

“Strategic and Scenario Planning: Financial Considerations ”

2012 Winter Grazing Conference

January 21st , 2012

Barry Dunn

South Dakota State University



Goals for Today

- What are Strategic & Scenario Planning?
- Why do we do practice them?
- Who does it?
- Where does it take place?
- When does it happen?

What is Strategic Planning?

- Organized process of preparing an organization for the future.
- General statement about how an organization is going to win!

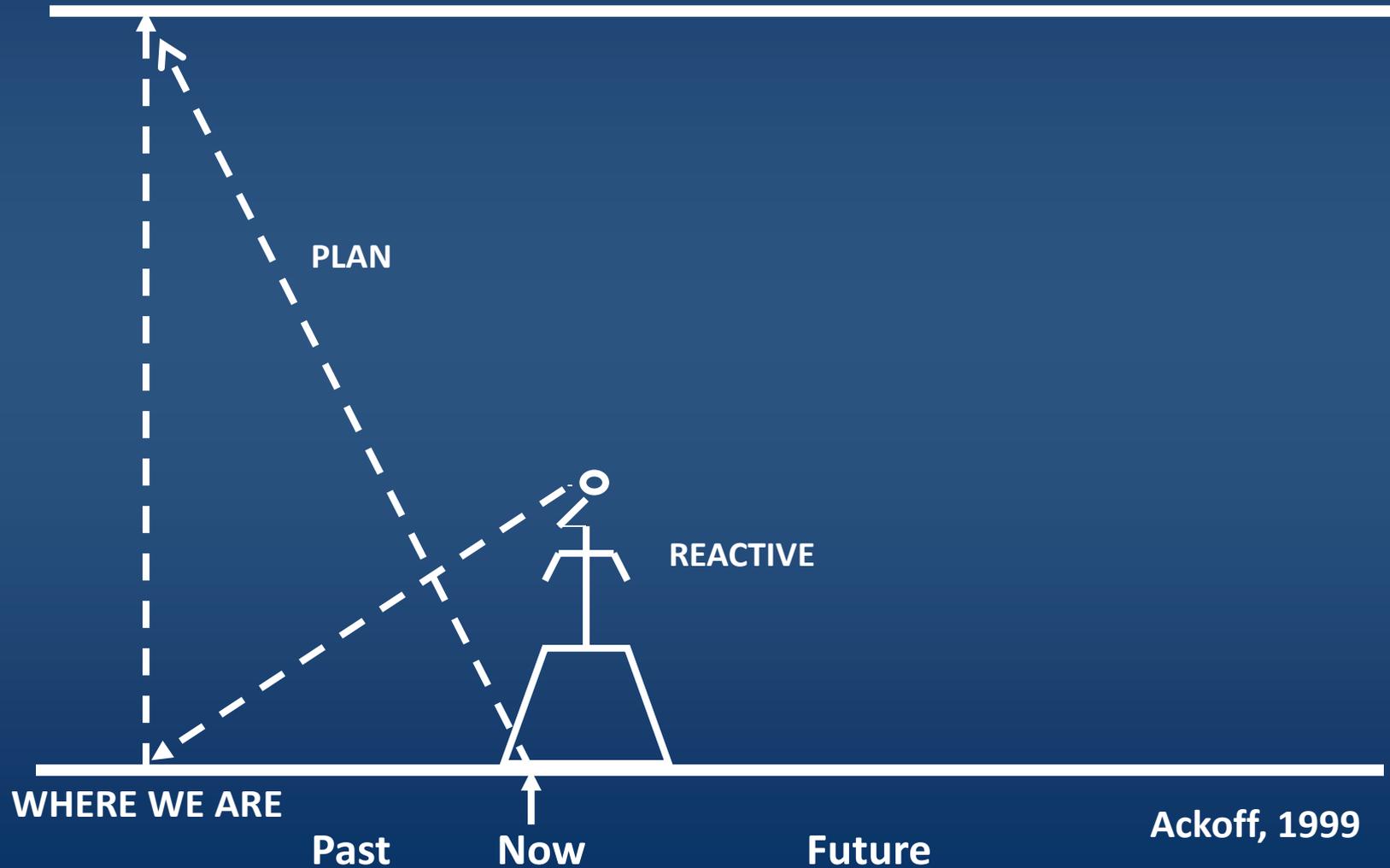
Why?

How hard would it be
to drive your car back
to your farm or ranch tonight,
driving forward,
using only the
rear view mirror?



