*A*griculture &
*B*usiness
*M*anagement *N*otes ...

Colorado State University Extension

Strategic Planning

Quick Notes...

Strategic planning is an opportunity for management to study, think, plan, and organize the business.

Four key elements of Strategic Planning:

1) Identification of business
2) Situation analysis
3) Selection of strategies
4) Establishment of controls

Strategic planning is not a new concept but one that has evolved extensively in recent years. This approach to planning has been used in the general business environment since World War II. The application to production agriculture, however, is more recent. Strategic planning as presented is simply a series of steps and procedures that today's business manager can use to effectively plan the course of action he would like to follow.

Strategic planning is about looking into the future -- determining what products/services should be promoted, maintained, or abandoned. This involves deciding what the market for products/services will be 5, 10, or more years into the future. Often a good place to start is with a business and personal assessment. The acronym SWOT addresses the areas of assessment:

1. Strengths
2. Weaknesses
3. Opportunities
4. Threats

Strengths and weaknesses primarily address the factors internal to the business, and yet include personal strengths and weaknesses of the individuals involved. Opportunities and threats are primarily the external factors that affect the business, e.g. government regulation, international trade, and markets. Once the SWOT have been identified in writing then the foundation of the strategic planning process can be established. Remember that strategic planning is an opportunity for management to study, think, plan, and organize the business.

Key Elements of Strategic Planning

1. Identification of the business.
2. Situation analysis.
3. Selection of strategies.
4. Establishment of controls.

What Strategic Planning Is Not:

1. It is <u>not</u> the application of a scientific method.
2. There is not a set formula.
3. It is less a technique than a responsibility.
4. It is more than forecasting.
5. It is not making a decision in the future.
6. It is not an elimination of risk. (In fact,

every time you seek greater economic performance you are increasing your risk exposure).

What Strategic Planning Is:

1. Market driven.
2. All strategic analyses are dynamic, emphasizing the anticipation, exploration, and creation of opportunities.
3. All current strengths and weaknesses are things that can be altered.

The Process

1. What do we want to achieve? (Statement of objectives)
2. Where are we? (The situation analysis)
3. How can we get from our current position to the desired position? (Strategy formulation and evaluation; strategy selection; and development of detailed plans for strategy implementation.)

Financial Planning System

1. Annual budgeting process forecasting revenue cost capital needs.
2. Considerable emphasis is placed on monitoring any deviations from the budget for possible explanations and/or remedial actions.

Long Range Planning

1. Is future oriented -- 5 years or greater.
2. Is not just projecting past financial/production performance.
3. Needs to explore or create future opportunities.
4. Involves establishing goals and strategies.
5. Monitors short-term performance.

Planning Framework

1. Determination of objectives
   - identification of relevant objectives.
   - determination of their relative importance.

2. Monitoring the current and anticipated environment
   - market demand for your products.
   - competitive structure and actions.
   - technological, social, political, and regulatory environment.

3. Situation audit: "Where are we and where are we going"?
   - involves evaluating current financial performance.
   - are we producing the right products and at the lowest cost as compared to our competition?
   - Portfolio Composition: focal issues include profitability, complementary nature, constraints incurred, and future of these enterprises.
   - Marketing program

4. Evaluation of alternative business composition
   - sales, profit, and markets.
   - resources and competitive advantage.
   - likely future scenarios to contend with.

5. Planning for implementation, organization, and control
   - how will we put our plan in operation?
   - who is responsible for what?
   - control mechanisms for monitoring performance.

Notes... Network

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