What is an Agribusiness?

- Input supplier and manufacturer
  - Machinery dealer or fertilizer & chemicals supplier
  - Fertilizer & chemicals manufacturer
- Farming operation
  - Cropping farm
  - Livestock farm
- First handler and processors
  - Grain elevator
  - Milk cooperative
- Services provider
  - Financial institution
  - Consultant
- Integrated business
- Others?
Strategic planning is the critical activity to the successful operation of any firm or organization

- External analysis (opportunities and threats)
  - Examines the business in the context of the overall industry and the general economy
  - Takes into consideration the impact of government, environment, support service, and endowment resources
- Internal analysis (strengths and weaknesses)
  - Many tools to help with this activity including financial ratios, critical success factors, management team inventories, resource tabulations, and brainstorming
Strategic planning is a process that is widely used by corporate businesses, government agencies, non-profit organizations, cooperatives and other organizations. It is the process of defining and implementing a strategy for the organization. The importance of a strategy is clearly articulated by Sawyer:

*Before it (a business) can be effective, strategy must be created, converted into policy, communicated and made to work. In making it work, the integration of a well-conceived strategy with management of the ongoing business process is now called strategic management.*

Source: G.C. Sawyer, Designing Strategy -- A How-To-Book for Managers
Mission statements are generated when doing strategic planning

- It personalizes the business, giving it its own special identity, character and path for development
- It is critical for enhancing the motivation, effectiveness, and efficiency of the workforce and management team
  - "If you do not know where you are going, any road will take you there!"
- Should convey the vision of the business
  - States the desired business of the future ("Dream")
- A mission statement defines:
  - Who we are
  - What we do
  - Where we are going
  - For Whom we do it for
WHAT ARE VALUES?

Values are defined as:

- **M** The quality of being useful, important or excellent
- **M** The degree of excellence
- **M** Moral or personal worth
- **M** Something considered or rated highly
# VALUES OF AGRICULTURAL PRODUCERS

**Mission Statement AMAP Workshops**

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Product</strong></td>
<td></td>
</tr>
<tr>
<td>- High yields</td>
<td>6</td>
</tr>
<tr>
<td>- High quality and safety</td>
<td>44</td>
</tr>
<tr>
<td><strong>Financial</strong></td>
<td></td>
</tr>
<tr>
<td>- Profitability</td>
<td>35</td>
</tr>
<tr>
<td>- Stability/Security</td>
<td>30</td>
</tr>
<tr>
<td>- Growth</td>
<td>28</td>
</tr>
<tr>
<td><strong>Human Resources</strong></td>
<td></td>
</tr>
<tr>
<td>- Family growth in business</td>
<td>26</td>
</tr>
<tr>
<td>- Employee growth in business</td>
<td>11</td>
</tr>
<tr>
<td>- Employee relationship</td>
<td>39</td>
</tr>
<tr>
<td><strong>Personal</strong></td>
<td></td>
</tr>
<tr>
<td>- Self esteem</td>
<td>10</td>
</tr>
<tr>
<td>- Family values</td>
<td>47</td>
</tr>
<tr>
<td>- Religious values</td>
<td>19</td>
</tr>
<tr>
<td>- Good community citizen</td>
<td>38</td>
</tr>
<tr>
<td><strong>Technological</strong></td>
<td></td>
</tr>
<tr>
<td>- Innovator</td>
<td>10</td>
</tr>
<tr>
<td>- Keep abreast of times</td>
<td>28</td>
</tr>
<tr>
<td><strong>Environmental</strong></td>
<td></td>
</tr>
<tr>
<td>- Implicitly stated</td>
<td>13</td>
</tr>
<tr>
<td>- Explicitly stated</td>
<td>30</td>
</tr>
</tbody>
</table>

(Note: Livestock farms often stated animal values)
CIRCUMSTANCES ARE ALSO IMPORTANT

A circumstance is a condition, fact, or event that will have an effect on our future options and opportunities.

Circumstances could include one or more of the following:

- Dollars capital
- Labor
- Depreciable assets capacity
  - Equipment
  - Improvements
  - Etc.
- Purchased inputs markets
- Land
- Management
- Product markets
- Location
- Internal production
- And others

EXAMPLE MISSION STATEMENT

- Do they indicate?
  - 1. Who we are
  - 2. What we do
  - 3. Where we are going
  - 4. For Whom we do it for

- Do they reflect?
  - 1. A vision
  - 2. Goals to achieve
  - 3. Enabling or limiting circumstances

- Do they consider?
  - 1. The customer
  - 2. The owner(s)
  - 3. The employees (associates)
  - 4. The community
  - 5. Key relationships
CINDY’S AND JERRY’S DAIRY

Our mission is to build a prosperous, growing dairy and cattle farm that produces and markets superior products at premium prices. We strive to develop an economically competitive unit that has stability, but takes advantage of growth opportunities as the resources become available.

