

**MULTI-GENERATIONAL  
STRATEGIC BUSINESS  
PLANNING**

# OVERVIEW

- Importance of formal written strategic business plans
- Strategic business plan process and components
- Mission statements
- SWOT analysis
- Strategic planning
- Financial analysis
- Resources

# IMPORTANCE OF BUSINESS PLANS

- Road map
  - Increase the probability of success
  - Measure of success
  - Alignment with goals
- Define market and access
  - Characteristics of market
  - Vehicle for reaching market
- Secure capital
  - Often required by Banks

# IMPORTANCE OF BUSINESS PLANS

- Evaluate external/internal environment
- Evaluate competition
  - Market share, cost structure
- Define competitive advantage
  - Why is the product different/special?
  - Does our operation have a cost advantage?
- Creates new revenue streams
  - New markets
  - New enterprises

# WHY SPEND TIME PLANNING?

- 20+ percent of new businesses fail in the first two years\*
  - Within 5 years 45% are gone
  - Only 25% make it >15 years
- Business failures are most often due to...
  - Inadequate planning
  - Under capitalization
  - Do not have the needed management skills as part of their “team”

\*U.S. Bureau of Labor Statistics

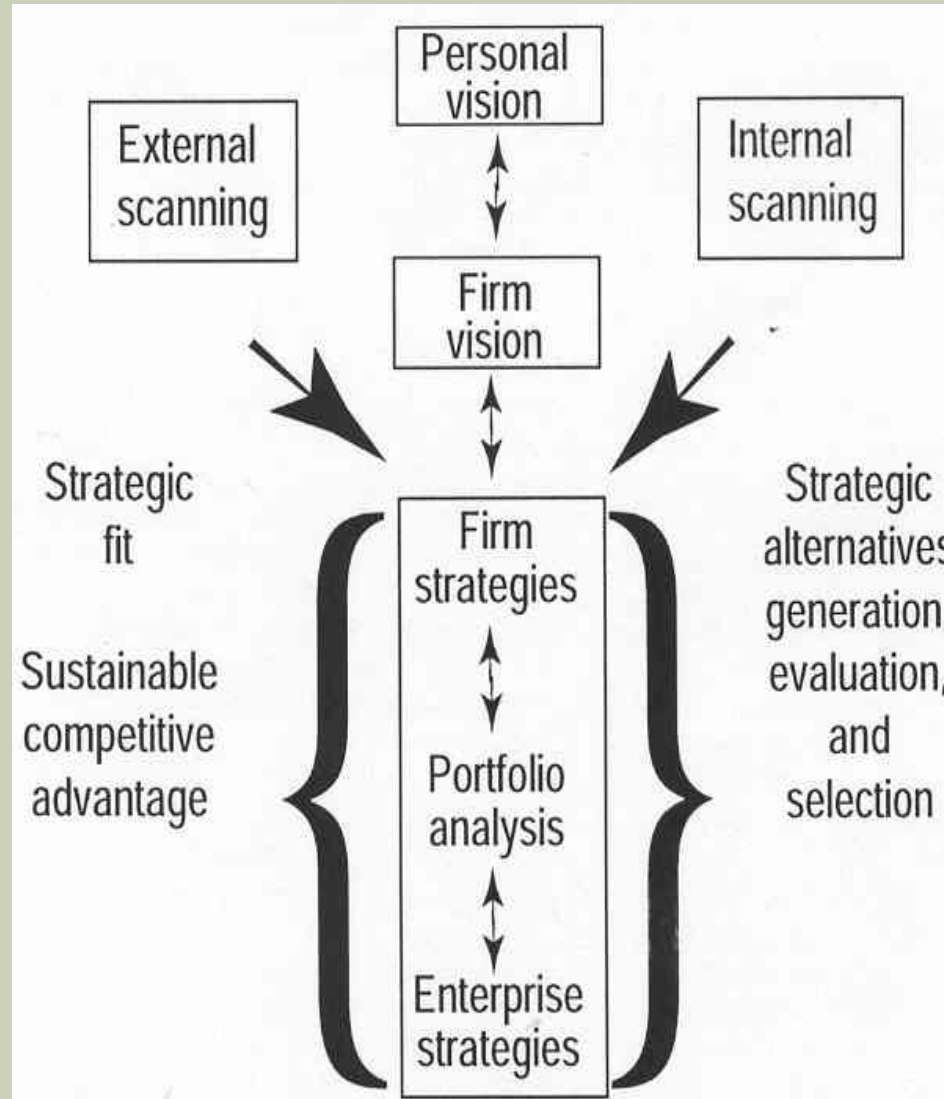


# FARM/RANCH FIRMS ARE UNIQUE

- Hierarchy of control
- Stability vs. growth
- Business life cycle
- Personal vs. business goals
- Limited planning horizon
- Traditional lack of strategic management
- Lack of formality



