Strategic Planning Key in Farm Transitions

K-State ag economist offers six-step plan.

by **NELLIE HILL,**
K-State Research and Extension

By following six steps, farm operators and small business owners can develop a plan to chart the course for future growth and sustainability, according to Michael Langemeier, professor in Kansas State University's Department of Agricultural Economics.

Langemeier outlined the process of strategic planning in a three-part feature in the Kansas Farm Management Association newsletter, available online at *www.agmanager.info/kfma*.

Strategic planning, which should be an ongoing process, is most important during times of transition, he said. When an operation is bringing on a new family member or hiring new employees, those are vital times to devise or reevaluate the strategic plan.

"Formally or informally, the discussion needs to take place between family members so everyone knows their role," he said.

Once that discussion begins, the most important topic is assets, he added. Farm operations have many assets that should be used efficiently. It is important for farmers to monitor their past performance, compare themselves to competitors and determine if growth or staying the same size will be the most financially responsible.

Langemeier cited six steps that can be beneficial for farm operations.

Step 1: Develop an effective mission statement. Consider what makes the operation unique, business values and for what the business should be recognized. Motivating employees and focusing efforts are two benefits of a clear mission statement.

Step 2: Formulate goals and objectives for the business. This means having specific, measurable, attainable, rewarding and timed smart goals that will provide strong reference points for decision-making and measuring progress.

It is important to have specific goals. Instead of wanting the farm to grow, specify you want the farm to grow by a certain profit or acreage each year. Measurable goals let you look back in five years and see if you grew by a set amount.

Using a S.W.O.T. analysis investigates the strengths, weaknesses, opportunities and threats associated with the business in the third and fourth steps.

Step 3: Focus on firm resources. Strengths and weaknesses reflect the internal components of the business. Contemplate human, physical, financial, technological and consumer resources. The important thing to do is think about changes that may occur in the near future that would affect your farm's ability to compete or changes that could lead to profitable endeavors.

Step 4: Evaluate opportunities and threats in the external environment of the business. Survey the current and future business environment centers around competitors, markets, powers of suppliers and buyers and the operating environment. Ask such questions as, "What are the key factors to competitive success?" "What are the industry's dominant economic traits?"

Step 5: Identify and select strategies to achieve goals and objectives set in Step 2. This step requires matches to be made between strengths and opportunities outlined in Steps 3 and 4.

Step 6: Engage in continuous self-assessment and strategy refinement. Develop best practices to monitor success.

> "Formally or informally, the discussion needs to take place between family members so everyone knows their role."
>
> *— Michael Langemeier*

Langemeier said that farmers may need to make revisions if their monitoring shows undesirable outcomes from the strategic plan. He recommends reevaluating at the beginning or end of each year, adding that it won't take much time, but is an important way to start or end the year.

His third and final installment of the strategic planning series in the February 2012 edition of the KFMA newsletter discusses how to measure and sustain competitive advantage.

Editor's Note: *This article provided by K-State Research and Extension.*