

STRATEGIC MANAGEMENT

**Positioning the Farm Business Through Strategic Thinking:
Tools and Frameworks**

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Today...

- What are Growing Pains and Do You Have Them?
 - The case for professionalizing our approach to the business
- What is Good Strategy?
 - Diagnosing the issue, developing a guiding policy, and creating an action plan that will win in the marketplace?
- What Organizational Structure Will Support the Strategy?
- How Do We Manage the Organizations Performance as We Grow?



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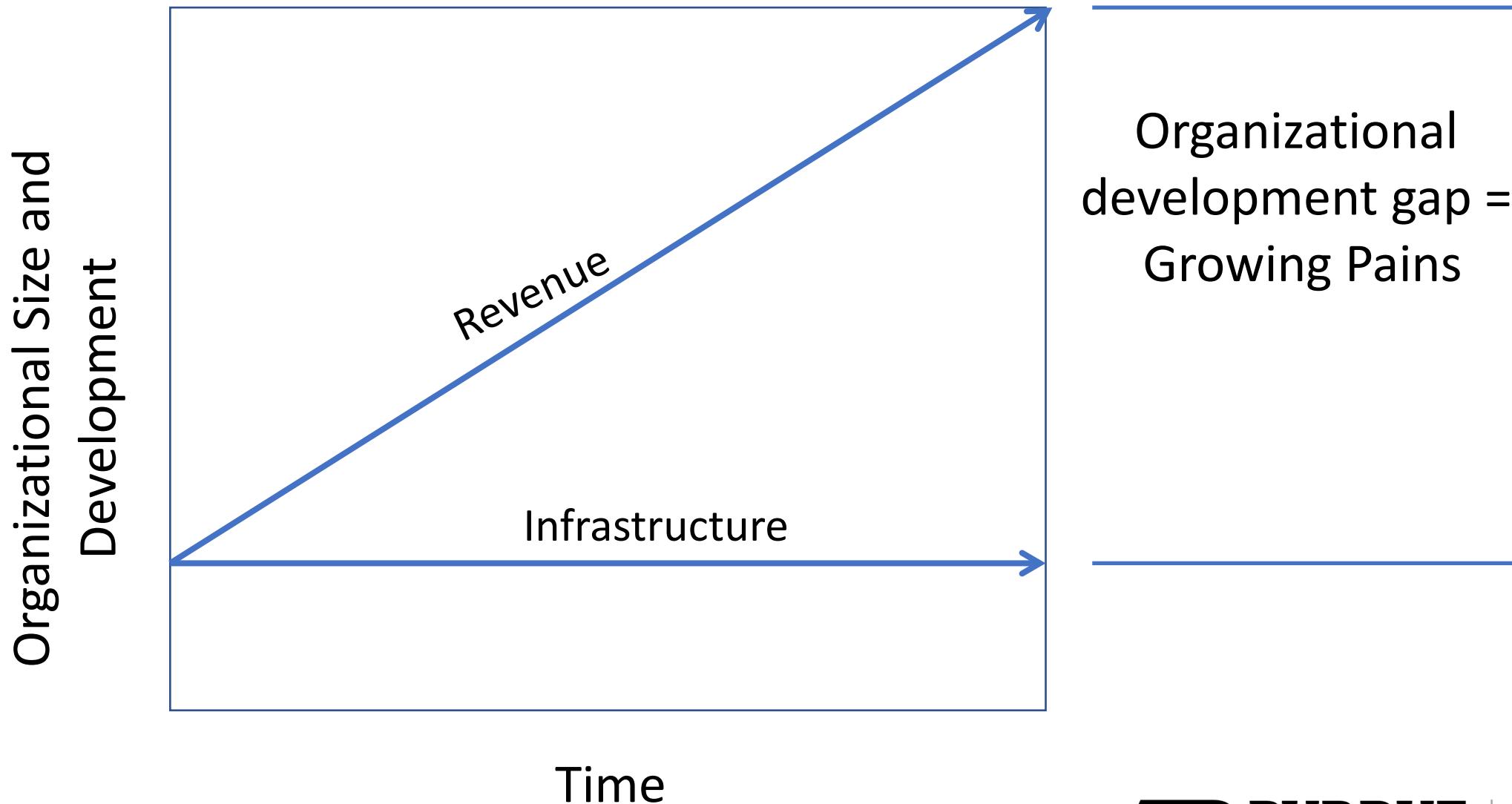
What are Growing Pains?



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Discrepancy Between Growth and Development



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Ten Most Common Organizational Growing Pains

- There aren't enough hours in the day
- Too much time "putting out fires"
- Don't know what others are doing
- Don't know where the firm is headed
- Not enough good managers
- "I have to do it if it is to be done right"
- Meetings are a waste of time
- Very little follow up on plans so things don't get done
- Some feel insecure about their place
- Sales are growing but profits aren't keeping pace



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What does your farm look like?

- Take a few minutes to read the definitions of the growing pains that are attached to the survey handout.
- Thinking about your business, answer the survey.
- Fill out the scoring section of the survey



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What does your score say?

Score Range		Interpretation
10-14		Everything OK
15-19		Some things to watch
20-29		Some areas that need attention
30-39		Some very significant problems
40-50		A potential crisis or turnaround situation

The Challenges of Entrepreneurs

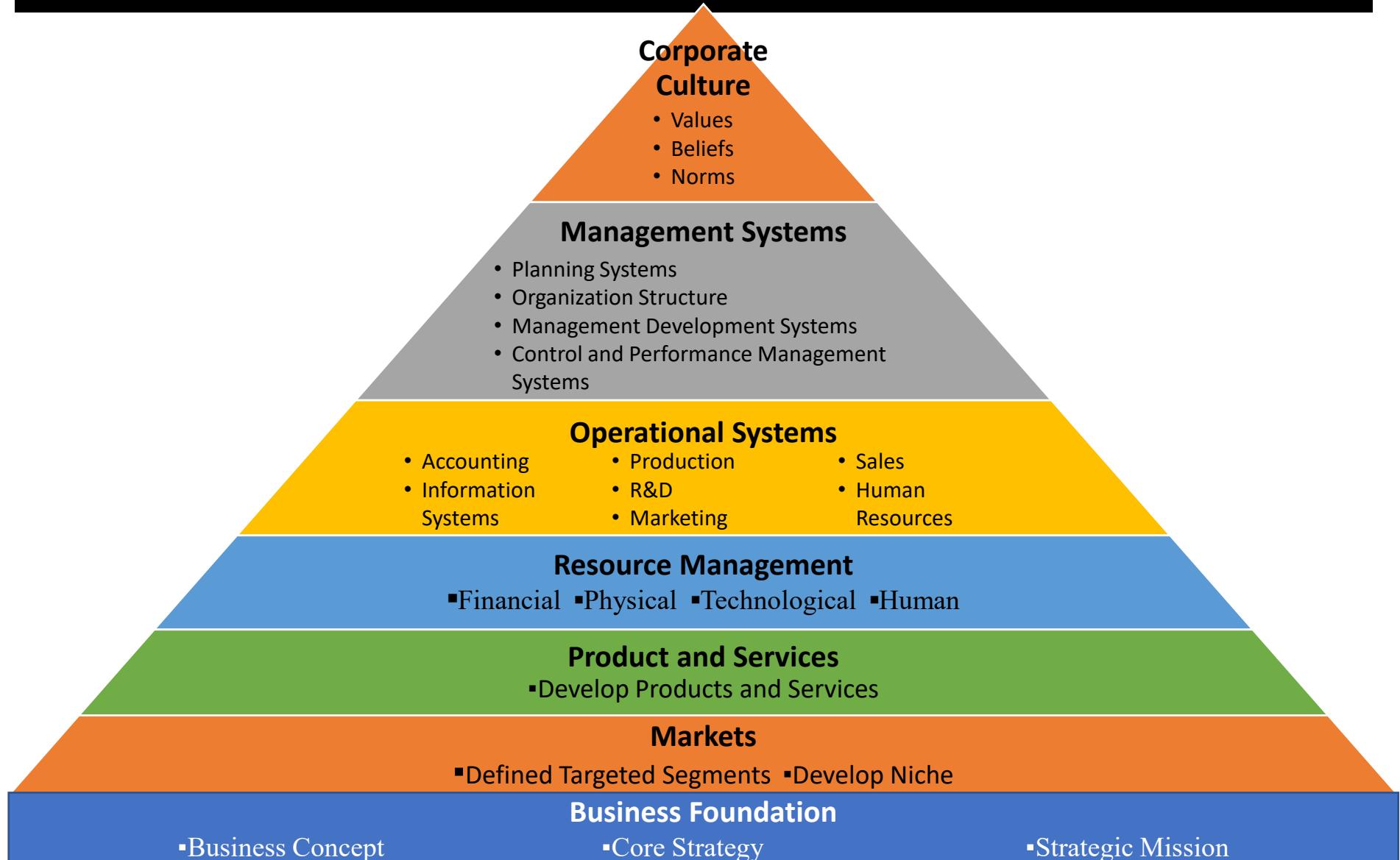
- As an Entrepreneurial firm grows it faces Growing Pains:
 - Sales expand rapidly and the firm's resources become stretched
 - Needs for more inventory, space, equipment, people and funds
 - Day-to-day activity tends to take on an almost frenzied quality
 - Operational systems (marketing, production, service delivery, accounting, credit, collections and personnel) are often overwhelmed.
- The Firm is lacking Organizational Development