# STRATEGIC PLANNING PROCESS



# BUSINESS PLAN COMPONENTS

- Mission statement
- Goals & objectives
- SWOT analysis (Strengths, Weaknesses, Opportunities, & Threats)
  - Internal resources – strengths and weaknesses
  - External resources – opportunities and threats
- Management/decision plan
- Product(s) description
- Market(s) description
- Financial statements



# BUSINESS PLAN COMPONENTS

## ■ Mission Statement

- Firm purpose, priorities, central goal

## ■ Goals

- Accomplishments with timelines
- Broad/general statements

## ■ Objectives

- To do list for each goal with timelines
- Precise/quantifiable statements

# MISSION STATEMENTS

- **Statements that explain who we are**
  - Type of organization
  - Values
  - Products/services
  - Needs we fill
- **Statements that explain our direction, our purpose, our reason for being**
  - What difference do we make?
- **Statements that explain what makes us unique**
  - People
  - Combination of products and services

# WHAT IS A MISSION STATEMENT?

“A mission statement rolls your values...and vision into a set of guiding principles that describe your business. It serves as a benchmark for you and your partners while communicating how and why your business exists to customers and other community members outside your business.”

“A mission statement describes how the farm family business will take us to the future we intend to create for ourselves, our families and our farm.

# MISSION STATEMENT EXAMPLES

- For the last century the Louthan family has established deep roots in the agriculture industry and has developed a reputation for producing high quality Angus crossbred beef. Our family operation incorporates quality genetics to produce high grading, great yielding calves, which will gain weight quickly to harvest. We perform superior animal husbandry practices to ensure a healthy, high-quality product that our customers in the cattle feeding industry can trust.

# MISSION STATEMENT EXAMPLES

- Herb Appeal is a retail greenhouse focusing on organic herbs but also providing different types of herbaceous plants and hard goods. We will promote the use of organic plants and materials in the environment. Quality organic plants and knowledge-based customer service guarantee a good overall value to our customers.

# MISSION STATEMENT EXAMPLES

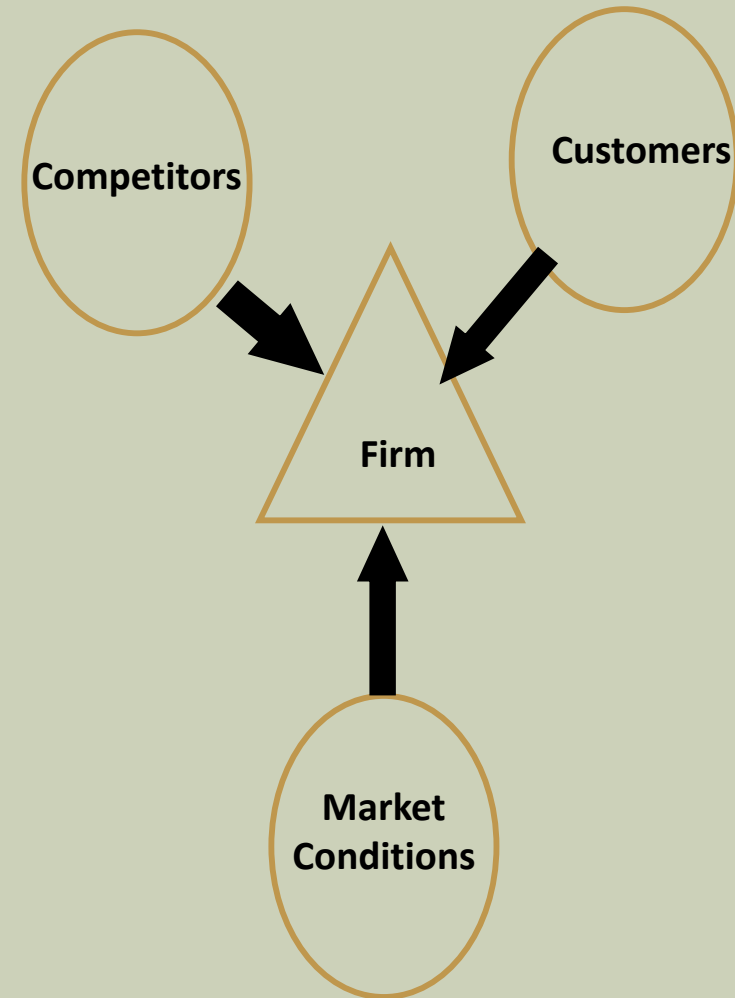
- We are committed to producing quality, all-natural, raw dairy products. By sharing livestock ownership, customers have an authentic opportunity to experience agriculture production from farm to table. This partnership creates a niche market providing unique, wholesome milk, beef, and compost. And because customers are part owners in our business, they are guaranteed high value food and resources before they're even produced! We're located on Colorado's central front range, and your milk comes straight "from our cows to your family!"