Reactive

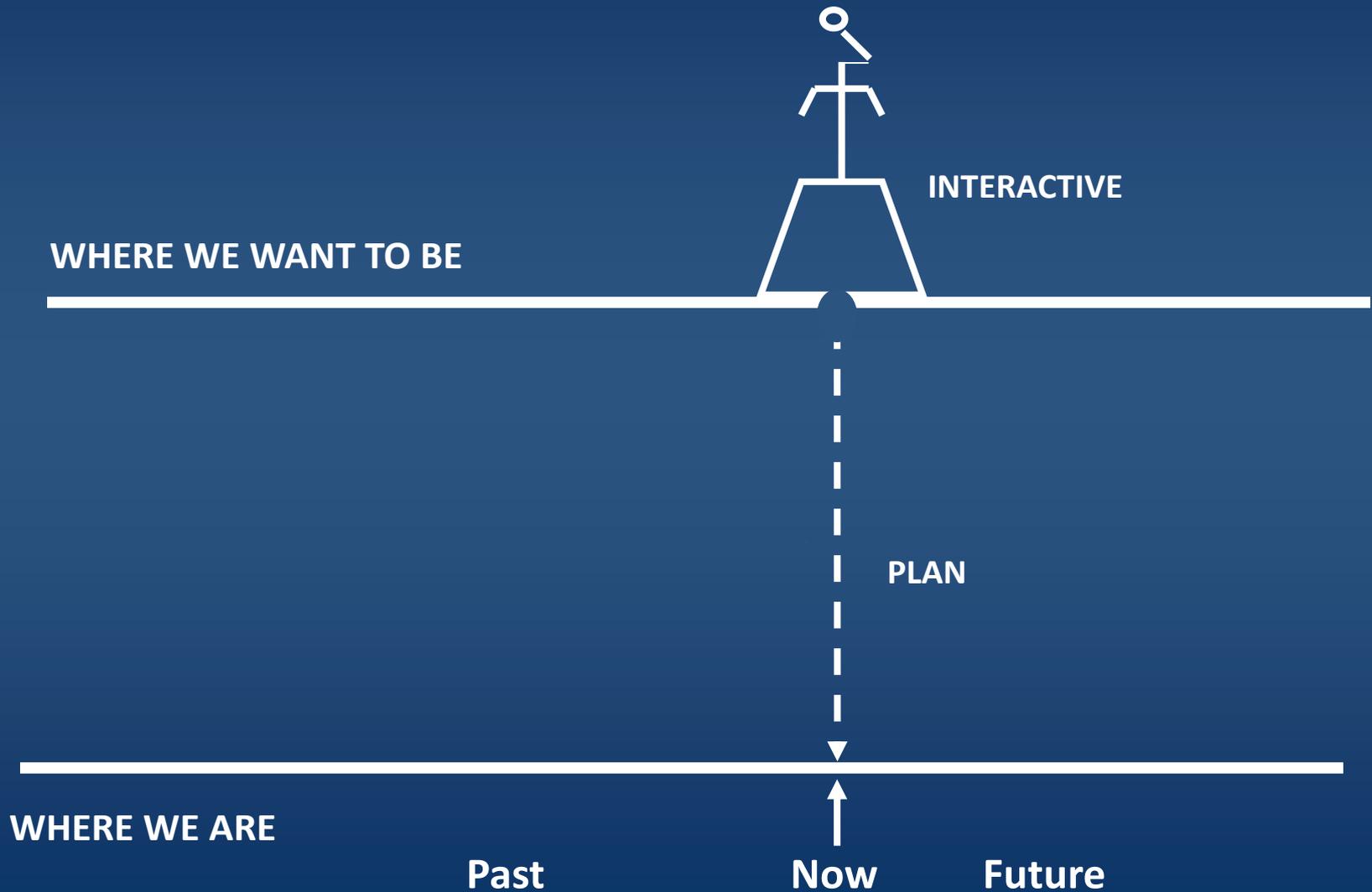
WHERE WE WANT TO BE



How hard would it be
to drive your car back
to your farm or ranch tonight,
driving forward,
using only the
dashboard?



Interactive



How hard would it be
to drive your car back
to your farm or ranch tonight,
driving forward,
using only the
windshield?



