Business and Strategic Planning
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Renewed Emphasis on Strategic Planning
• 2005 Survey of 1,100 corporate boards by Price Waterhouse
  • 59% said there board should spend more time on strategic planning
  • More corporations mandating strategic planning in their board operating policies

Strategic Planning versus Poor Performance
• Study of 1,200 firms with value over $1B
  • 360 firms had returns under the S&P 500
    • 13% Ethical failures (ex. fraud)
    • 27% Operational failures (ex. cost over-runs)
    • 60% Strategic Blunders
Why Plan?
(comments from SBA publication)
• Fast pace of technology and changing business environment
• Competition is intensifying
• Involves employees in all areas of the business and enables them to have the same goals
• Communicates to bankers that the firm is in control of its future
• Helps in communicating with investors, customers and other interest groups

Indicators of Need for Strategic Planning
• Declining financial trends
• Newly formed or merged organization
• Declining sales
• Above average employee/membership turnover
• Low morale
• Decreasing customer base
• New industry competition

Lessons Learned from Planning
Karen Zimbelman consultant for cooperative groceries
• Planning is priceless, plans are worthless
• Define why you exist and build on it
• Dare to dream and think big
• Don’t wait until you can plan perfectly
• Ground discussions in business reality
• Devote the time and energy needed
Planning

- Where are we going (develop strategy)
- How do we get there (identify alternatives)
- When do we want to arrive (develop action plans and timetables)
- How much do we want to pay for the trip? (budgets and forecasts)

Principles of Planning

- Planning comes first
- Planning must contribute to objectives
- Planning must be done at all levels
- Planning must be based on consistent assumptions
- Planning must be done within a policy framework

Other Principles of Planning

- Planning involves defining alternatives
- Planning must recognize limiting factors
- Planning must consider the competition
- Planning involves contingency plans
Why Plans Fail (SBA)

- Strategy was defined incorrectly
- Lacked implementation steps, timetables, and responsibilities
- Goals were not stated in clear, quantifiable terms
- Planning process did not involve input from key managers and administrative staff

The Boards Role in Planning

- Board is responsible for the strategic plan
- Manager implements the strategic plan
- Manager(s) are responsible for operational plans

What is Strategic Planning

- Broad program for achieving objectives
- Match strengths and weaknesses with opportunities and threats
- Coming to terms with your environment
Profile of a Strategic Plan

Mission
Strategic Goals
Objectives
Action Plan
Track and Evaluate

Are You Ready to Plan?

• Are the roles of the manager and the board well defined and well understood?
• Is there a clear process to review the strategic plan?
• Do you have the right people involved?

Strategic Planning: Step 1

• Create a mission statement
Cooperative Mission Statement

• We strive to maximize the long-term profitability of our members
• We meet the product needs of our members at competitive prices
• We will remain strong, efficient, and profitable
• We operate in a cooperative basis with respect to profit, ownership, and governance

Strategic Planning:
Step 2-SWOT Analysis

• Strengths
• Weaknesses
• Opportunities
• Threats

Strengths and Weaknesses

• Management and personnel
• Plant and facilities
• Financial condition
• Marketing
Management and Personnel

- **Our Cooperative**
  - Experience
  - Depth
  - Training Program
  - Salary Level

- **Strongest Competitor**
  - Experience
  - Depth
  - Training
  - Salary Level

Opportunities and Threats

- General Economy
- Farm Economy
- Local conditions
- Competitive conditions
- Regulatory issues

Not Understanding the Alternatives is like buying a house and having the realtor show you a single property.
Strategic Planning:
Step 3 - Key Performance Areas
- Facilities
- Financial Position
- Labor and Plant Productivity
- Market Share
- Member Relations
- Specific Departments

Strategic Planning:
Step 4 - Develop Objectives
- Define what you want to achieve
- Define how you will measure success
- Specify a time frame
- Identify who is responsible for carrying out the objective

Sample Objectives
- Increase grain market share by 5% next season
- Maintain labor costs below 40% of gross margin
- Have every director Credentialed during their first 2 years on the board.
Strategic Planning:
Step 5 - Prepare Budgets
• Sales and Expense
• Capital expenditure budget
• Departmental budgets
• Project budgets

Strategic Planning:
Step 6 - Identify Controls
• Develop reports for key planning areas
• Identify alternatives and exit strategies
• Place priorities
1. Where should we meet?
• At a location that attracts the biggest crowd.
• Away from the family, farm and cell phones.
• Away from normal board meeting surroundings.

2. How do we prepare for it?
• Directors: Receive reading material in advance. May have each director prepared to discuss one business unit or strategic issue.
• As a general manager, have financial and resource notebooks available.

3. Who should attend?
• General Manager
• Board of Directors
• Alternate or junior board members
• Vendors, auditors, banker and commodity reps.
• Wives
• Facilitator
• Key staff...?!
4. When should it be done?

- When you can get highest attendance.
- Not during planting, harvesting, deer hunting, etc.

5. What if one person does all the talking?

- The facilitator should prevent that!

6. How is it different from a normal monthly board meeting?

- Facilitator.
- Don’t cover day to day operations.
- Three basic questions.
7. What can the general manager expect from it?

- Clearer direction and better handle on priorities.
- More and different kind of workload.
- A more cooperative and cohesive board.

9. Are there any requests from a facilitator prior to the exercise?

- Financials.
- Why is the co-op requesting it?
- Concern or problem areas.

**Staff and Management Role**

- Develop specific action plans for implementing the goals and objectives.
- Assign responsibilities.
- Determine resources or structural changes needed to implement the plan.
- Communicate the plan to employees, members and other stakeholders.
- Evaluate progress in achieving the plan.
Benefits to Strategic Planning

1. The consequences of not doing one are much greater than the consequences of doing one.
2. Tremendous communication instrument.
3. Directors can make more informed decisions.
4. As a director, you are fulfilling your fiduciary responsibility.
5. The board will be a more cohesive group.
6. Will allow more definition and clarity to board versus manager roles in the co-op.
7. Decisions will be more economics-driven instead of being social and political-driven.
8. More focus and purpose to board meetings.
9. The emphasis will be on the company as a business center and not as a social center.
10. Will allow the group to see what other co-ops are doing.