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Pyramid of Organizational Development



Stages of Organizational Growth and the key developmental Tasks

- Stages of Growth
- Stage I -- New Venture
- Stage II -- Expansion
- Stage III -- Professionalization
- Stage IV -- Consolidation

- Approximate Organizational Size (\$Million of Sales)
- \$0.3 – 441 Acres
- \$0.3 to \$3.3 – 441 to 4800
- \$3.3 to \$33 – 4800 to 48,000
- \$33 to \$167 -- > 48,000

Stages of Organizational Growth and the key developmental Tasks

- Stages of Growth

- Stage I



- Critical Development Areas

- Stage II



- Markets and Products

- Stage III



- Resources and Operational Systems

- Stage IV



- Management Systems

- Corporate Culture

Why Growing Farms Hit Ceilings

Most farms do not fail because of poor production decisions.

They stall because **growth outpaces management systems**.

What worked at \$2 million **quietly breaks** at \$10 million.

The hard part is that nothing feels “wrong” **until everything feels urgent**.

Professional vs. Entrepreneurial

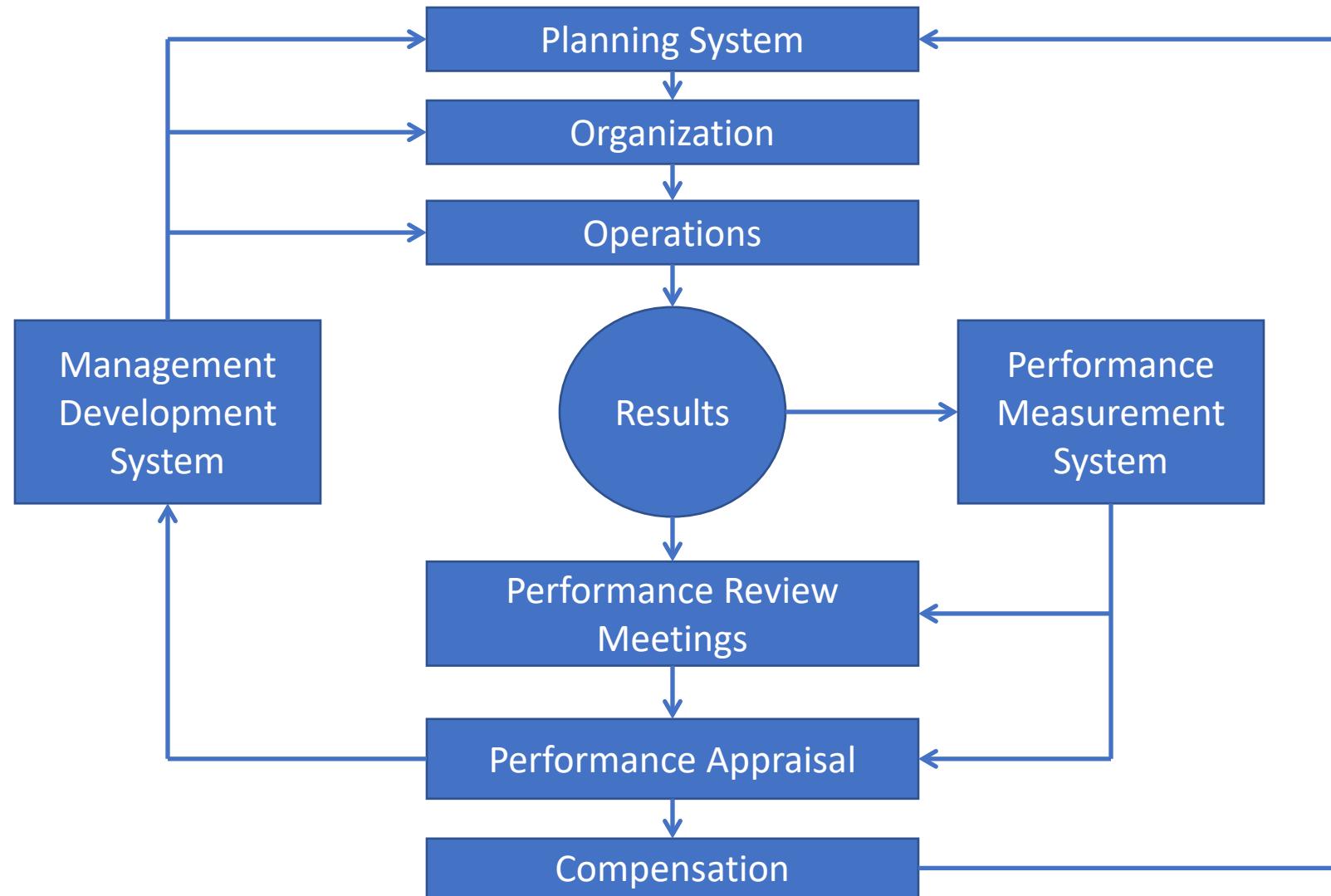
Professional Management

- Profit as explicit goal
- Formal strategic planning
- Defined roles and control
- Planned development
- Calculated risks

Entrepreneurial Management

- Profit as by-product
- Ad hoc planning
- Informal, overlapping roles
- On-the-job training
- Major risk tolerance

The Professional Management System



The Tools of Professional Management

- Strategic Planning
- Organizational Structure
- Organizational Control and Performance Management Systems
- Management Leadership Development
- Effective Leadership
- Corporate Culture Management



Let's take a break

Being Busy is Not a Strategy

Efficiency feels productive.

Strategy feels uncomfortable.

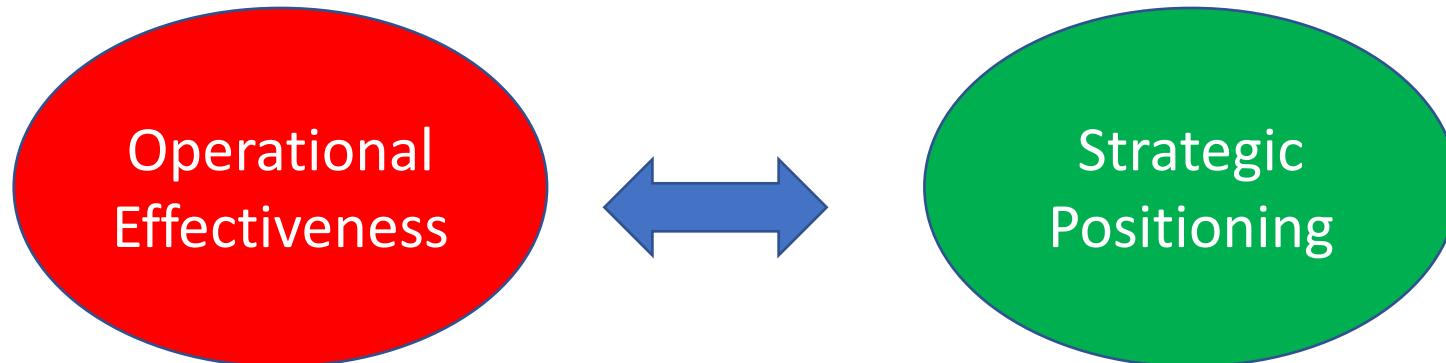
Many farms confuse working harder with competing better.

Strategy begins when you decide what you will not chase.



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What is Strategy?