# ACTIVITY

- Write a mission statement for your business
  - Why does our business exist?
  - What makes our business unique?
  - For what will our business be known?
  - To whom is our business responsible?
  - How does our business fulfill a need?
    - Particular offering of products and services?
    - Particular context or value proposition?

# SWOT ANALYSIS

- Identify...
  - Strengths
  - Weaknesses
  - Opportunities
  - Threats





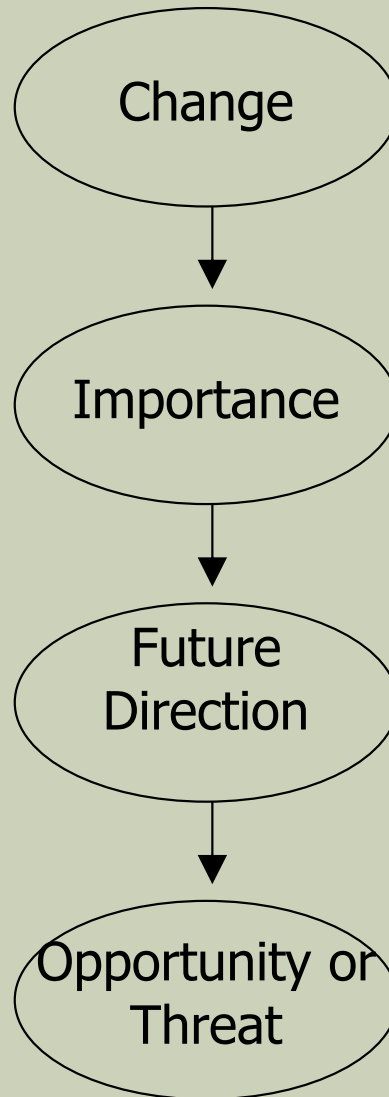
# INTERNAL SCANNING STRENGTHS AND WEAKNESSES

- Firm and enterprise level
- Personnel/labor
  - Including management potential
  - Any needed training/education
- Capital requirements
- Machinery/equipment

# EXTERNAL SCANNING OPPORTUNITIES AND THREATS

- **Global**
  - Weather, trade, consumers
- **National**
  - Taxes, laws, regulation
- **Industry**
  - Markets, technology, competitors, regulation

# EXTERNAL SCANNING



# ACTIVITY

## Opportunities

- List by type

## Threats

- List by type

# ACTIVITY

## Strengths

- List by type

## Weaknesses

- List by type

# **STRATEGIC RESPONSE (STRATEGIZING)**

**How can the firm creatively use its  
unique strengths to take advantage  
of an emerging opportunities.**

# STRATEGIC PLANNING

- Ability to evolve
- Focus on labor, management, & capital
- Generate income to meet needs
- Anticipate to manage risk
- Provide for unforeseen opportunities
- Plan for transition to next generation
  - Builds skills and management capabilities of the next generation, older generation provides mentoring
  - If existing enterprise start with a small amount of land or livestock herd
  - Could be a new enterprise or use of machinery (custom work)

# STRATEGIC MANAGEMENT NEEDS

- Forward thinking/proactive planning
- Anticipate change
- Sharpen focus
- Identify opportunities
- Identify success factors
- Develop competitive advantage



# MANAGERIAL ATTITUDES

## ■ Reactive attitude

- Business environment is too complex to understand
- Change is to be avoided
- React to problems
- Muddle through

## ■ Victim attitude

- Business environment is controlled by others
- Change is bad
- Blame others for problems

# MANAGERIAL ATTITUDES

- Negative attitude

- Always a reason why it won't work
- Change brings threats, not opportunities
- The risk of taking action is greater than the risk of not taking action

# MANAGERIAL ATTITUDES

## ■ Entrepreneurial attitude

- Business environment is to be used
- Changes provide opportunities
- Focus on the opportunities

## ■ Planning attitude

- Business environment provides business opportunities
- Plan for change
- Proactive search for opportunities and problems

# MANAGERIAL SKILL DEVELOPMENT

- Foresight
- Visioning
- Strategic thinking
- Innovation
- Assimilation
- Recognizing paradigm shifts