Preactive

WHERE WE WANT TO BE

Set Objectives

PLAN

Predict

PREACTIVE

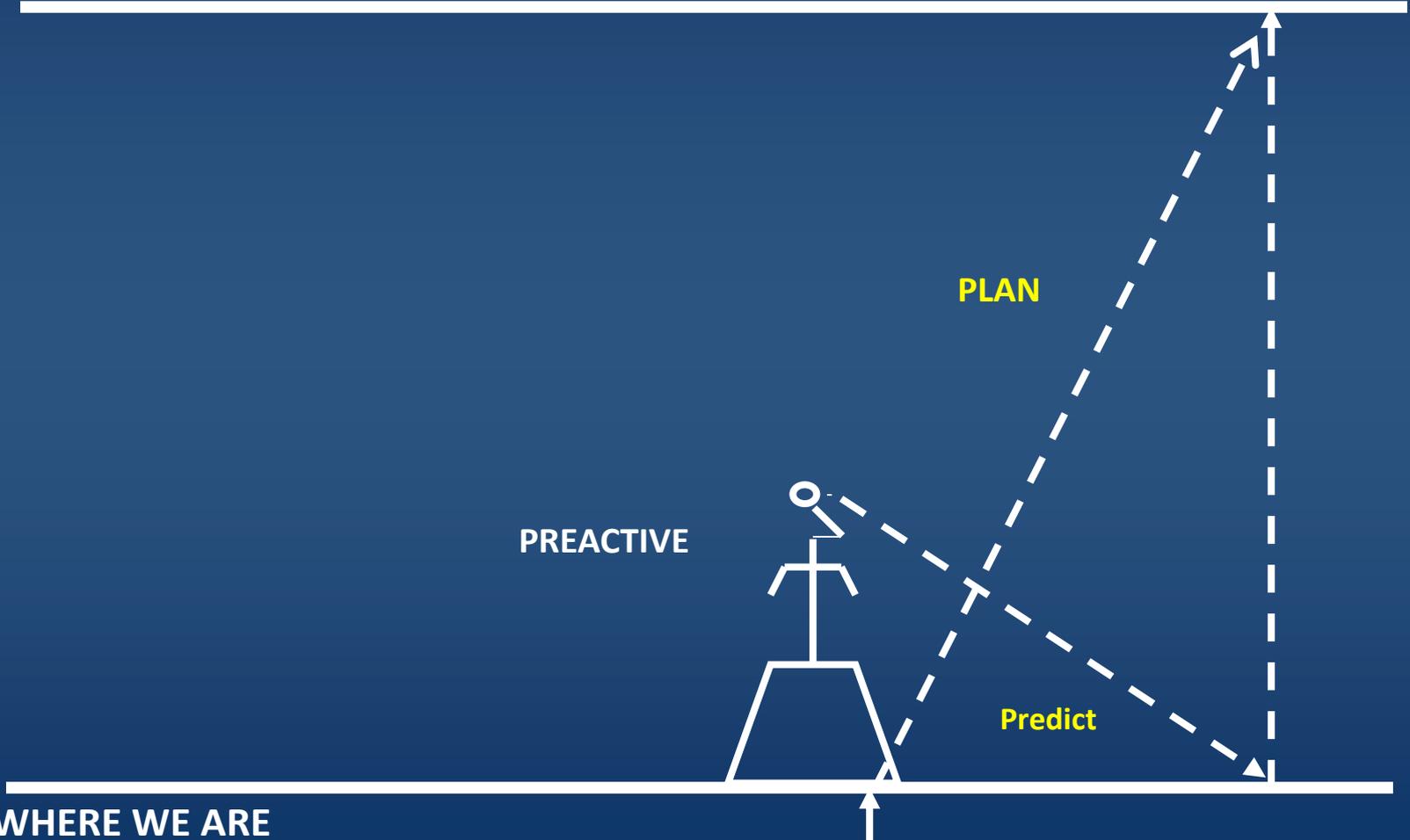
WHERE WE ARE

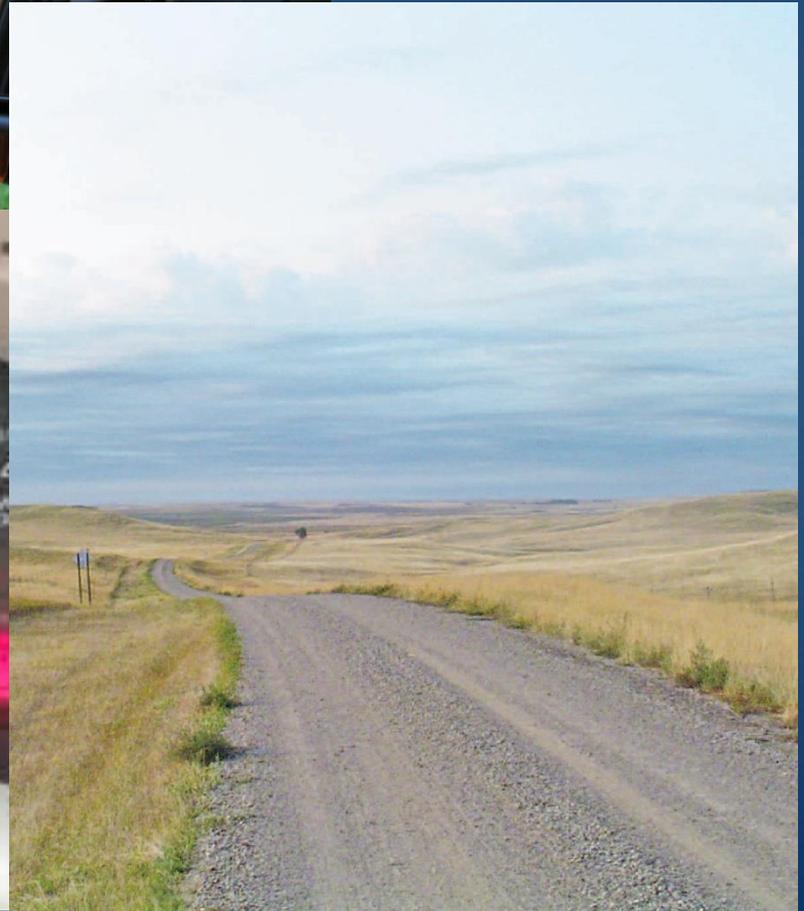
Past

