

STRATEGIC PLANS START AT TOP

BY DICK WITTMAN

As CEO and board chair, you are best suited to lead strategic planning for your business

Editor's note: This article is the first in a series labeled 'From the boardroom' that will focus on the role of farm board chairman.

WHO SETS THE strategic direction for your business?

Having a robust strategic planning process can set you apart from the competition. Yet, only 19% of top producers in ag business indicate they actively engage in a formalized strategic planning process.

In our May-June cover story, "Your leadership awaits," we talked about the need for senior managers to transition from operations to chairman of the farm board. This series is designed to put more meat on that bone and give you some ideas for your new role as chairman of the board.

One of the key roles in that position is to help set strategic direction

for the farm business.

How does strategic planning differ from operational or seasonal planning? Operational planning is typically the responsibility of the management team — not the board. This includes daily, weekly and seasonal planning in crop and livestock production operations, equipment maintenance and replacement, building and improvement repairs, renovations and replacement, or conservation projects. Operational planning deals with the "what we do today"; in other words, the tactics of what, when, who and how.

FUTURE OF YOUR BUSINESS

Strategic planning addresses the broader issue of how the business functions today and where it should head in the future.

The operative question is: "Do we continue in the same strategic direction or shift our strategy?"

Before deciding whether to stick with status quo or shift gears, the business needs to define its current baseline — where are we now?

Common issues that are strategic in nature include: mission and vision, business growth, succession planning, business capitalization and ownership transfers, risk management, business legal structures, outsourcing vs. in-sourcing, leasing vs. owning capital assets, tillage and rotation systems, genetic approaches, professional business governance, environmental stewardship, and value-added vs. generic production.

While the owner board is primarily responsible for engaging in strategic discussions and approving direction, the board chairman, CEO, management team members and staff can all be tapped to play useful roles in the process.

The board chair and CEO typically work closely to design a strategic process appropriate for the farm's current business size and complexity. Farm businesses new to this process may find it a bit clunky the first time around. But each time the process is revisited, owners grow in professionalism and the process becomes increasingly valuable to the business.

IDEAS TO MAKE YOUR STRATEGIC PLANNING A SUCCESS

What kinds of materials should you include when you hold strategic planning sessions? Consider these:

- copies of previous strategic planning session summaries that can serve as a baseline for updating discussions
- past analyses of external environmental conditions (economic, political, environmental, farm policy, etc.)
- analysis of business strengths, weaknesses, opportunities and threats (SWOT — if this was done in previous planning sessions, current session could re-examine past SWOT and update input.)
- management assessment of governance elements and

items needing attention (mission, vision, values, policy framework, organization and roles, planning, HR and evaluations, reporting processes, etc.)

- background on current financial position and trends (It works best when this can be accomplished in a prior session, so the strategic planning discussions don't become diluted with complex debates on finances.)
- background on business baselines in each strategic area (This could include in-depth discussion of previous goals set, strategies defined and progress made on strategic initiatives.)

Here are a few tips that can help:

- Fix the responsibilities for designing and leading the strategic planning process and determine how the CEO and board members share roles in the process.
- Revisit strategic planning every three to five years, with progress reviews on an annual basis.
- Allow sufficient time for discussion, focusing on strategic planning only. Many schedule a planning retreat at an off-farm location, mixing in social time.
- Prepare informational materials for participants and disseminate before planning sessions.

IMPACT ON PERFORMANCE

Changes in strategy can impact business financial structuring or performance. In these situations it may be helpful to simulate how changes in strategic direction impact key financial metrics.

Tools like the DuPont Model can be useful to simulate how shifts

in strategy impact turnover ratio, operating margin, ROE and ROA. Significant shifts also challenge the board and management to assess adequacy of capital, personnel implications and capital asset acquisition strategies to optimize results.

With the above preparatory steps in place, engage your team in an orderly discussion about the future of the business. Set strategic goals related to each area. Define alternative action plans that can advance the business toward specific goals. Assign accountability for members who will lead implementation of strategic initiatives. And then set target dates for completion and dates for measuring progress.

Avoid these common mistakes in strategic planning:

- Mixing operational with strategic and not allowing sufficient time to come to closure on strategic direction in sensitive areas.
- Documenting grandiose strategic plans that have no realistic action

plans, assignments for action, or follow-up to assess progress.

- Expecting management to give you (the board) a strategic plan to approve; the board is abdicating a core duty when it does this.
- Trying to do it yourself with no model or experience within the team to pull off a successful exercise. Don't be afraid to seek a qualified facilitator to lead this process through the first exercise. Strategic planning, professionally executed, empowers the business to proactively capitalize on growth and diversification.

Don't be intimidated by this process. Take a stab with thoughtful preparation, and build and refine your process over time. You'll find it's one of the most valuable tools in your shop. **FF**

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