Assimilating, attaining,
and extending **best
practices**



Run the same race faster

Creating a **unique** and
sustainable
competitive position



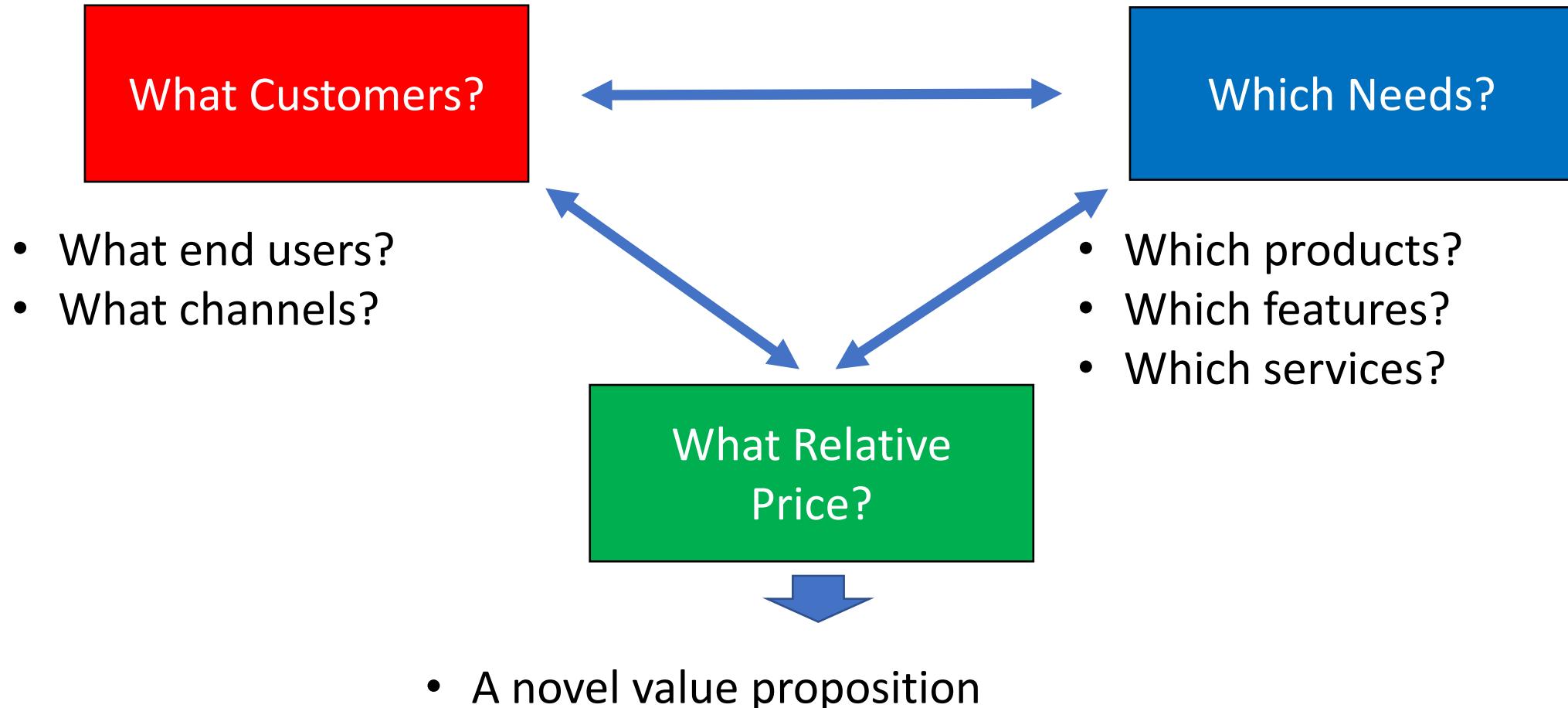
Choose to run a different race

What Does Good Strategy Look Like?

- A unique value proposition
- A different, tailored value chain
- Clear tradeoffs, and choosing what not to do
- Activities that fit together
- Sustain the Strategy



What Does Good Strategy Look Like?



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Customer Types

Customer #1

- Defines value as a combination of price, convenience and quality with price being the dominant factor
- Less particular about what they buy than getting at the lowest possible price and with the least hassle
- They want high quality goods and services, but even more, they want them cheaply or easily or both.

Customer #2

- Concerned with obtaining precisely what they need.
- Will sacrifice some price or delivery time if it helps them meet their unique requirements.
- The specific characteristics of the product or the way the service is delivered is far more important than any reasonable price premium or purchase inconvenience they might incur.
- They assign value to the product/service according to how closely it appears to be designed just for them.

Customer #3

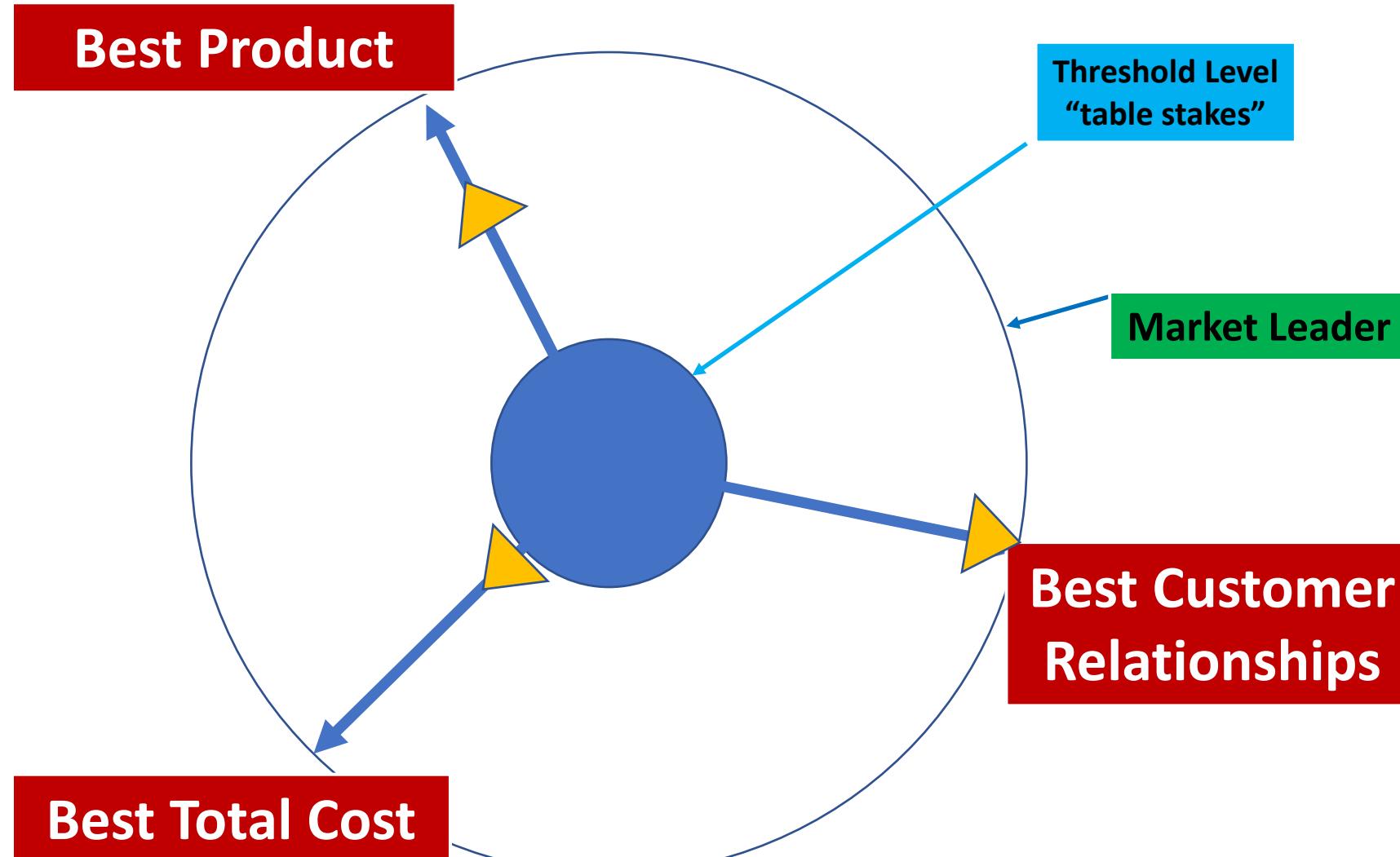
- New, different, and unusual products/services count most.
- Value state-of-the-art products because their own customers demand the latest technology from them.
- Want service providers that help them seize opportunities in their own markets.
- Willing to sacrifice price and convenience to be on the cutting edge.



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What is your Market Discipline?