Now

Future

Akcoff, 1999

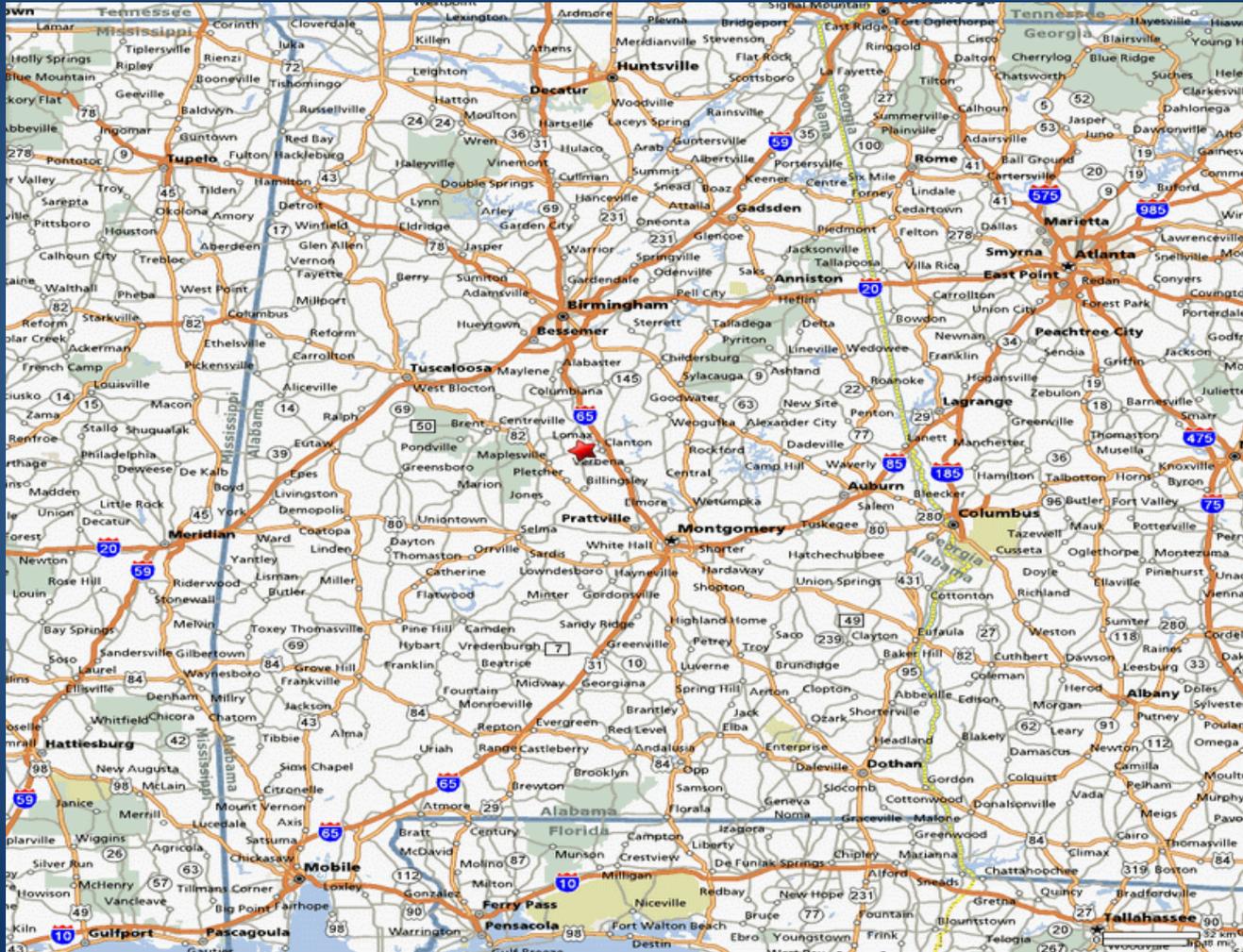




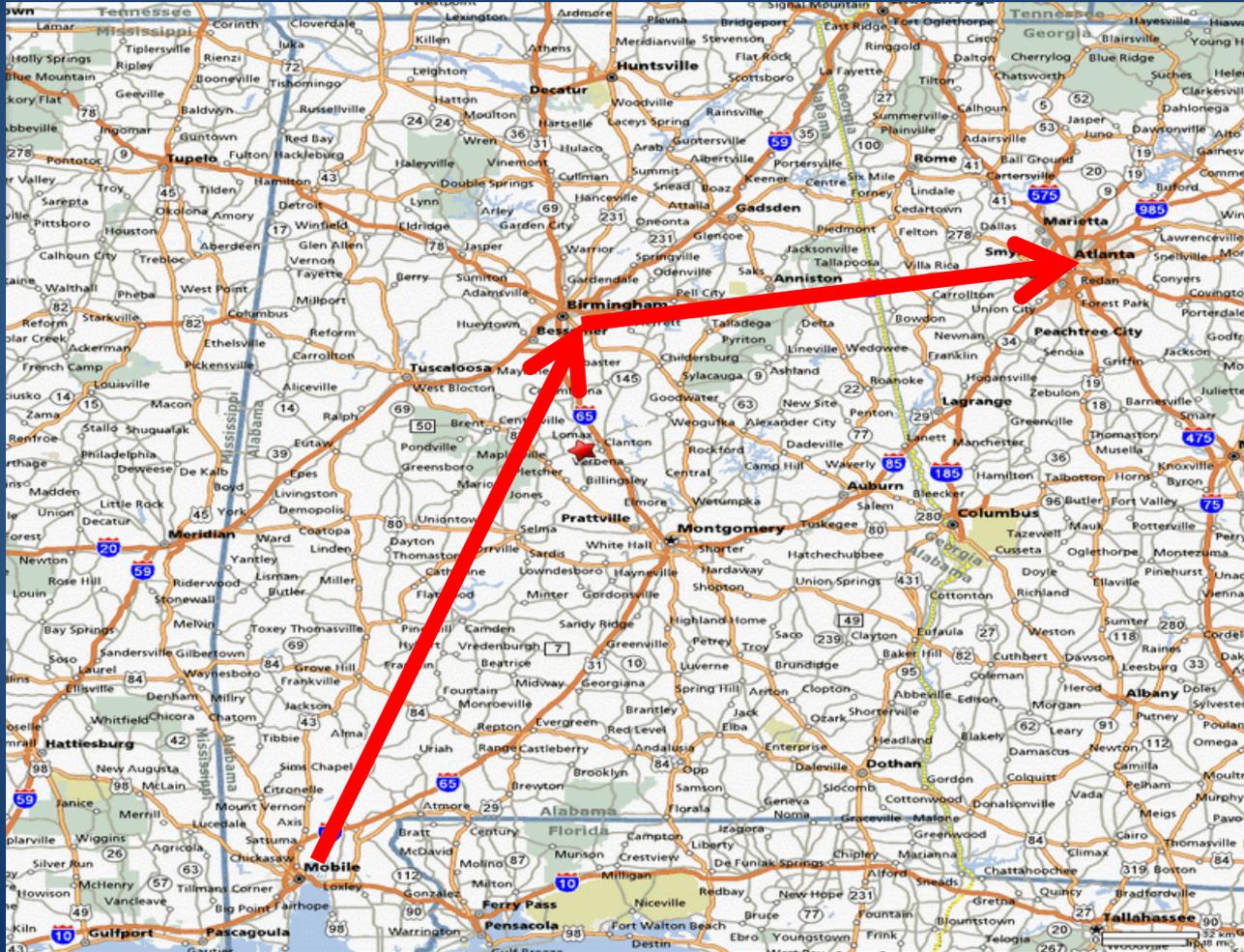
Strategic Planning is not only looking down the road, it is...



