



A Review of Strategic Thinking for Today's Agriculture Industry

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Some of this information may be new to readers, some may be review. It is extracted and collected from various experts and writers on strategic management and business success. I've adapted it as much as possible for agricultural businesses/operations. External forces affect how any business operates, but there are some good ideas contained here to examine individual business response.

The Challenge:

“Much of the productivity gains in agriculture are being captured by customers/consumers, equipment suppliers, or others in the food chain, not retained as profit ability for growers.”

“Competition based on operational efficiency alone (who can do it the cheapest) is mutually destructive, leading to wars of attrition that can be arrested only by limiting competition.”

“Businesses that focus on operational effectiveness produce reassuring progress (higher yields), but superior profit ability may remain elusive.”

Strategic Thinking About Agricultural Business Options:

Reason for Being:

What is your business' unique “*reason for being*”? What differentiates it from other producers that do the same thing? Competitive strategy is about being different. It means deliberately choosing a different set of activities to deliver a unique mix of value. But the essence of strategy is in the activities — choosing to perform activities differently or to perform different activities than rivals/competitors. Otherwise, a strategy is nothing more than a marketing slogan that will not withstand competition.

Customer perception - what benefit are you delivering to the customer? Cost/value, quality (including taste), level of service, convenience/time, product uniqueness/variety, ethnic/cultural needs. Compare your products, services, delivery, quality, and competencies to the competition.

Is the business investing in those things that take advantage of unique competencies, abilities, and strengths? Are the operators/managers able to recognize opportunities that match these strengths?

It is one thing to discern attractive opportunities and another to have the competencies to succeed in these opportunities. The big question is whether the business should limit itself to those opportunities where it possesses the required strengths, or should it consider better opportunities where it might have to acquire or develop new strengths.”



What unique competencies or abilities does your business possess?

- equipment design or modification abilities;
- unique growing method;
- premier breeding line of livestock and management program;
- detailed record keeping that enables key analysis and decisions about break-even costs and what crops/commodities are showing the best returns;
- people skills that enable new marketing connections or on-farm hosting of visitors (fee-hunting/fishing, agri-tourism, etc.)

‘According to one business specialist, simple-sounding questions are among the most difficult a business will ever have to answer. *What is our business? Who is the customer? What is of value to the customer? What will our business be? What should our business be?* Successful companies continuously raise these questions and answer them thoughtfully and thoroughly.’

Another way of asking these questions: Which of our product or service varieties are the most distinctive? Which of our product or service varieties are the most profitable? Which of our customers are the most satisfied? How do customers see our business? Can we continue to improve and create value? What must we excel at to deliver the benefits/value?

Positioning Your Business:

Each business should work to develop a **positioning statement** that includes these components:

For “identified market” the “name of business” offers “type of benefit” because of “unique abilities/competencies.”

A few examples:

- *For health-conscience consumers, the Smiling Sun Farms offers 50 different fresh, seasonal vegetables and fruits at convenient locations because of our commitment to quality and selection.*
- *For time-strapped parents, the Johnson Fruit Stand offers convenient but healthy snack packages for kids and dinner ingredients for moms/dads because we pre-select and prepare hassle-free items to meet your hectic schedule.*
- *For quality-conscience wheat buyers/millers, Johnson Family Farms delivers premium Northwest wheat that consistently meets (criteria/protein...) because we grade, segregate, and provide premium storage until you are ready for your shipment.*

“The key to growth—even survival—is to stake out a position that is less vulnerable to attack from head-to-head opponents (competitors), whether established or new, and less vulnerable to erosion from the direction of buyers, suppliers, and substitute goods. Establishing such a position can take many forms — solidifying relationships with favorable customers, differentiating the product either substantively or psychologically through marketing, integrating forward or backward, establishing technological leadership, etc.” - Michael E. Porter, Harvard Business Review

The position statement sets out the strengths of the business, the market segments you service, and what you will supply. It builds on a mission statement (if you have one), and enables the next steps of focusing resources to activities that support this effort, minimizing distractions into other areas.



Since the intent of the position statement is to identify **benefits** from the customer's perspective, one should ensure that the identified benefit is indeed the customer's desired benefit and not simply a selling slogan for the product the business has to offer. *Strategy and marketing aren't about a product, they are really about the benefit the customer desires from the product.* Direct questioning, focus groups, or industry research can help identify customer interests and desired benefits. Do they want low cost, value, a large quantity, a particular variety or taste, specific grades of product, healthy, etc. And which one, or mix, of these benefits will you deliver? A business must be viewed as a customer-satisfying process, not a goods-producing process. Products are transient, but basic needs and customer groups endure forever.

The Customer Experience:

Map out all the steps through which customers pass from the time they first become aware of your product to the time when they finally consume, dispose of or discontinue using the product. Consider what value they derive along each step — how do customers find out about it, how do they make their selection, how do they order and purchase, how is it delivered, how is it paid for, how is it stored and transported, how is the customer using the product, what does the customer do if they have questions about the product, what about returns/exchanges?

Answering these questions and visually mapping out the process can help identify opportunities to enhance value, differentiate product/service, and create more benefit to the customer, which can translate into more return to the grower.

Matching Capabilities to Benefits:

Identify capabilities (skills or assets) of the business that relate to each customer benefit — what enables or enhances delivery of the benefit of this product to the targeted consumer? Examples might include new product development expertise, efficient operations or equipment design capabilities, staff/managers with key knowledge of a target market or legal issues, a historical database of production data, customers and product delivery, or a premier quality control system.

Link internal activities with capabilities (skills and assets). For example, having employees with key knowledge of markets or legal issues is based on recruiting, training, and retention. What are the internal activities or resources that allow this to happen? Is the business investing in these activities that build on capabilities to deliver the desired benefit to the customer? Is the business making key decisions NOT to invest in activities that do not match capabilities and delivery of benefits? Businesses that try to be all things to all customers risk confusion in the trenches as employees attempt to make day-to-day operating decisions without a clear framework.



Partnerships:

Have you fully examined potential partnerships, alliances, cooperative efforts with others to leverage what you are doing?

Examine relationships with suppliers and buyers. Generally, there are few of each while there are many growers, which implies they have more bargaining power and can dictate prices. In some instances there is little to be done about this. But each grower must continually assess this and look at whether alternatives exist. Again, reviewing whether partnerships, alliances, or cooperative efforts can impact this balance. Other options may include direct marketing, finding new markets, modifying product (value-added) or commodity mix to augment what you offer to buyers.

Other models for thinking about business operations:

McKinsey 7-S framework for business success:

Strategy, Structure, and Systems are considered the hardware or framework. Style, Skills, Staff, and Shared Values are the software or operating system that makes it work.

Components in a high performance value/benefit delivery system:

1. Continuously collecting customer feedback about how to improve the product and its marketing.
2. Evaluate all customer and employee improvement ideas and introduce the most valued and feasible improvements as soon as possible.
3. Minimize delivery time and inventory holding as allowable by product type.
4. Minimal defects - high quality and free of flaws.

“What you measure is what you get.”

