

Developing a simple Farm Family Strategic Plan



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The aims of this document are to:

- Raise the awareness of farmers and their advisers in understanding the benefit of strategic planning
- Provide process in how to develop a simple easy to understand strategic plan and then implement it
- Improve family communication skills
- Establish an agreed method to progress the succession of family farm assets and operational business
- Understand how to use Family meetings to provide a forum for open and clear discussion from all members of the family with professional support

This guide will support the process and also share skills and procedures for strategic planning and explore succession as a strategic planning goal.

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Overview of strategic planning

What is it?

A Strategic plan is a systematic process to determine a desired future (a vision), and how to turn this vision into broadly defined goals or objectives with a sequence of steps to achieve them. It's about creating a clear picture of where you are now, where you are going, and how you are going to get there. It starts with the big picture and then works back to the operational plan.

What are the benefits of a strategic plan?

Every business does historic financial reporting, however running your business on this alone is like driving a car looking out the rear vision mirror - you are looking backwards.

Successful businesses spend time planning for the longer term as well as managing the tactical and operational components of the business.

Having a strategic plan gives you the benefit of working on the business rather than in your business. It is about planning for the future and making informed decisions.

- Creates a shift in mindset to operate professionally
- It gives the business direction and common goals
- Enables a business to manage growth
- Framework to evaluate and analyse market change
- Ability to plan change in management
- Identify when to outsource or to employ staff
- Creates benchmarks to measure success or analyse failure
- A tool for planning transition from one generation to the next

What goes into a strategic plan?

- A Vision Statement – Where are we going?
- Mission Statement – What do we do?
- Core business values – Principles of operation
- Key objectives/goals – What are we going to do?
- Implementation plans – How will we do it?

Where to start?

- Strategic planning is best done with an independent facilitator so all members of the family can be involved in the planning process.
- You can use the templates in this booklet to assist your family develop the plan.
- A minimum of three meetings is recommended to work through the process
- Then an annual meeting to review the progress

Why include succession in a strategic planning process?

Succession is a normal part of business and should not be seen as an “event”. It is normal for a generational family business to have members move in and out. Thinking about this process as part of a strategic plan can assist with taking out the fear associated with change. It can also assist in clarifying current roles of business members and their roles into the future.

Succession can raise many emotions having an independent facilitator can assist the family to work through some of these challenges. Building it into the plan will “normalise” the discussions and make them easier for everyone.

From a succession perspective some of the key discussions include

- Separate the business from the asset ownership
- How will the business operate in the future?
- What will happen with the business assets in the future?

Business issues

- Retirement plans – what retirement means the members of the business
- How retirement will be funded
- Plans for transition to management – time frames and skill development plans
- Clarity about how remuneration occurs for those working in the business – who pays for what, drawings

Asset Ownership issues

- The intent of the current owners for the business continuity
- Status of Will’s and updates if required to meet the intent
- Land Transition – when and how land will be transferred
- Off farm children how they will be accounted for
- Off farm assets

The strategic planning process

A good process will provide the following:

- Enough time to develop the business to support the future of the farming family’s strategic business and personal goals
- Enough time to generate income for farming family members retiring and those new to farming
- Clear strategic goals to guide the business direction
- Plans to maximise the chance of the farming business continuing as a profitable business
- Time to develop off-farm opportunities if relevant for children

Remember, each plan is individually tailored. There is no “right” answer, it is the best outcome from the options available for the family.

The independent facilitator's responsibilities:

- To create a structure that allows for everyone's ideas to be heard which supports facilitations three basic principles:
 - To guide participants through a process together drawing out the opinions and ideas of the group
 - Focus on how people participate in the process of planning, not just on what is achieved
 - To remain neutral

A couple of questions for the facilitator to ask of themselves:

- Are you considered independent and what training or experience do you have?
- Are there any real or perceived alliances to any family member?

Keys to Successful Relationships in Family Business

- Solid relationship that grows stronger from working together
- Deep trust and respect for each others competence
- Contributions of spouse valued
- Respect for different styles of expression
- Shared sense of mission, vision and values
- Clear boundaries between work and personal life
- Good communication skills
- Stress and disappointment handles without mutual blame
- Complimentary roles

Source: 'Working With the Ones You Love' Dennis Jaffe Conari Press 1991

Developing a Strategic Plan

Preparation

- Are all relevant family members in agreeance to go ahead with the process?
- It is a good idea to have all family members ie in-laws, off-farm family members to enable everyone to gain an understanding of the business and where each other and the business is heading
- Prepare a current cashflow, profit and loss and balance sheet
- What is the current business structure?
- Arrange a suitable venue. (A neutral venue is optimal to avoid potential bias and disruptions on the farm)
- Allow all day for the meeting
- Organise a minute taker to enable family and facilitator to remain focused on the process
- Ask all family members to complete the questions for the plan before attending the meeting
- Business managers to complete the other templates

What do you need?