...not just a road map...



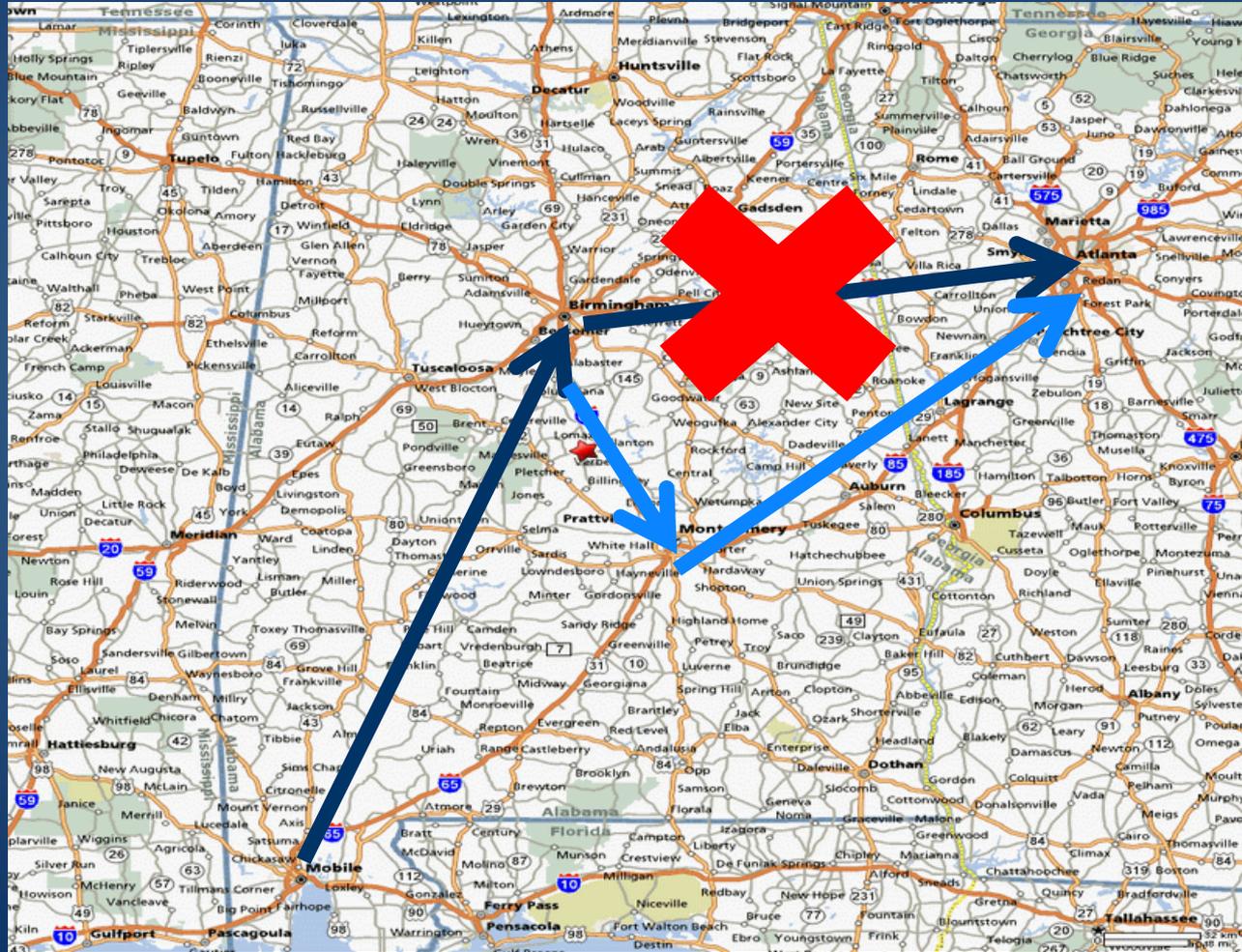
...it is a plan for a specific trip!



But...

As you can imagine, a Strategic Plan needs to be flexible.

...so, while it is a plan for a specific trip, you need to be willing to adjust!



Scenario Planning

Questions for 2012:

Will drought expand?

Gov't. disaster policy will be _____?

Will interest rates rise?

Will energy prices rise?