# FIRM STRATEGY LEVELS

- Firm strategies
  - Specifies firm's direction and planning horizon
- Portfolio strategies
  - Specifies firm's portfolio of enterprises
- Enterprise strategies
  - Specifies how each enterprise will compete within its industry

# COMPETITIVE ADVANTAGE

- Characteristics of a firm that allow it to outperform rivals in the same industry
- What the firm does better than its competitors
  - Product, service, process, access

# FIRM STRATEGY TYPES

- Growth strategies
- Stability strategies
- Retrenchment strategies
- Termination strategies
- Succession strategies

# FIRM STRATEGIES

	Long	Short	Termination/Succession
Growth			
Stability			
Retrench			

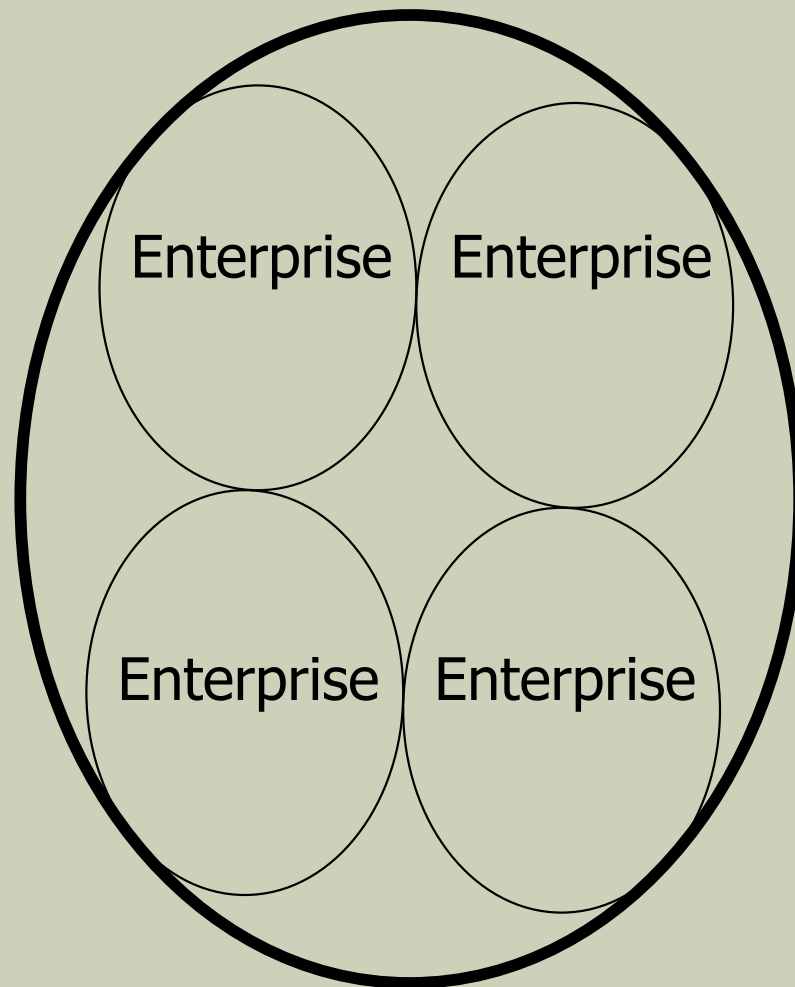


# FIRM OBJECTIVES

- **Survival**
  - Long-term stability
- **Social responsibility**
  - Free trade, environmentally friendly packaging
- **Profit**
  - Max profit over time
- **Market share**
  - Maximize sales in market
- **Product quality leadership**
  - Higher costs & higher product pricing