- Whiteboard
- Flip chart
- Textas
- Post it notes
- A neutral venue
- Refreshments

Minute taker

Send out copies of the minutes so everyone can read and provide input, keep minutes as factual as possible and use people's words

Developing the plan

Personal goals

We are all motivated to turn up to work/ work in a family business for many different reasons. We all have personal dreams and goals that the family farming business may need to assist us to achieve – these are the things that make life worthwhile for us. Successful family businesses have happy family members.

Ask everyone to answer the following questions to share at the first strategic planning session. This information is very important in developing your plan.

At a personal level

1. What would you like to do outside of the business? ie your personal goals
2. In the next 1-5 years
3. Over the next 5- 10 years
4. Where would you like to live in retirement?
5. What does retirement mean to you?

What are your personal aims for **your role** in the business in the next

- 1-5 years
- 5-10 years
- 10 plus years

The vision statement

An aspirational description of what an organisation would like to achieve or accomplish in the future. It is intended to serve as a clear guide for choosing current and future courses of action. It is a source of inspiration and should be aspirational.

Examples for vision statements

Amazon: "To be Earth's most customer-centric company; to build a place where people can come to find and discover any thing they might want to buy online."

McDonalds: "To be the best quick service restaurant experience". Being the best means providing outstanding quality, service, cleanliness, and value, so that we make every customer in every restaurant smile.

Setting a Vision Statement

Ask each business member to answer the questions and bring along to the strategic planning meeting to share and provide inspiration for the Vision statement.

- What is important to you about the farm?
- What do you find exciting / appealing about the farm?
- What drives the business to continue?
- Describe how you would like to see the business in
 - 5 years
 - 10 years
 - longer?
- How big will be business be?
- What will the business be doing? What's new and innovative compared with now?
- What will be the businesses legacy?
- What will the business provide for the family?
- Write a short statement that summarises what you have written

History and current situation

When developing a plan it is essential to consider where we have come from, where we are now as well as where we are going (Vision).

Business managers outline the current business situation – the where are we now.

Information can vary from business to business but the following are important

1. Balance sheet
2. Profit and Loss – over several years
3. Business structure and ownership
4. Current roles of family in the business

Telling the story of where the farm has come from – how succession worked for the previous generation, what parcels of land were purchased and when. A genogram is a useful tool to assist with this process – it's a bit like developing a family tree.

The following link gives instructions on how to develop a genogram.

<http://www.wikihow.com/Make-a-Genogram>

Mission Statement

A statement of your organisation's core purpose and focus that normally remains unchanged over time. Mission statements serve as filters to separate what is important from what is not and communicate a sense of intended direction to the entire organisation.

A mission about what you do whereas a vision is where you are going.

Example mission statement

"AAA Inc. is a spunky, imaginative food products and service company aimed at offering high-quality, moderately priced, occasionally unusual foods using only natural ingredients. We view ourselves as partners with our customers, our employees, our community and our environment. We aim to become a regionally recognized brand name, capitalizing on the sustained interest in Southwestern and Mexican food. Our goal is moderate growth, annual profitability and maintaining our sense of humour."

<https://www.entrepreneur.com/article/65230>

Writing a Mission Statement

These questions may assist with the thinking around writing a mission statement from your business.

1. What do you do well?
2. Who are your customers?
3. What image do you want your business to have?
4. What do you produce?
5. What kinds of relationships do you want to have with suppliers?
6. How will you use technology, capital and innovation?

XXX Company is a

Values

Values are important and lasting ideals shared by the members of a business about what is good or bad and desirable or undesirable. In businesses we see the values have major influence on a person's behaviour and attitude.

When businesses are clear of their values we will see people “walking the talk” making their decisions based on clearly defined values.

Some common business values are fairness, innovation and community involvement.

It is important to not only define the value but what this means to you – how we would “see” this showing up in the business. What are the behaviours that are underpinned by that that value?

Go through the list below and determine the values that are important for your business. Have all business members do this exercise individually and then share their top 5 and what they mean to them. Choose the groups top five and carefully define what they mean and what behaviours people will see if the values are reflected in the business.

Choose 10 words that are important to you when you think about your farming business. Now choose the five most important words.

Describe what the word means to you and the behaviours that would be represented by that value.

I value about the farming business?

Community	Money	Excellence
Creativity	Pleasure	Expertise
Growth	Religion	Independence
Family	Security	Recognition
Involvement	Wisdom	Reputation
Meaningful	Achievement	Knowledge
Relationships	Adventure	Wealth
Self respect	Change	Democracy
Stability	Challenge	Effectiveness
Freedom	Co-operation	Honesty
Advancement	Competence	Influencing others
Integrity	Decisiveness	Empathy
Loyalty	Efficiency	Caring
Balance	Competition	Imagination
Professionalism	Equality	Capable
Learning	Wisdom	Broadminded
Confidence	Courageous	Logical
Peace	Reliability	
Happiness	Compassion	

SWOT Analysis

SWOT stands for strengths, weaknesses, threats and opportunities.