Janell Kleberg photo

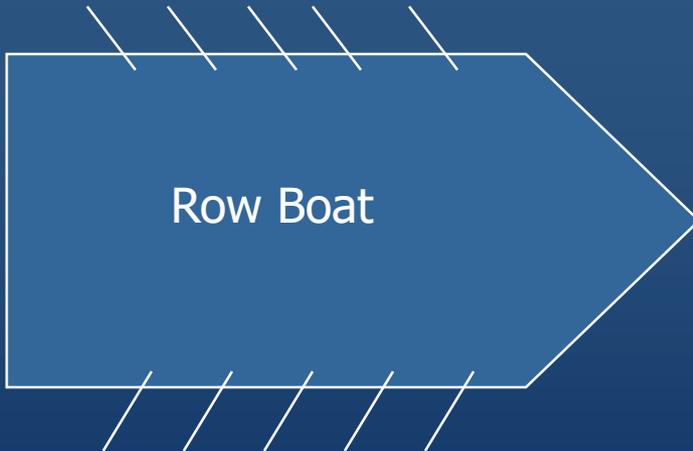
Your strategic plan will create the “structure” of your business

Crew Boat



Structure Matters

Row Boat



Our Boat???





SANTA

FE TRUDIS

RANCH

1852

W

1

9

0

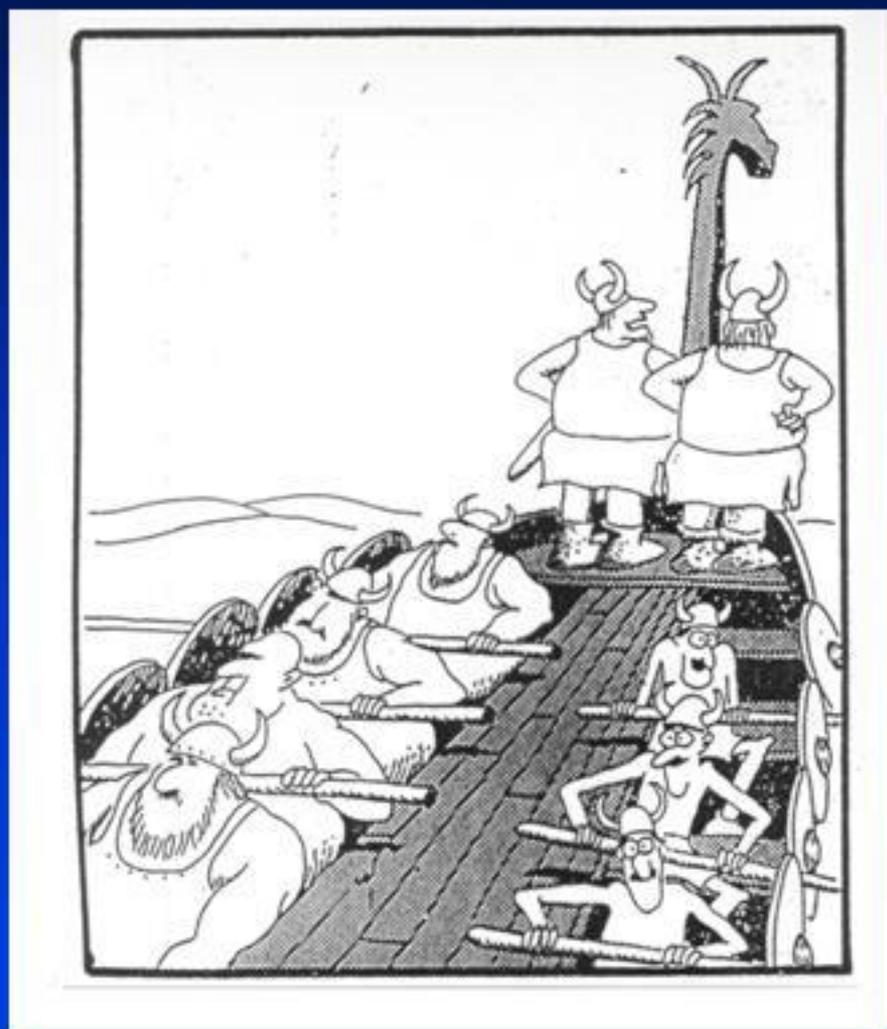
9

W



Ron Fisher

“I’ve got it, too, Leif... a strange feeling like we’ve just been going in circles.”



What Strategic Planning is not!

- Not tactical!
 - Tactical refers to the competitive actions to implement strategy.
 - Tactical is the choice of one “thing” vs. another.
- Not operational!
 - Operational is the actual “doing.”

Strategies vs. Tactics

■ Strategy

- Flexible Stocking rates
- Drought Marketing plan
- Increase feed supplies
- Move cattle
- Build \$ strength

■ Tactic

- 70% cows 30 % ylgs
- Sell 10 yr olds and up
- Buy corn stalk bales
- Cover crops
- Hfr development in feedyard
- Increase cash reserves

Why Strategic Planning?

- It is a high leverage point for successful management.
- Provides a plan for “the trip” into the future of your ranch.

1. Inventory

■ Internal

■ Financial

- In come Statement
- Balance Sheet
- Trends
- Risk

■ Physical

- Weather
- Land
- Cattle
- Rolling Stock

■ People

- Skills
- Interests
- Experience

■ External

■ Community

- Schools
- Businesses
- Churches

■ Marketplace

- Local
- Regional

■ Political

■ Regulatory

■ Technological



2. Establish a Shared Vision

A Vision Statement is description of what the organization will look like after it successfully implements its strategies and achieves its full potential.

