee Priorities
 - Align incentives and rewards with employee performance
 - Develop a broad set of skills
 - Develop a team that understands strategy
 - Improve labor relations, human resource development, and training

Moving the Organization into the Future

- Strategizing How to Reach Your Vision
 - Answer the following questions:
 - What initiatives do we need to pursue?
 - How will we achieve our vision?

Moving the Organization into the Future

- Writing Your Long-Term Strategic Objectives
 - Strategic objectives are broad categories, and are typically not measurable.
 - Answer the following question:
 - What activities do we need to be involved in to accomplish our mission?

Moving the Organization into the Future

- Short-Term Goals
 - Immediate mileposts on your way to your vision.
 - Should be:
 - Specific
 - Measurable
 - Attainable
 - Responsible
 - Time specific

Moving the Organization into the Future



Using the Strategic Plan

- Assembling Your Plan
 - Competitive advantage
 - Mission, vision, values
 - Long-term strategies
 - Strategic objectives
 - SWOT analysis
 - Customer profiles
 - Goals
 - Action plan
 - Financial projections

Using the Strategic Plan

- Evaluating Your Plan
 - Does your plan connect your mission to your vision?
 - Is your plan realistic?
 - Is your plan integrated?
 - Is your plan balanced?
 - Is the plan complete?
 - Is the document clear?

Using the Strategic Plan

- Keeping Score of Your Progress
 - Identify the right measures.
 - Establish increments that mesh with the targets.
 - Identify the data source.
 - Input numbers in a timely fashion.
 - See the big picture.
 - Take corrective action.

Using the Strategic Plan

- Contingency Planning
 - Common Risks and Threats
 - Economic woes
 - Financial issues
 - Liquidity
 - Solvency
 - Profitability
 - Lack of processes
 - Legal or regulatory action
 - People issues
 - Tarnished reputation
 - Computer or equipment failure

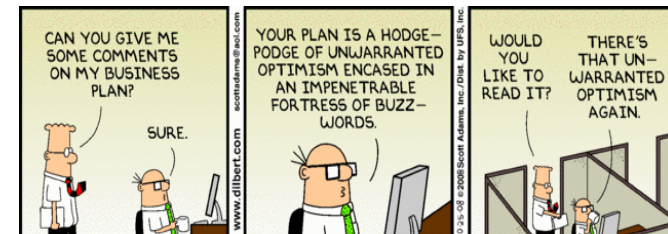
Using the Strategic Plan

- Scenario Planning
 - A way of simplifying a complex future by providing you the opportunity to ask “what if” questions and to rehearse how you may respond should a certain event or trend happen in the future.
 - With scenario planning, you’re imagining not just one, but a variety of future probabilities.

Using the Strategic Plan

- Scenario Planning (continued)
 - The scenarios you develop serve two purposes:
 - To further understand how the strategies perform in each of the scenarios.
 - To generate creativity and spark new ideas.

Using the Strategic Plan



Summary

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- Looking Backward to Move Forward
- Sizing Up the Current Situation
- Moving the Organization into the Future
- Using the Strategic Plan

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