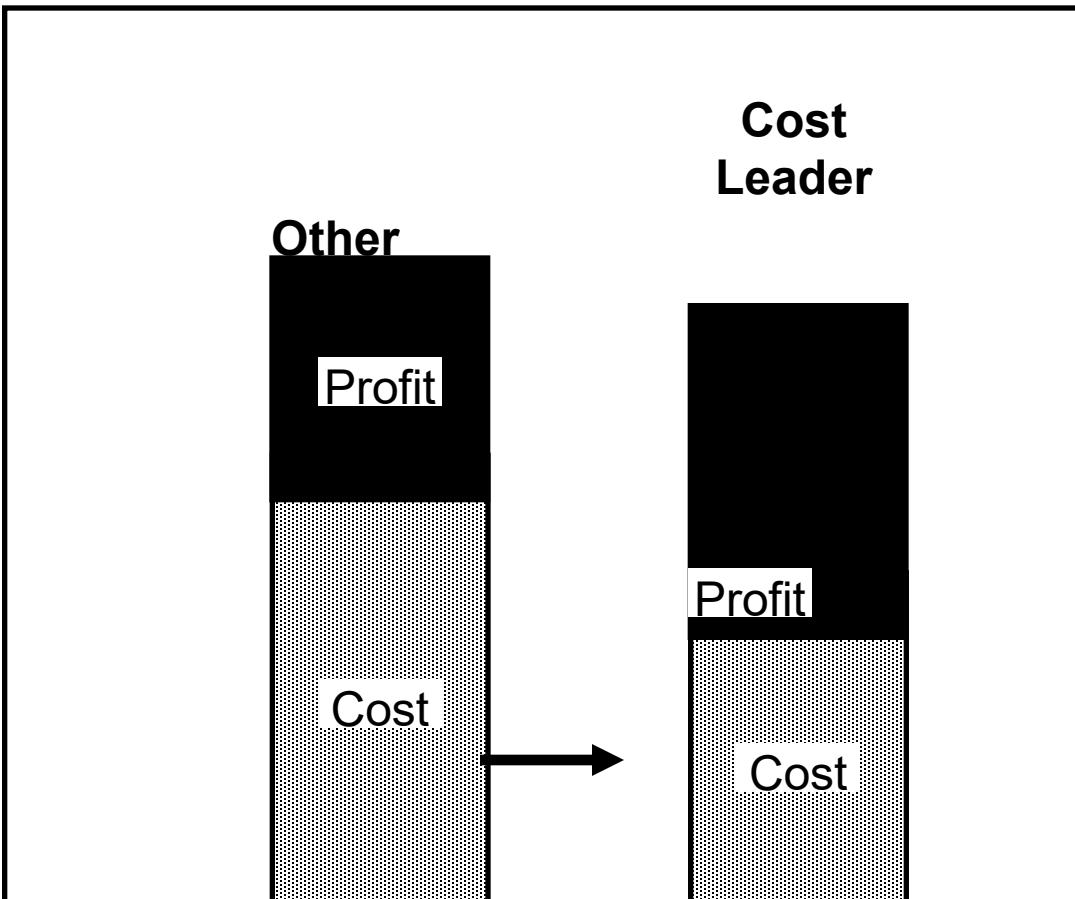
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Operational Excellence: Gain sustainable competitive advantage by becoming the industry's low-cost producer

Operational Excellence

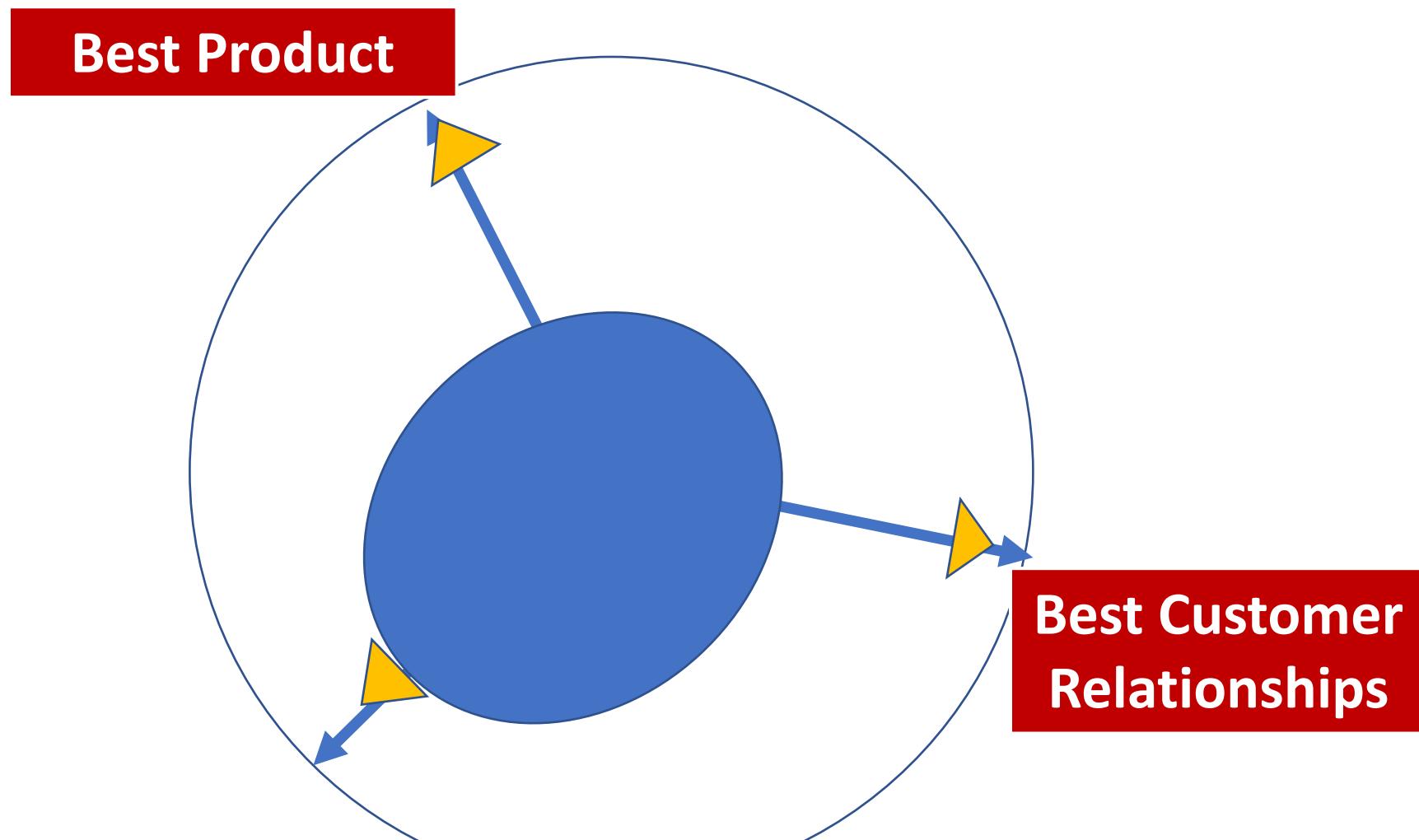
Ability to generate a market value for products and services that does not sacrifice cost reductions



Operational Excellence

- What are the key capabilities needed to win with a cost leadership strategy?
- What are the risks of this strategy?

What about differentiation as a strategy?



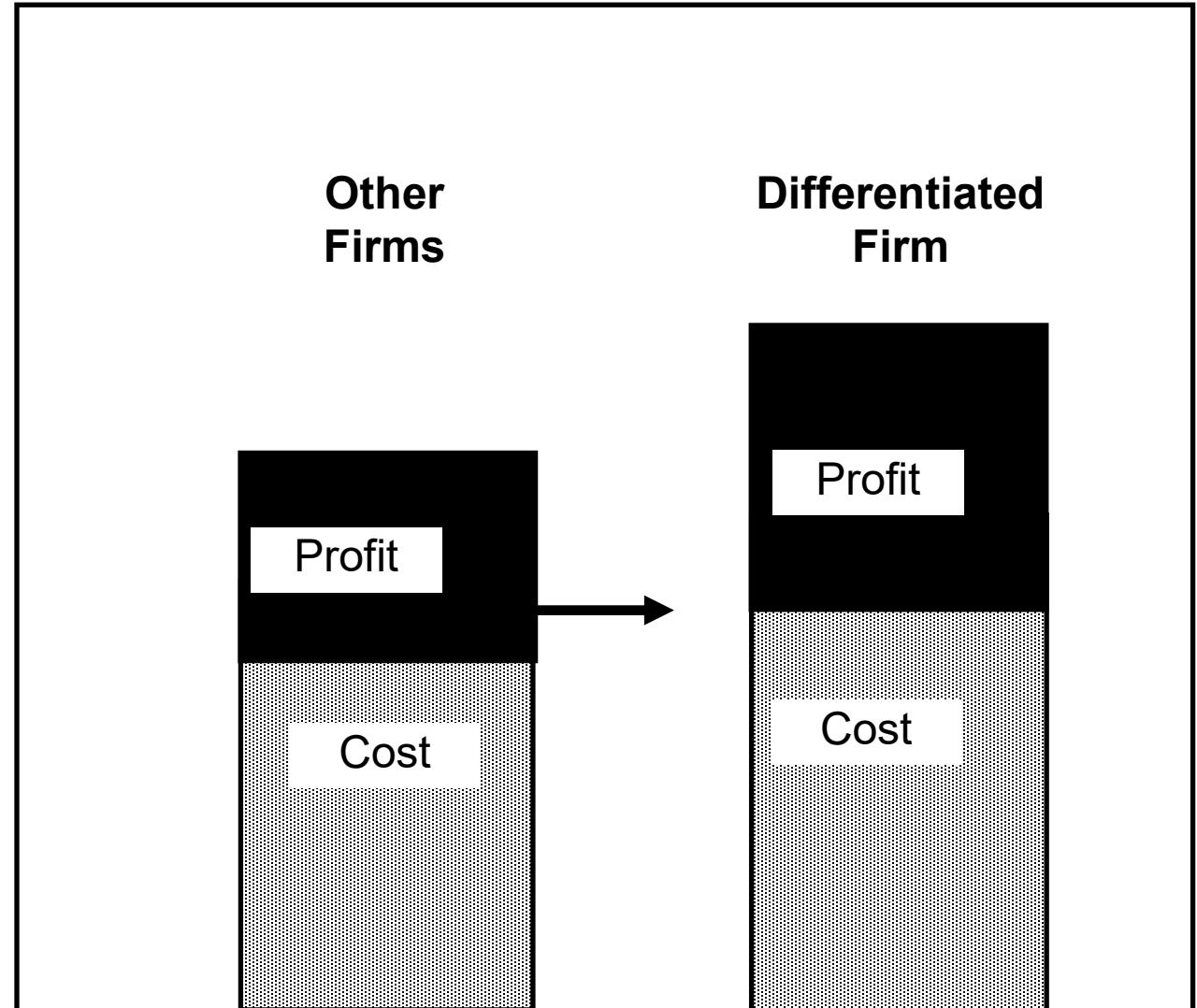
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Differentiation -- providing something unique that is valuable to buyers beyond simply offering a low price

