

Strategic Planning Imperative

King Ranch executive urges ranchers to ‘plan for profitability in ethanol era.’

Story by

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For some ranchers, strategic planning may seem tedious. For others, it may seem

something a large corporation — not a working cattle operation — would do. But Texas A&M University (TAMU)–Kingsville’s King Ranch Institute for Ranch Management Executive Director

Barry Dunn encourages cattle ranchers to make the time.

Speaking to beef producers at Kansas State University’s (K-State’s) Beef Conference Aug. 7-8 in Manhattan, Kan.,

Dunn conceded that developing a good strategic plan takes time. For that reason, he suggested that wintertime is a good time for working on such planning.

With the recent volatility in feed, fuel and cattle prices and changes in the marketplace, knowing where an operation wants to go and plotting a strategy to get there has never been more important, he said. Adapting planning tools used by highly successful corporations is not as difficult as some may think, and it can offer big benefits to ranching operations.

Dunn encouraged beef producers to be “proactive” rather than “reactive.”

“If you plan reactively, you will always be behind,” he said.

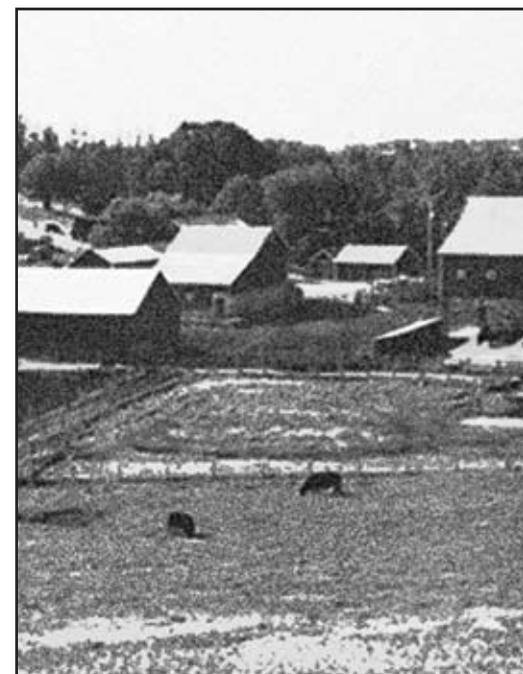
He outlined the King Ranch Institute Ranch Management Five-Stage Process, which includes: charting the course, strategies to achieve the vision, scenario planning for the ranch, merging the two planning processes, and putting the plan into action and measuring success.

Stage 1: Charting the Course.

Assess the situation and inventory your resources. Take a detailed look at the financial status of the operation, including balance sheets, recent income statements, deferred taxes and potential tax liability.

“The goal is to get a handle on the entire financial picture,” Dunn said. That means taking inventory of the ranch’s physical resources, such as equipment, as well as natural resources, such as pastures, water — even the weather — and rating the condition of those resources.

That may mean counting the number of pastures and their condition, as well as whether they have water and its condition. It also means assessing the operation’s human resources and rating



their condition, keeping in mind skills, interests and adaptability.

Write a SWOT (strengths, weaknesses, opportunities and threats) analysis. It helps create discussion among ranch managers and others and can help develop an objective inventory of realistic potential.

"It's hardest to enunciate the 'weaknesses,'" Dunn said, "but this is the area you can have a huge impact on."

Establish a vision that should go out at least five years, Dunn said.

Stage 2: Strategies to Achieve the Vision. Do a "gap analysis," determining the gap between the current state of the ranch and the vision.

"Writing down the vision is the hardest thing I've seen people do," Dunn said. "You know where you're at ... you know where you want to go ... that's the gap. Follow that up with deciding what strategies you'll need to close the gap."

They may include finding new resources, reallocating existing resources or modifying the size or scope of the vision.

Stage 3: Scenario Planning for the Ranch. Select and evaluate the most probable scenarios, essentially the "what ifs" that relate to a rancher's operation.

Dunn suggests picking two to four scenarios that can be tied to the SWOT analysis and/or the gap analysis. Each scenario should be fleshed out with a descriptive paragraph.

"Examples of scenarios a producer may use," he said, are "the price of oil will rise, or the price of hunting leases will level off." Examples that would be inappropriate are "peace in the Middle East or global warming will raise sea levels."

Stage 4: Merging Strategies and Scenario Planning. By writing the strategies and scenarios in a grid, producers can determine the strategies with the highest likelihood of success.

Stage 5: Putting the Plan into Action and Measuring Success. The

two most critical components here are commitment and dedication, Dunn said. Tactical and operational plans should designate who, what, when, where and how.

"More good plans are in someone's head or in some notebook somewhere than are being implemented and that's too bad," he said.

Once the plan is implemented, he suggests using a "balanced scorecard" to determine what is working and what is not.

(See "Seeking Balance" in the February 2007 *Angus Beef Bulletin* for more about the balanced scorecard system. This article is available online at www.angusbeefbulletin.com through a back issue search using *balanced scorecard* as the keyword.)

"This (Five Stage) approach has been widely used for a long time by many businesses of all sizes and scale, but has not been common in ranching and farming," Dunn said.

More information about the King Ranch Institute and training for ranch managers is available on its web site <http://kriirm.tamuk.edu>; click on the Library link.



Editor's Note: *Mary Lou Peter-Blecha is a communications specialist for K-State Research and Extension, which provided this article.*