- Vision Should include:
 - Values and reason for being
 - Envisioned future
 - Recognition of how it serves its stakeholders
 - Owners
 - Employees
 - Customers

- Vision should address
 - Time: 5 years
 - Energy: Through language , a vision statement should inspire.
 - Should encourage cooperation and creativity.

- The process:
 - Allow yourself to dream.
 - Everyone should be involved.
 - Shared
 - Comments from outsiders
 - Key questions:
 - “What do we want?”
 - “What are we willing to commit to?”

“We progressively realize multigenerational goals in a fun, challenging, encouraging environment and continually improve people, products, services, the ranch, our community, and the ecosystem while sustaining a net profit.”



3. Conduct SWOT analysis

- Strengths
- Weaknesses
- Opportunities
- Threats

SWOT is an organized method of evaluating the internal environment (**S** & **W**) and external environment (**O** & **T**) of the organization.

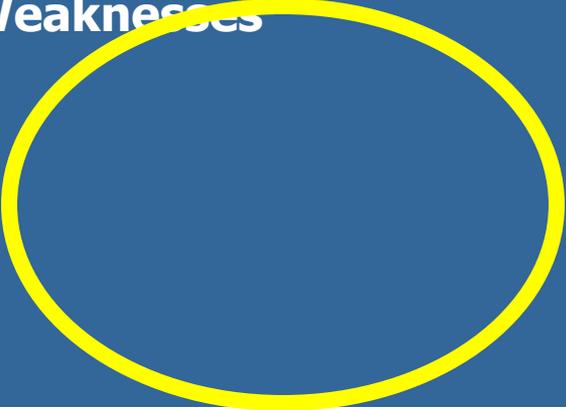
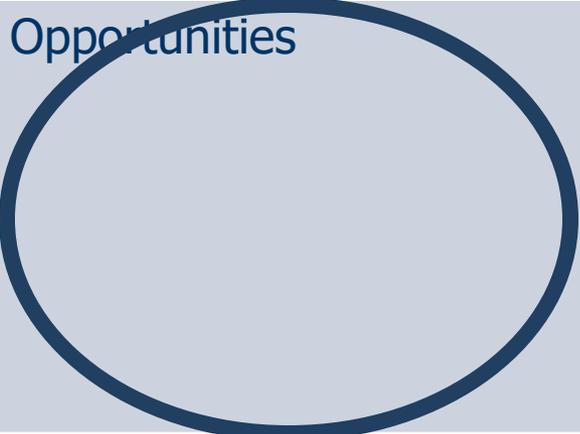
SWOT

Strengths	Weaknesses
Opportunities	Threats

Value of SWOT

- Can be used on the whole organization or part.
- Proactive: used before action is taken.
- Helps in objectivity.
- Creates discussion.
- It helps develop an objective inventory of realistic “potential.”
- Balances “half full” vs. “half empty.”

SWOT

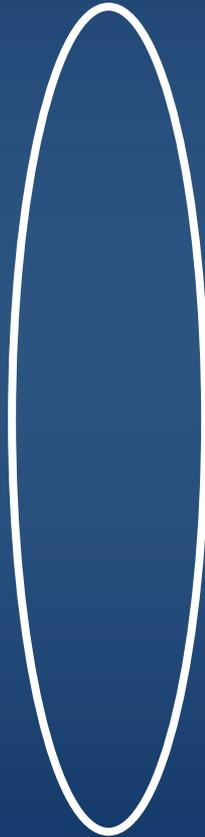
<p>Strengths</p> 	<p>Weaknesses</p> 
<p>Opportunities</p> 	<p>Threats</p> 



4. Closing the **GAP** between
current status and your vision.

Creative Tension

Vision of new reality



Current Reality





GAP Analysis

- Vision vs. current state
- How does vision fit with resources?
- How does business measure up?
- How different is current culture compared to what is needed?

Strategies to close GAP

- Find new resources.
- Reallocate resources.
- Lengthen time.
- Modify size or scope.

Key Perspectives to View a Ranch

- Ranch Lifestyle
- Financial
- Production
- Learning and Growth

Perspective: Cattle Production

Current Situation:

1. 100% Cows
2. Old cow herd
3. No feed carry over
4. Operation self contained
5. Cattle rich cash poor
6. High level of risk

Desired State:

1. Flexible Stocking Rate
2. Young cow herd
3. Feed reserves
4. Feed located
5. Cash
6. Low risk

Action:

1. 70% Cows 30% Ylgs
2. Sell load of old cows
3. Plant cover crop
4. Locate irrigated stalks
5. Slow debt reduction plan
6. Pasture insurance

Resources Required

1. 0
2. 0
3. \$10/acre
4. Network
5. Visit with lender
6. \$

Potential Strategies for Key Perspectives

Ranch Lifestyle

- 1.
- 2.