Product Leadership/ Customer Intimacy

Obtaining a price premium from differentiation that is greater than the cost of the differentiation



Differentiation

- What are the critical capabilities a farm needs to win with this strategy?
- What are the major risks in a differentiation strategy?

Good Strategy Makes Tradeoffs

IKEA

Product

- Low-priced, modular, ready-to-assemble
- No customization
- Design driven by cost, simplicity and style

Value Chain

- Centralized, in-house design
- All styles displayed in stores
- Large on-site inventory
- Limited sales help but lots of customer info
- Long hours of operation

Typical Furniture Retailer

Product

- Higher priced, fully assembled
- Customization of fabrics, colors, finishes, etc
- Design driven by image, materials, varieties

Value Chain

- Outsourcing of some products
- Mid-sized showrooms with limited displays
- Limited inventories
- Extensive sales assistance
- Traditional retail hours



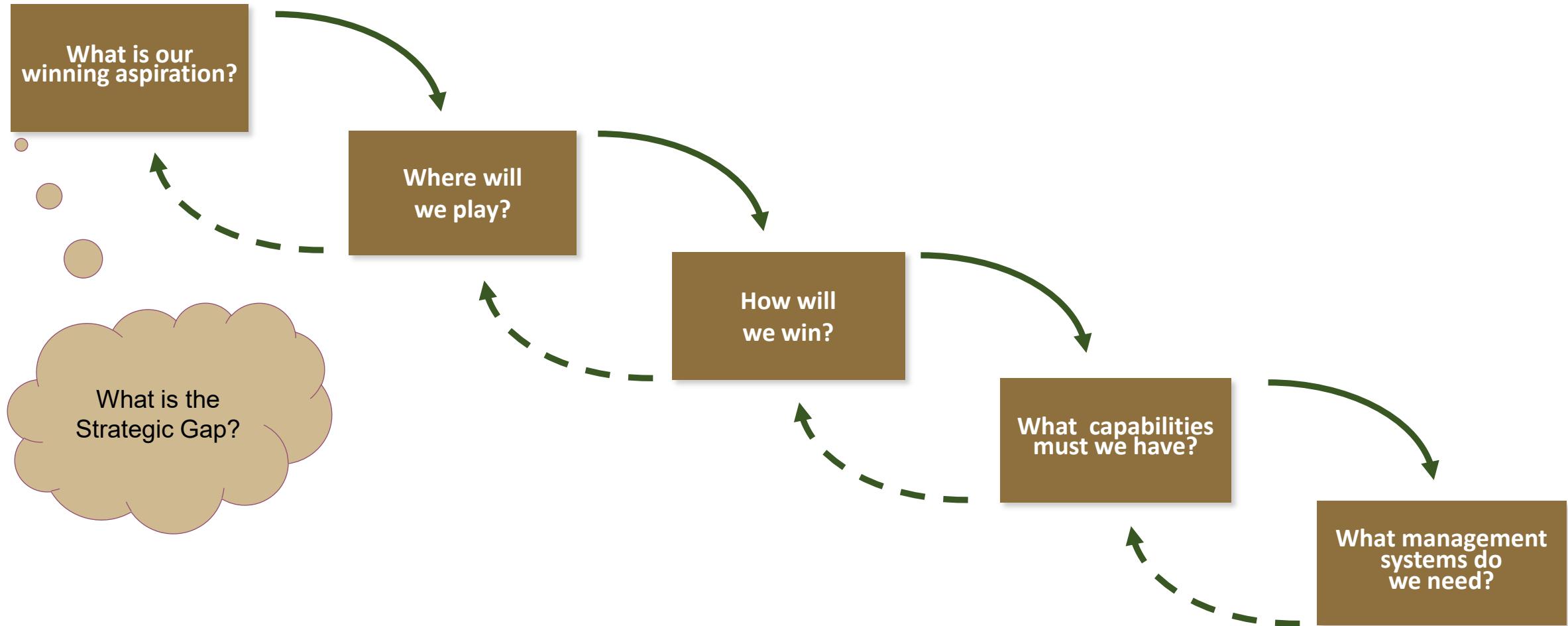
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Good Strategy Invests in the Capabilities and Activities Its Strategy Needs



Strategy Is the Answer to Five Questions



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The answers to the five questions address the three critical elements of a Strategy Statement

MISSION

Why we exist

VALUES

What we believe in
and how we will behave

VISION

What we want to be

STRATEGY

What our competitive
game plan will be

BALANCED SCORECARD

How we will monitor
and implement that plan

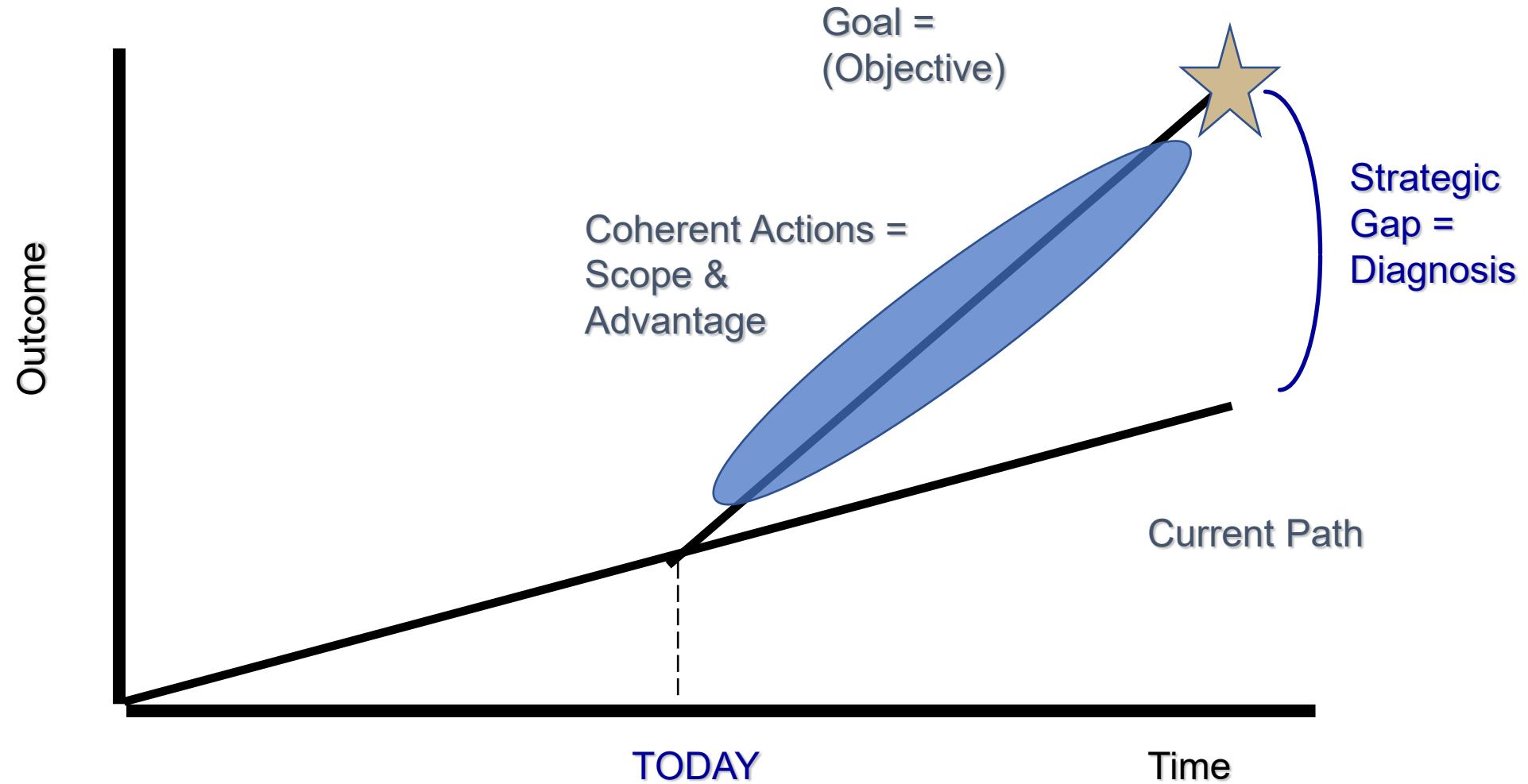
The BASIC ELEMENTS of a Strategy Statement