- Strengths are the things we currently do well – they are internal to the business. These are the things we want to build on and develop further. For example excellent administration management, thorough planning.
- Weaknesses are the things we are not doing so well. These are also internal things that we have control over and could improve. While we don't want these to be the focus of planning they are important to consider how we become more effective.
- Opportunities are external things that we see could drive our business further. They are things we are not currently doing or something that could be built on further. Ie Variable rate technology to increase yields and decrease costs.
- Threats are also external to the business and often we need to put things in place to manage these. Significant farm accidents are an example – a good Work Health and Safety plan can reduce the threat.

The SWOT assists us in determining the next step where we determine the objective.

SWOT Analysis

<p>Strengths (internal to the business ie regular business meetings)</p>	<p>Weaknesses (internal to the business ie distance between properties)</p>
<p>Opportunities (external to the business ie market opportunities in a livestock breed)</p>	<p>Threats (external to the business ie possible closure of a useful market)</p>

Objectives /Goals

An objective is something that an organisation must achieve to make its strategy succeed – to achieve the Vision and Mission.

Objectives fall into general classifications that can vary depending on the stage of the business and the business member. While the Vision and Mission for a business tend to remain stable over many years the Objectives should be reset every 3-5 years or in line with significant business changes such as entry or exit of business members.

Objectives could include:

1. Marketing
2. Innovation
3. Human resources: including employees and succession planning
4. Financial resources: identification of the sources of capital and their use;
5. Physical resources – including land and machinery
6. Productivity
7. Social responsibility: awareness and responsiveness to the effects on the wider community of the stakeholders;
8. Profit requirements: achievement of measurable financial well-being and growth.

Developing the Objectives

Look back at the Vision and Mission statements, Values and SWOT

Ask the Question – What can be done in the next 3/5 years to achieve this Vision?

Ask everyone to brainstorm his or her ideas

- Use post it notes and write one idea on each note
- Abide by the notion that “Every idea is valid”
- Talk about everyone’s ideas
- Sort the ideas into common themes
- Give the theme a name
- Write the theme up as an objective/goal i.e. A clear succession/transition plan is developed and understood by all family members.
- Aim for about 5 to 6 key objectives for your strategic plan

Outcomes

Outcomes are the things we can measure – if we are successful in achieving our objective/goal what will we have that is tangible and can be measured. They are the things we can go back and check off with at the end of the plan.

Here is an example.

Objective : A clear succession plan is developed and understood by all family members

Outcomes :

- Family members all contribute to and understand their position in regard to the future of the business
- Development plans and mentoring for the successor are in place
- Transition arrangement for retiring members both financially and from a working perspective are understood and in place
- Wills and business structures are updated appropriately

Once you have identified your outcomes the next step is to develop the action plans and budgets for the objectives.

Annual operating plans

Now we get down to the planning phase – the action planning and budgeting if required for the objectives. Below is a simple example of an action plan. It is important to include the who and the when so people are accountable for their tasks.

Objective / Goal 1

A clear succession plan is developed and understood by all family members

Outcomes

- Family members all contribute to and understand their position in regard to the future of the business
- Development plans and mentoring for the successor are in place
- Transition arrangement for retiring members both financially and from a working perspective are understood and in place
- Wills and business structures are updated appropriately

Action	Who	When
Research, find and book a suitable facilitator for the succession meeting		
Organise a time for a full family meeting – book venue and invite all members		
Prepare and collate documentation about current business and assets -balance sheet - off farm assets - current Wills - ownership structures and business structures		Prior to the meeting
Provide everyone with templates to prepare for the meeting – what are their goals and aspirations for the future for themselves and for the business		Week prior to the meeting
Attend the meeting and develop the next action plan		

Pulling it all together

Strategic Plan Template

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 - 2.1. Vision statement
 - 2.2. Mission statement
 - 2.3. Business Values
 - 2.4. SWOT analysis
 - 2.5. Key goals/ Objectives

3. Annual Action Plans

4. Review process

Making a strategic plan work

- Read your business mission and vision statements as though you were seeing them for the very first time.
- Imagine several different versions of your business future and how your current plan fits with these.
- Make sure you do your financial homework
- Consider the goals and objectives that you set for your business and ponder what they really mean.
- Review the strengths and weaknesses that you identify, and consider what they say about your business's capability to make the plan work.
- Think about the different ways you value add your product and how this adds up to a long term advantage.
- Be informed about your customers and competitors
- Do the procedures of your business make sense in terms of the kind of organization that you are creating? Are they efficient and effective?
- Does your leadership promote the sort of business culture that you'd like to see?
- Does your plan identify and encourage skill building?
- Do the procedures in place make the company culture stronger and focused?
- Is everything the business does reflected in the plan?

Have you identified problem areas eg:

- Inability to change
- Failure to communicate the change

"When you work for yourself, you work for a real bastard. No holiday pay, no sick pay, no bonuses. Long hours, filthy pay and no promotion."

References

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Jaffe DT (1991) Working with the ones you love – Strategies for a successful family business, Conari Press

Family Business Australia (2015) Family Business Directors Course