We work to hold a reputation in the community for honesty and goodwill, and to be an asset and a leader in the community we function in.

The primary focus of this business will be on the people: management and staff. Management's objective is to eliminate barriers preventing staff from doing their job effectively. Staff's objective is to seek improvements in all areas, including self-improvement and advancement.

The business shall provide all associated with it adequate leisure time and opportunity for financial, emotional, and spiritual growth. Management and staff will work together to create a healthy environment for the good of all.

INTERNATIONAL BOAR SEMEN

Realizing that the primary purpose of "AI" is to obtain more rapid genetic improvement and to enhance biosecurity, International Boar Semen . . .

...will strive to provide our customers with boar semen that passes stringent health and quality control standards and meets accelerated genetic standards and meets genetic standards for superiority in economically important traits at reasonable prices!

...will offer to our customers high quality, field proven "AI" equipment, supplies and other products at competitive prices.

...will dedicate ourselves to being a leader in the swine "AI" industry by continually evaluating and upgrading our customer service, quality control and genetic advancement programs!
The AMAP Pyramid

LONG-TERM GOALS

D  Directional
R  Reasonable
I  Inspiring
V  Visible
E  Eventual
What is the relationship of different types of decisions?

- Strategic Decisions – Long-run in nature
  - They originate out of the strategic planning process
  - Need to be reviewed every 3-5 years
- Tactical Decisions – Intermediate-term in nature
  - They set the course of action based upon the strategy selected
- Operational Decisions – Short-term in nature
  - How to address the day-to-day problems

Where do tactical and operational problems fit into the planning process?

- The upper part of the pyramid
- They come out of the long-term and short term goals
THE STRATEGIC MANAGEMENT PROCESS

Assumptions about and Performance Strategy Implementation (Operations)

CHALLENGE ASSUMPTIONS
- INSIDE THE FIRM
  - Human Resources
  - Information Systems

OUTSIDE THE FIRM
- Competitive Customers, Rivals, Substitutes
- Change Market
- Globalization, Customer Demand, Regulation, Product
- Market Innovation, Technology: Its Business

THEN CHOOSE THE DESIRED ACCOMPLISHMENTS
1. Vision and Mission
2. Goals and Objectives

ALTERNATIVE STRATEGIES
- Core Competencies
- Competitive Advantage
- Price/Cost
- Quality/Features
- Niche/Market
- Cost
- Industry
- Leader
- Adaptor
- Challenger
- Loner
- Strategic Initiative
- Grow
- Maintain
- Reposition
- Retrench
- Exit
- Vertical Coordination
- Spot
- Contract
- Strategic
- Co-op/Market
- Vertical

TIGHTEN CONTROLS

THE STRATEGIC MANAGEMENT PROCESS TAXONOMY OF PROBLEM SOLVING

Dynamic

Static

Nature

Certainty

Rational Opponent

Uncertainty

Very Complex

Nature

Certainty

Rational Opponent

Dynamic

Static

Nature

Certainty

Rational Opponent

Uncertainty

Very Complex
OPERATIONS MANAGEMENT DRAWS UPON MANY FIELDS

**Management science**
- Operation research techniques (optimization tools)
  - Linear Programming
  - Markov processes and dynamic programming

**Economic Theory**
- What to produce
- How much to produce
- How to produce various products
- How to address risk and uncertainty

**Human resource management**
- How to empower employees
- People may be the most valuable asset for some type of firms

*(Fields for Operations Management Continued)*

**System science**
- Examines the interaction of the overall system (simulation modeling)

**Information systems**
- Information and knowledge are increasingly being used to gain a competitive advantage

**Artificial intelligence**
- Expert systems
- Data mining (e.g., neural nets)

**Others**
- Accounting methods
- Marketing theory
- Etc.
**NEW DEVELOPMENTS IN OPERATIONS MANAGEMENT**

**Just-In-Time Production**
- A process of being highly responsive to customer demand and also improving productivity and efficiency
- Producing just what is needed at the exact time

**Total Quality Management (TQM)**
- Not based on inspections, quality saves money, and it is a continuous process
- Discussed in more detail later in the course

**Computer and Computer-Related Operations Technologies**
- CAD – Computer Aided Design
- CAM – Computer Aided Manufacturing
- AI – Artificial Intelligence
- DSS – Decision Support Systems
  - Data Mining
  - SAP
(New Developments Continued)

**Time-Based**
- Based on the assumption that you can gain a competitive edge by more quickly meeting the customer demands – FedEx, construction companies, service response

**Business Process Reengineering**
- Involves a fundamental rethinking and radical redesign of business process
- Getting rid of old weak practices and replacing with new highly efficient and productive one

**The Service Factory**
- Attempting to gain a competitive edge by focusing also on the service aspects
- Adding something beyond the product itself

**Others?**