OBJECTIVE = Ends

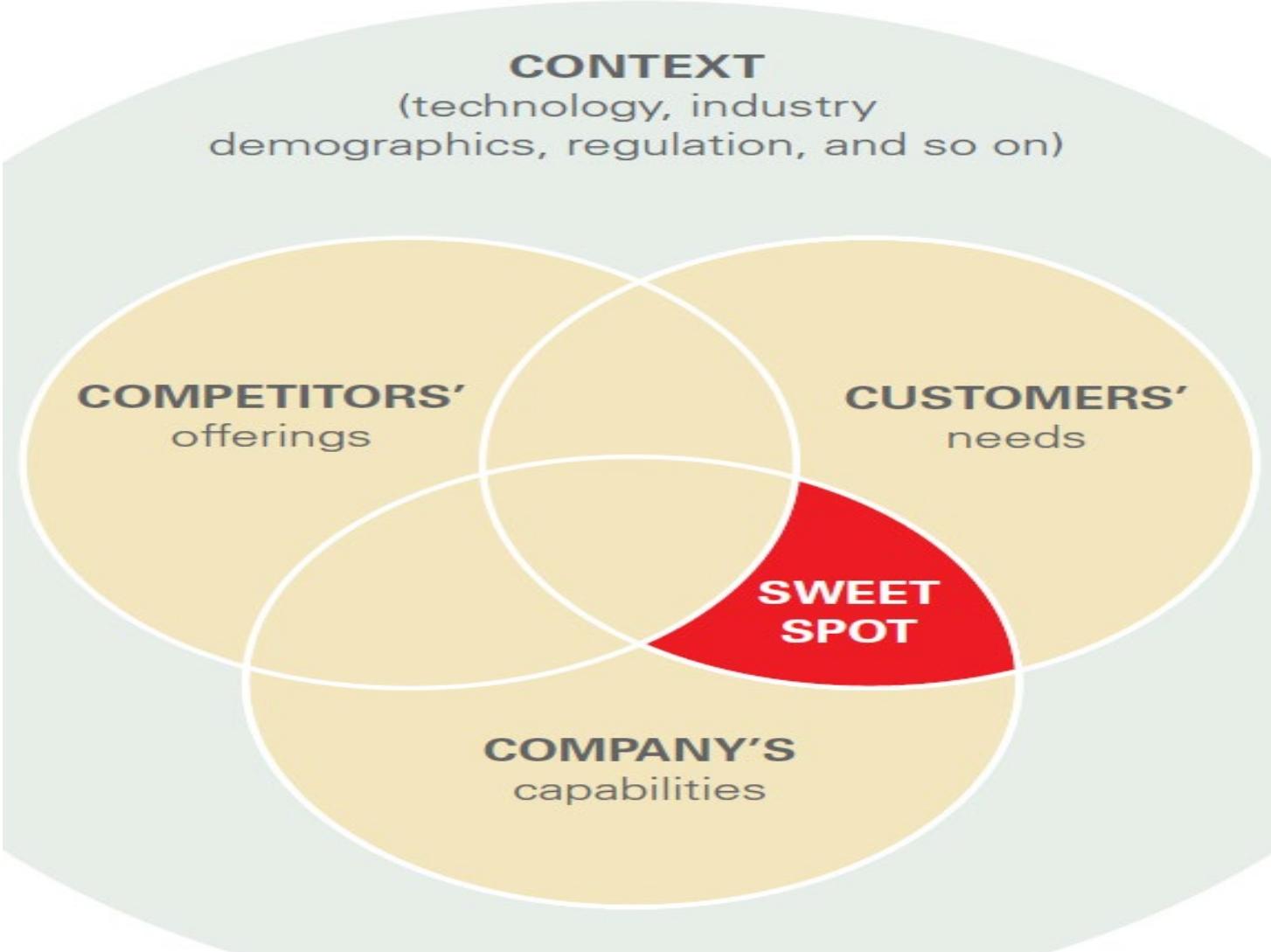
SCOPE = Domain

ADVANTAGE = Means

The Performance Gap



But it is more challenging than we think...



Let's take a break

Structure is Strategy Made Visible

Strategy lives on paper.

Structure lives in people's calendars and decisions.

If roles are unclear, the strategy will not scale.

When everything runs through one person, that person becomes the bottleneck.

Does the Organizational Structure Matter?

- Why?
- What ways can it impact company performance?
- How did you get to the structure your company currently has?
- Is your current structure the right structure for your strategy? How do you know?

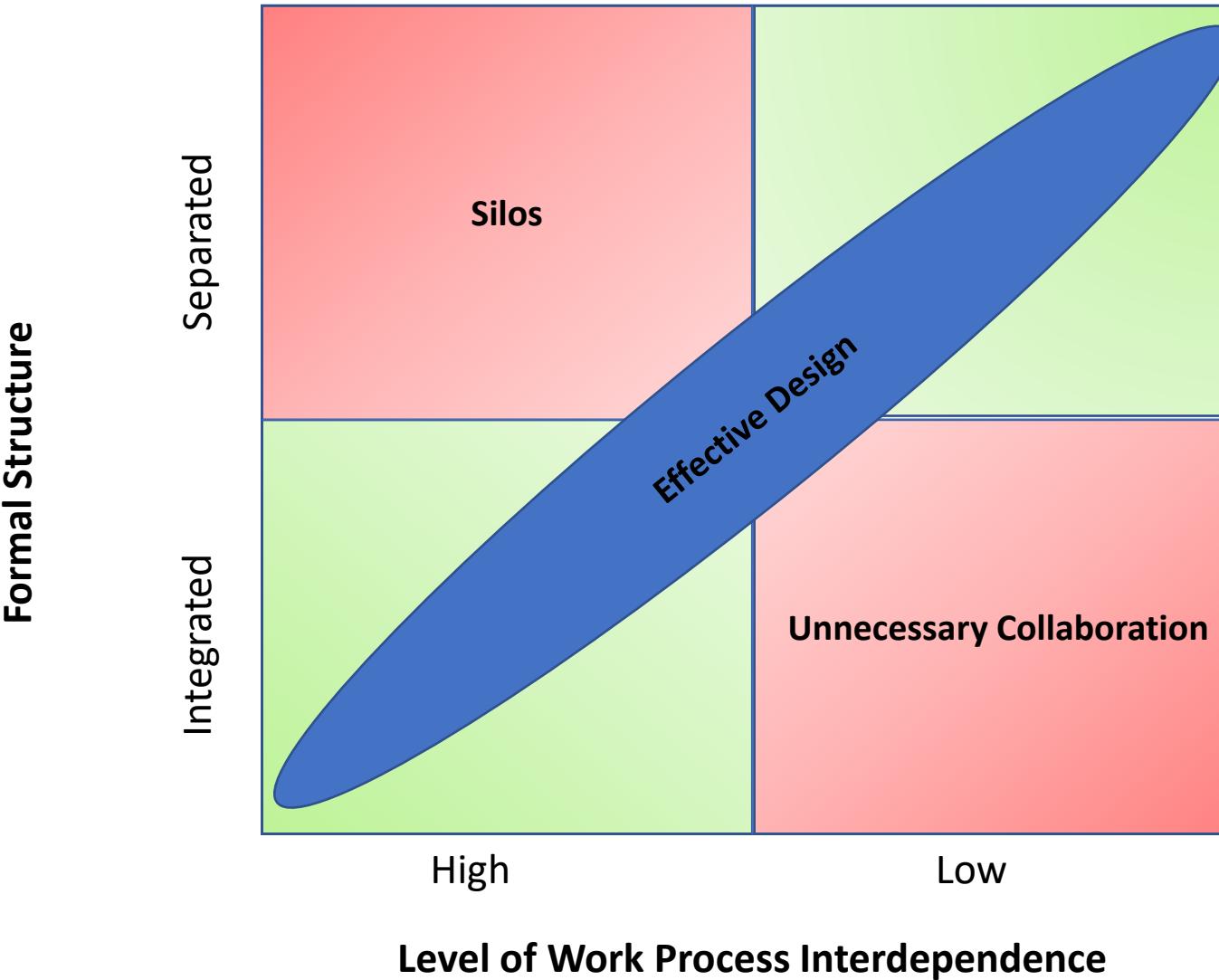
Nature of Organizational Structure

- Not just people on a chart
- A patterned arrangement of specified roles to be performed by people
- Purposefully designed by the management to help the organization achieve its mission, objectives, and goals.
- Form follows function