# FIRM PORTFOLIO ANALYSIS

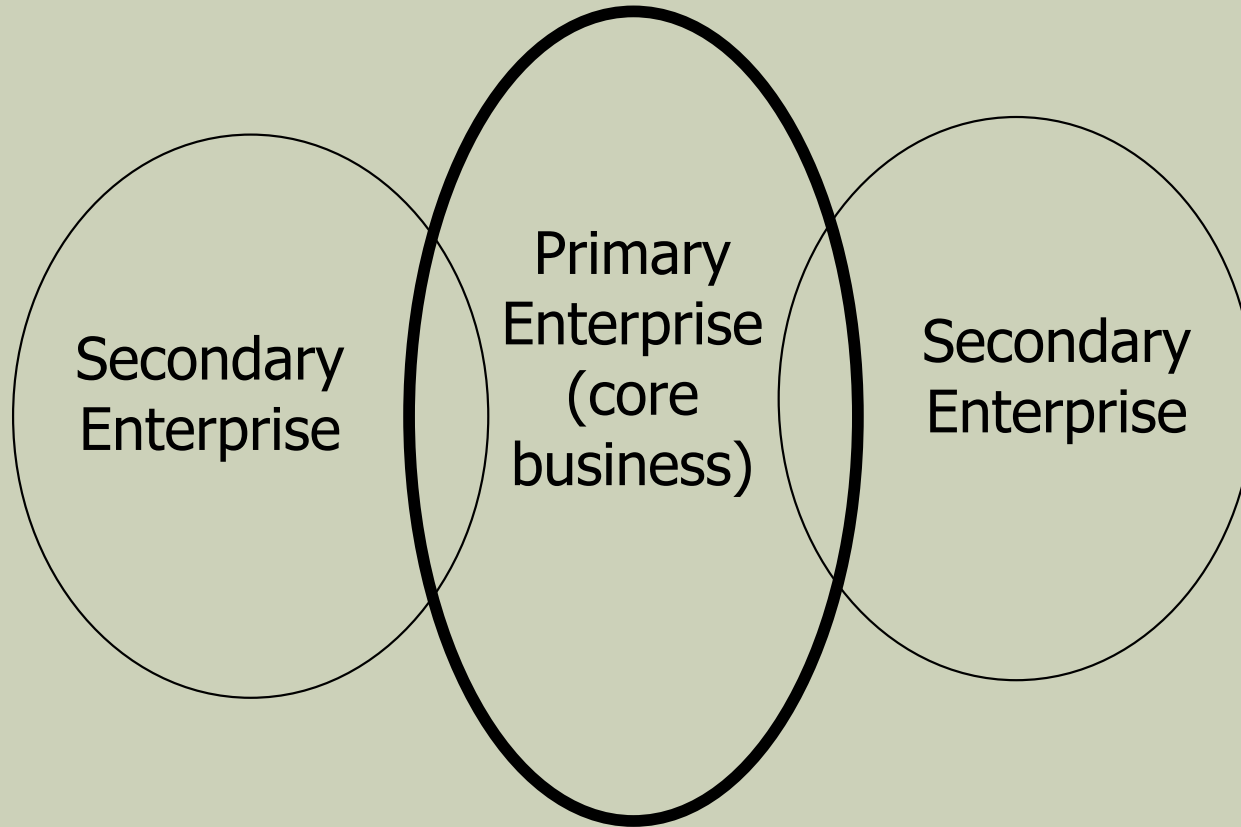
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# POTENTIAL OPPORTUNITIES

- **New enterprises**
  - New crop or livestock, value added products, agritourism
- **Expansion**
  - New land, machinery, etc.
- **New markets**
- **New technologies/resources**
  - Machinery, insurance, seed

# ENTERPRISE CATEGORIES



# FINANCIAL ANALYSIS

- Using prior financial statements, is an ideal way to trace what has happened to the operation over time
- Evaluate the opportunities and potential for success in the future
- Financial ratios to measure....
  - Liquidity
  - Solvency
  - Efficiency
  - Profitability

# FINANCIAL STATEMENTS

- Net income statement
- Cash flow statement
- Balance sheet (net worth statement)

# NET WORTH

- Balance sheet or net worth statement shows the financial stability of the business
- Net worth statement lists the assets and the liabilities
- Divided between the short term and long term

# CASH FLOW

- Cash flow statement is an analysis of cash in and cash out over a certain period of time
- Cash flow budget is a projection of cash in and cash out over a certain period of time
- Used to analyze cash movement or anticipate when funds might be needed



# INCOME

- Net income statement
  - Shows the income generated and expenses incurred by the business
- All income, not just the cash

# BUSINESS PLANNING TOOL



The Agriculture, Fisheries and  
Small Business Planning Website



## What is AgPlan?

AgPlan helps rural business owners develop a business plan.  
Everyone can use AgPlan—for FREE.

- **Develop** your own business plan
- **Learn** what you need to include in your plan with Tips & Resources
- **View** Sample business plans for ideas
- **Share** your plan—print, download and work with your own Reviewers

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<https://www.agplan.umn.edu/>



# AGPLAN

- Mission
- Values
- Vision
- Goals
- History & current situation
- Production plan
- Management plan
- Marketing plan
- Monitoring checkpoints
- Free
- Develop your own business plan
- Learn what you need to include in your plan with tips & resources
- View sample business plans for ideas
- Share your plan—print, download and work with your own reviewers

# OTHER RESOURCES

- List other resources in your area such as small business development centers, university Extension websites, etc.

**THANK YOU!**