AgriLIFE EXTENSION
Texas A&M System

Strategic Planning for Success

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Strategic planning is the process of determining the direction your enterprise will take. The planning process is not a prediction of the future. Decisions can not be made for the future, only for the present. The reason to plan is to avoid having to manage from crisis to crisis, as so often happens in agricultural enterprises. Strategic planning is a method of establishing and maintaining a sense of direction so that you can work consistently toward predefined goals.

Planning begins with setting goals. The goals you set for your enterprise will be subjective. Only you can determine what they will be. You will achieve your goals by taking appropriate actions, so the plan you devise should result in some action. In fact, there is no need to bother with planning unless you are open to change and willing to take the actions that can help you achieve your goals.

The planning process helps you make the decisions that are most likely to have favorable consequences in the present and in the future. For the natural resource manager, these decisions often have to do with prioritizing the use of limited resources. The purpose of planning is, of course, to help you achieve optimal results with your enterprise. Remember that your goals will be subjective. They are based on your specific desires, your tolerance for risk, and the length of time you are willing to wait to achieve those goals.

How long is a long-range plan? That, too, is subjective. A plan must be long enough to give you control over the future you are trying to create for your enterprise. A strategic plan may be for 10 or 20 years, but you will need a tactical plan for a shorter period, perhaps 5 years.

Defining Your Mission

All planning should begin with a comprehensive look at your enterprise and what it is all about. Defining the mission of the enterprise is the most important part of planning because that definition will drive all other decisions. The mission states the nature of the enterprise, where it does business and what its products are. The mission should neither limit nor overextend the enterprise. It should be as broad as possible without being unrealistic.

Setting Goals

Once you have defined your mission you can set goals for fulfilling that mission. The best goals are SMART goals:

S = Specific
M = Measurable
A = Attainable
R = Related
T = Trackable

To say that the goal is "growth" or a "reasonable rate of return" raises questions about what is meant by growth and what constitutes a reasonable rate of return. Are such goals attainable? How would you measure success or track progress toward such goals?

An example of a SMART goal might be: "To sustain the resource so that it maintains a 1,200 AU per year productivity over my lifetime." It is specific. It is measurable over the producer's lifetime. It should be attainable as long as there is no major degradation of the resource. It would be related as long as no other goals are contradictory. And, it is trackable because AU per year can be measured each year to see if the goal is being met.

Considering the Environment

With goals for the enterprise in place, you can determine the specific strategies necessary to achieve them. But first it is necessary to analyze the internal and external environments within which the enterprise functions. This analysis shows you the strengths and weaknesses of the enterprise, highlights opportunities, and reveals potential threats.

Internal examination. You should spend some time performing a management audit—examining the internal condition of the enterprise. Consider the current financial condition of the enterprise, as well as operational processes, products, management and personnel, and current strategies. This introspection allows the manager to answer such questions as: Is management capable of coping with future challenges? Are there personnel issues that might keep the enterprise from achieving its goals? How strong is the enterprise's balance sheet? Can existing markets yield greater benefits?

External examination. External forces not under the direct control of the manager often have much to do with the destiny of an enterprise. Most natural resource managers know this. It always seems that the weather, the market, or some other factor is driving decisions and determining outcomes. A close look at these external factors may reveal ways to benefit from them. For example, it may seem that changing social and economic conditions are a threat, when they might actually lead to new opportunities for the enterprise. In the planning process, it is important to study the trends associated with external forces so that you will know whether they are threats or opportunities.

Once a threat or opportunity has been identified, you can examine alternative courses of action. Each alternative for the enterprise must be analyzed on its own merit and not lumped with other alternatives. Each analysis might include a feasibility study, some projections of outcome, and a discounting of future expenses and revenues to present values. When evaluating alternatives, remember the SMART goals you have set. All parts of the enterprise should come together in a synergy of effects so that there is no competition among alternatives and goals. Finally, consider the risks associated with each alternative and the overall risks to the enterprise if an alternative is included in the business.

Closing the Gap

After this analysis, you should be able to see whether or not there is a gap between the current position of the enterprise and the goals you have set for the future. If the gap seems insurmountable, perhaps the goals were not attainable to begin with and should be revised. If the gap can be closed, perhaps by expansion or diversification, the next step is to develop appropriate strategies for achieving goals. This is the planning level where daily operational decisions are made. There are no right or wrong strategies, only those that help you progress toward set goals and those that cause you to stray. Even the best managers sometimes stray from the goals they have established. The important thing is to make sure those stray paths do not cause so much damage that they make your goals unattainable. Having a well thought-out plan to follow can make the tough daily decisions a little less difficult.

Establishing Contingency Plans

A wise manager anticipates the risks involved in various aspects of an enterprise and has contingency plans to help manage those risks. Contingency plans can reduce the time needed to react to unexpected situations.

Summary

The strategic planning process helps the manager answer these questions: Where am I going? What is the environment? How do I get to my destination?

A manager who can answer these questions is likely to be successful in sustaining natural resources and maintaining the financial stability of his or her enterprise.

Additional Reading

Drucker, P. R. 1974. The Practice of Management. New York: Harper Business.

Kastens, Merritt L. 1979. The Why and How of Planning. *Journal Managerial Planning*. July-August, pp. 33-35.

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