Roles

- Group of responsibilities that an incumbent is expected to perform
- Should provide a unique contribution to the achievement of the organization's goals.
- Effective role descriptions will:
 - Identify who is responsible for what
 - Minimize duplication of effort
 - Reduce the possibility of things “falling through the cracks”

Creating Alignment between Process and Structure



Criteria for Evaluating and Designing Organizational Structure

- How well does the current structure support the strategy?
- Does each function add value or do we need new functions to better support our goals?
- To what extent do individual roles support achievement of the goals?
- Are reporting relationships clearly defined?
- Is authority appropriately distributed to allow each individual to be effective in achieving goals?
- What is the appropriate span of control and number of levels within the company?
- Do the skills of the individuals meet the needs of the role?
- Do interdependent departments effectively coordinate with each other?

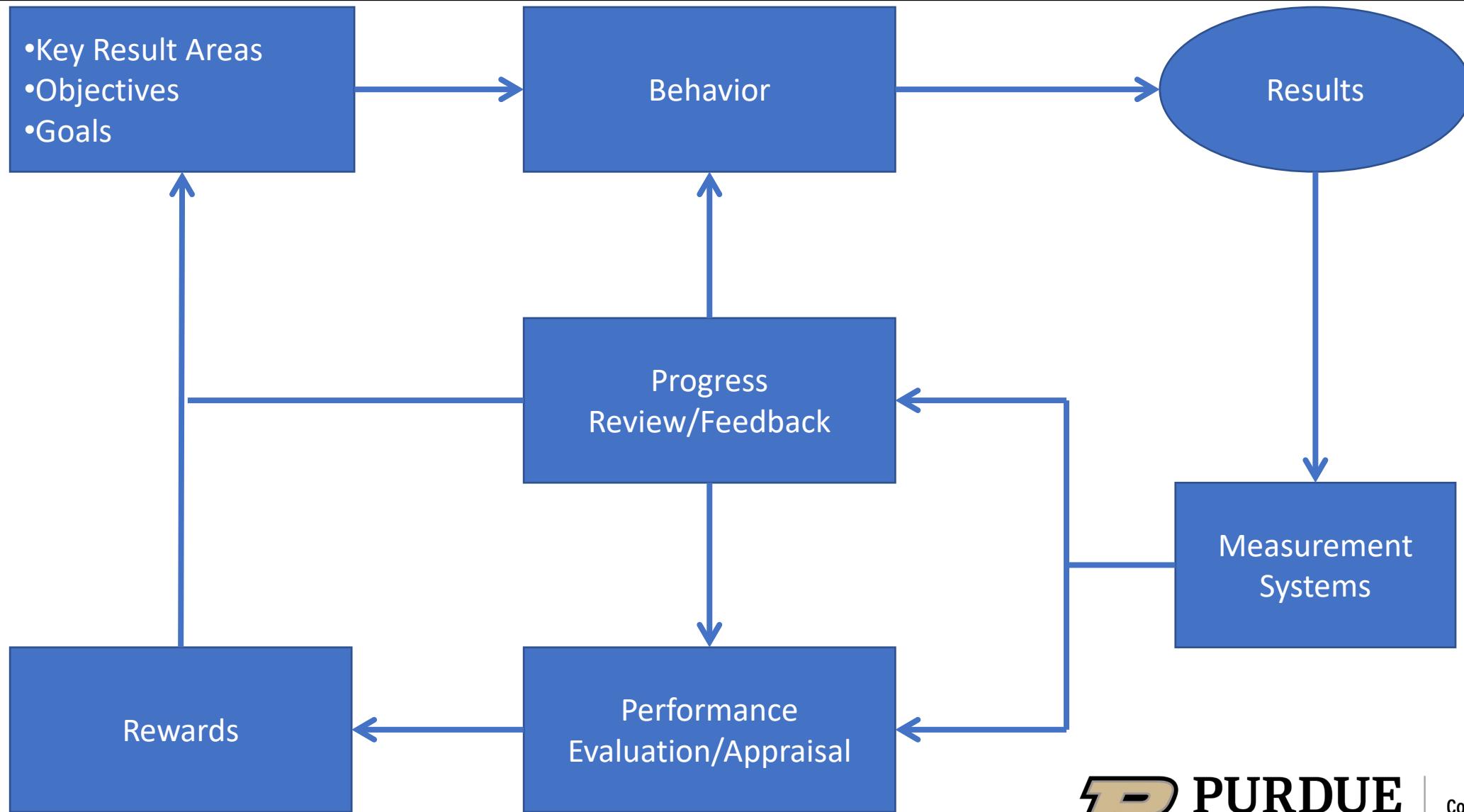


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Monitoring and Measuring Success