Finance

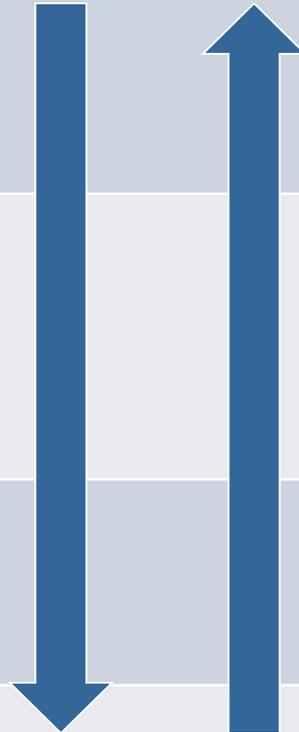
1. \$25K
2. Slow debt reduction
3. Pasture Ins

Production

1. Sell old cows
2. Plant cover crop

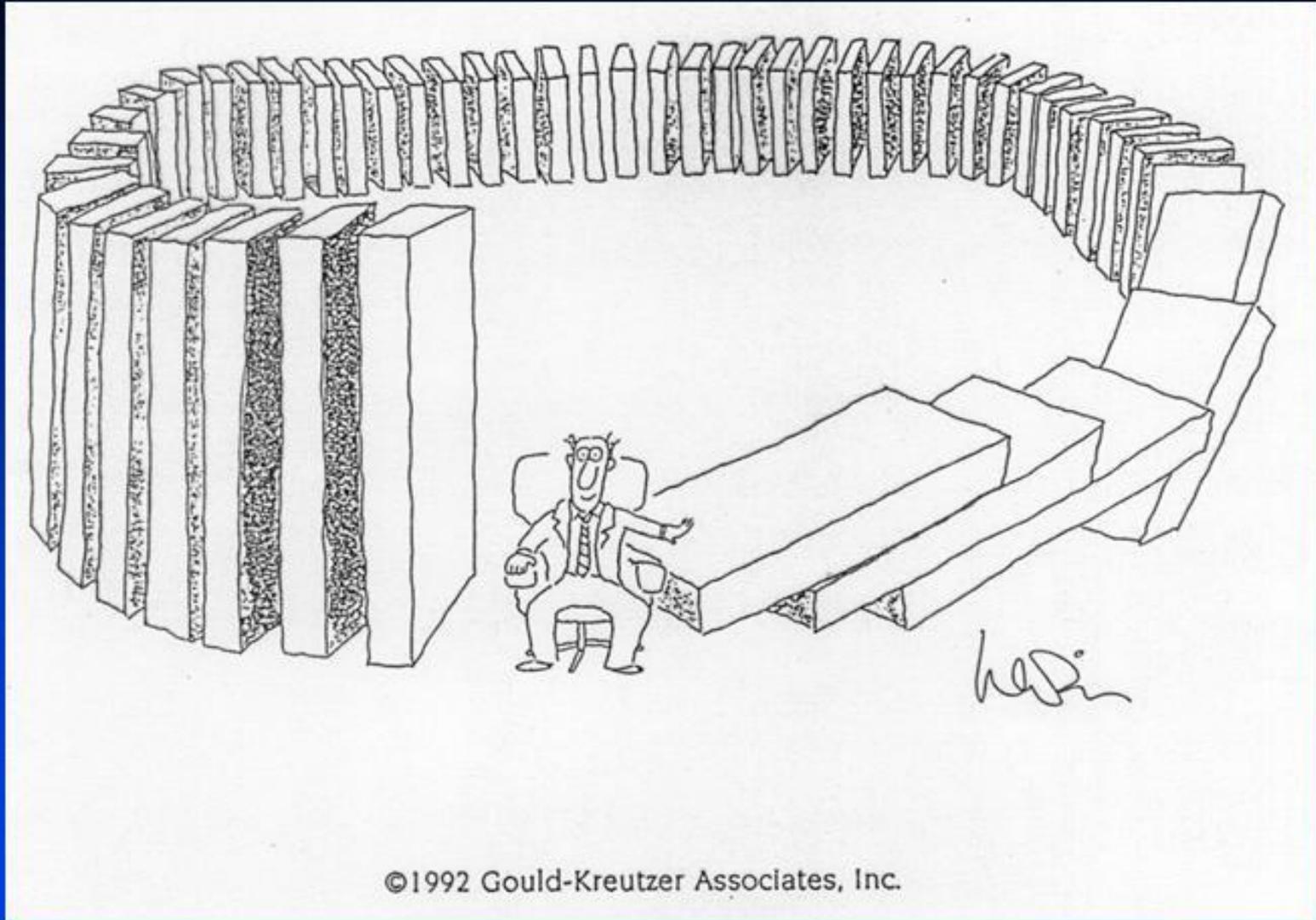
Learning and Growth

1. Network
2. Develop Plan
3. Call Amy Roeder





Unintended Consequences



©1992 Gould-Kreutzer Associates, Inc.

5. Scenario Planning

Questions for 2012:

Will drought expand?

Gov't. disaster policy will be _____?

Will interest rates rise?

Will energy prices rise?

Select and evaluate the most probable.

- Choose 2-4.
- These can be tied to a SWOT analysis.
- These can be tied to GAP.
- Collect objective information.
- Flesh out each with a paragraph.

Determine strategies with highest likelihood of success.

	Scenario 1: Drought	Scenario 2: Gov't Policy	Scenario 3 High Interest	Scenario 4 High Energy
<u>Production</u>				
Sell cows	+	+	+	-
Cover crops	+	0	-	-
<u>Financial</u>				
Cash Reserve	+	0	-	0
Slow Debt	+	0	-	0
<u>Lifestyle</u>				
Strategy 1	+	+	+	+
Strategy 2	+	0	-	-

Final Strategies

Ranch Lifestyle

1.

2.

Finance

1. Build cash

2. Slow debt reduction

Production

1. Flexible Stocking Rate

2. Increase feed reserves

Learning and Growth

1. Net work

2. Develop strategic plan

Strategic Planning?

1. Inventory internal and external aspects of ranch.
2. Develop a vision (set goals).
3. SWOT
4. GAP
5. Test with scenario planning.

Thank You!