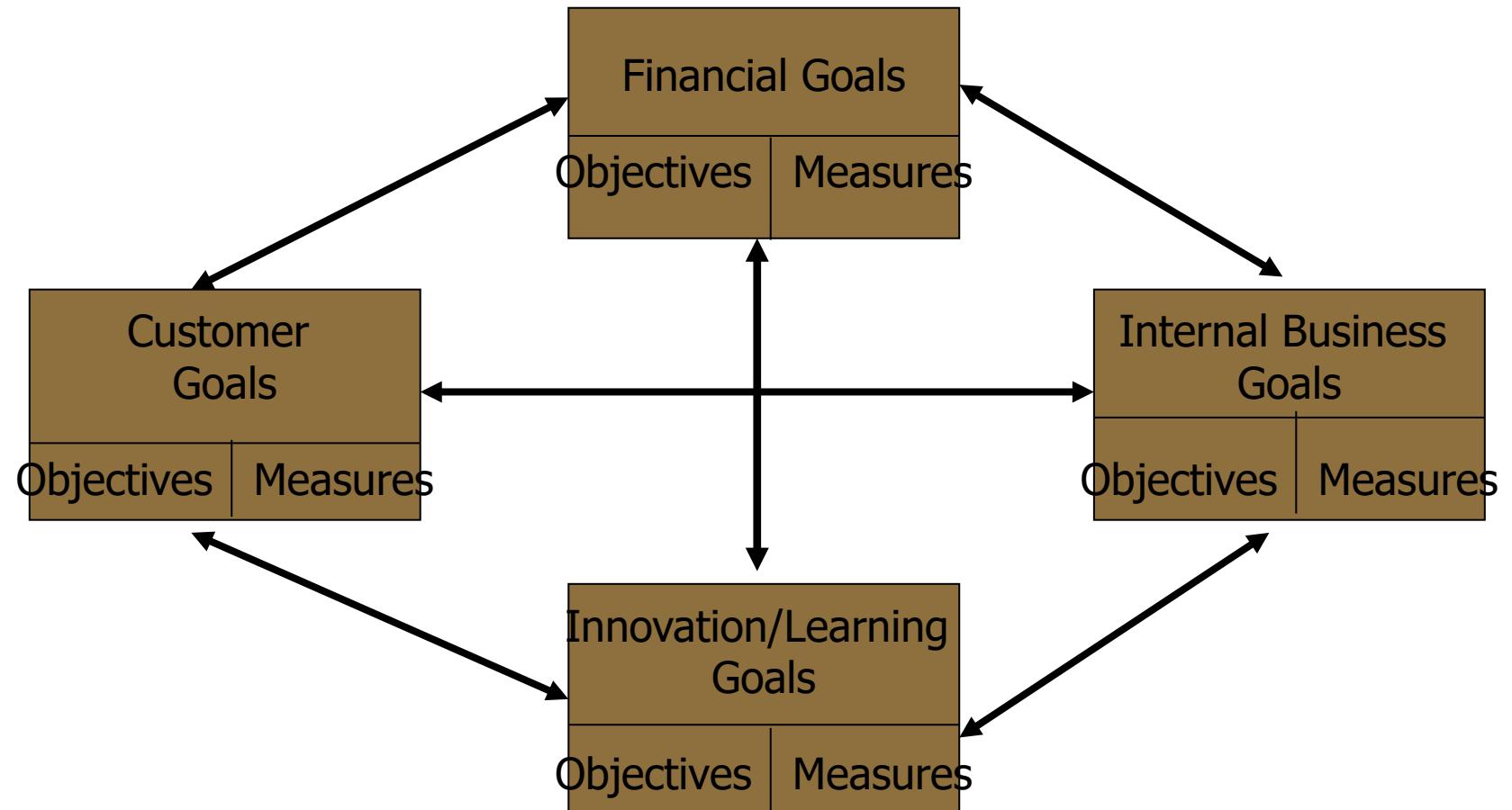
Performance Management System



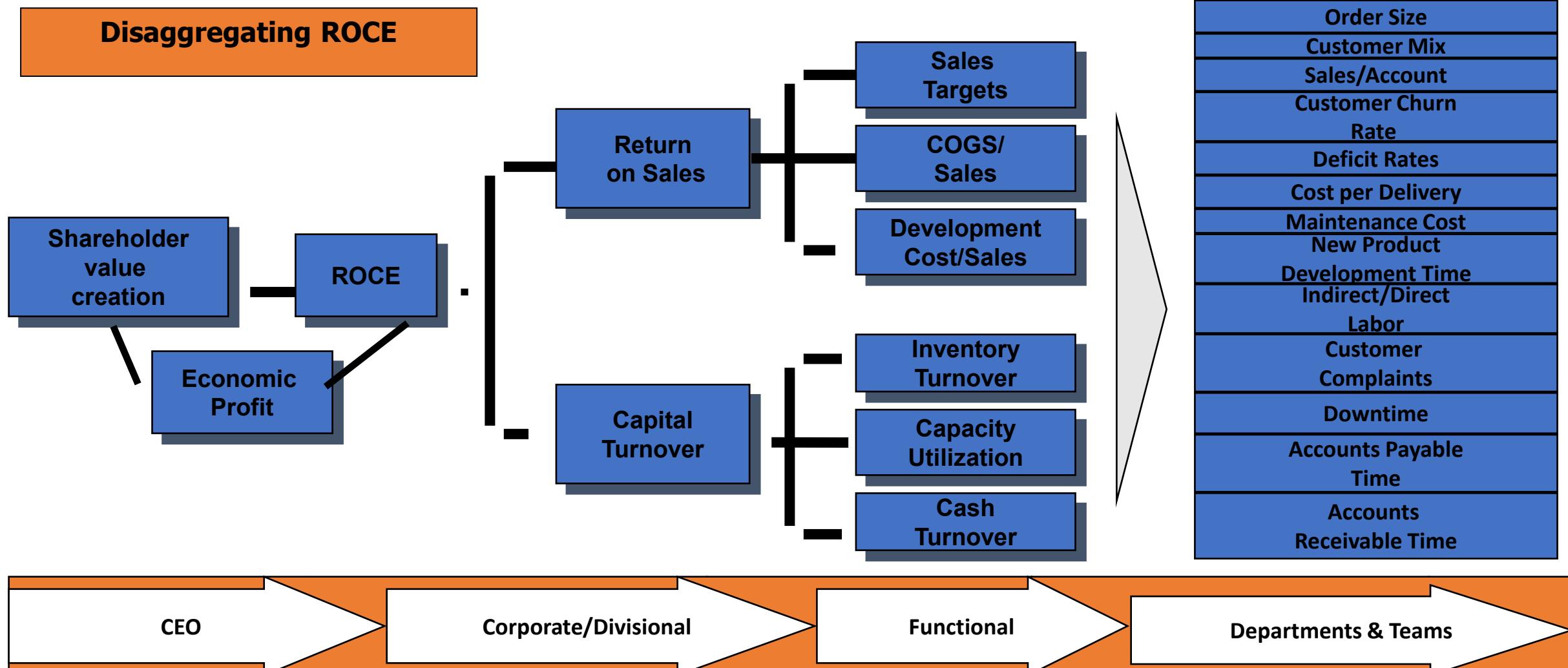
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Simple Balanced Scorecard



Connecting Financial Performance to Operational Performance



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Feedback/Reporting System

- Design useful reports to provide results of measurements for management and others.
- Provides a scoreboard or dashboard to understand the level of performance against goals
- Should be shared regularly with the organization, department, or individual

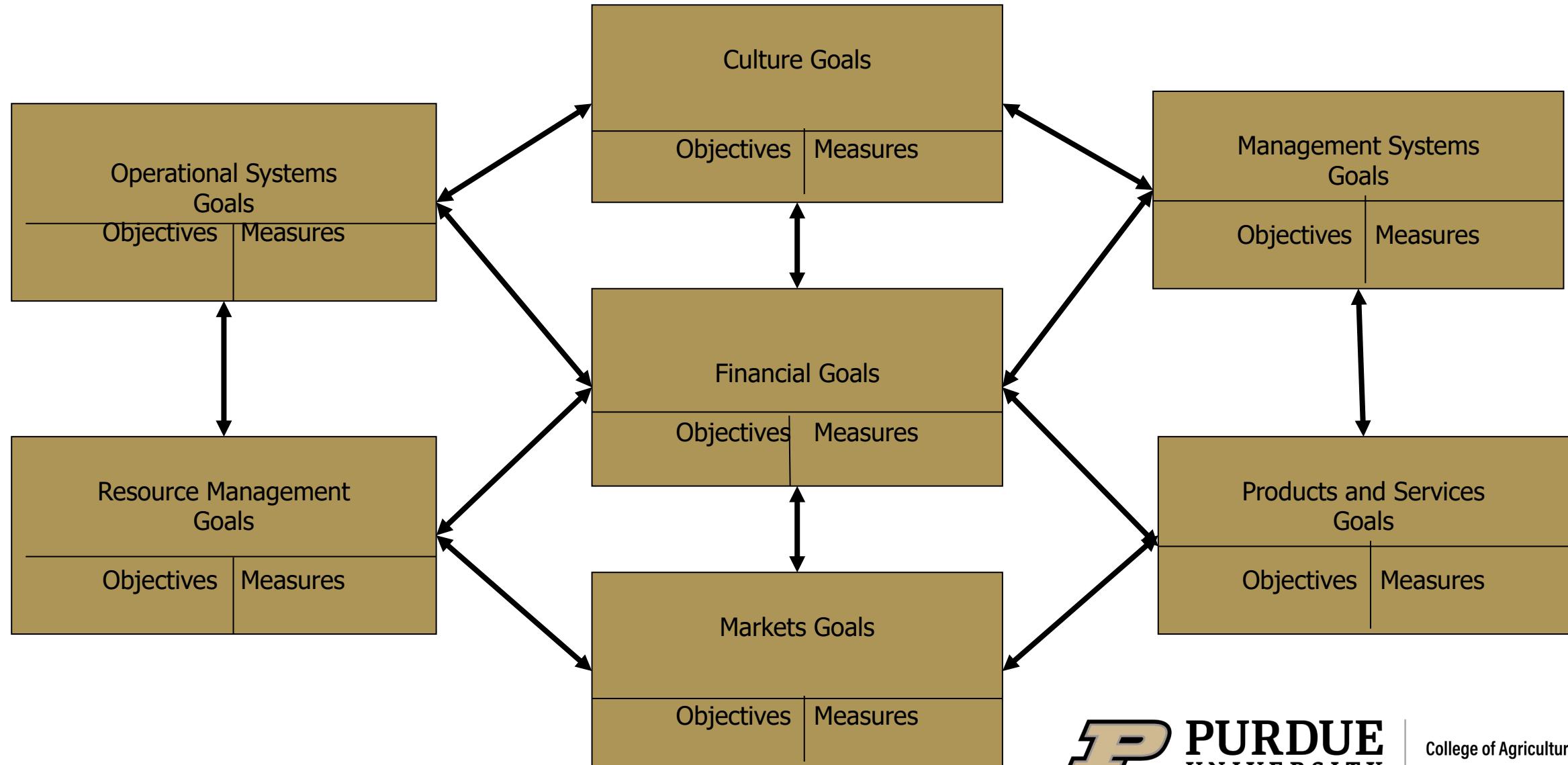
Performance Evaluation

- Occurs DURING and at the end of the planning period for the established goals
- Systematic process for providing information on how effective the organization, unit, or individual has been at achieving the goals
- Includes positive feedback and constructive criticism to reinforce and redirect behaviors

Reward System

- Desirable outcomes of behavior required by business
- Designed to reinforce good performance
- Must be careful of “rewarding A while hoping for B”

Developing the Whole Organization to Effectively Implement Strategy



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Professionalization Is Not About Size

It is about clarity.

Clarity of direction.

Clarity of roles.

Clarity of accountability.

The farms that scale best are **not** the ones that **work harder**.

They are the ones that **decide earlier**.



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THANK YOU

Recommended Reading

