
Learning Module 8

Mission & Business Strategy



EQF definition

Knowledge

- Understanding the term **mission statement**; how a business plan is structured and what important information each element of a business plan should contain.
- Realizing the chances a business plan can entail.

Skills

- Being able to write your own business plan including an executive summary, a mission statement, a business description, a management plan, a marketing plan.
- Identifying chances and risks regarding your current business as well as future business ideas.

Competences

- Structuring, communicating and presenting the key aspects of your business:
- to others (e.g. getting access to financial resources);
- to yourself and your colleagues/family to identify problems and opportunities within your business.

What is a Mission Statement?

...is a short statement that describes the core purpose of a business

...highlights the unique philosophy and set of circumstances of the farm regarding production method, commodity and target market

A Mission Statement...

...can unify the people involved in the farm around a common direction and purpose

...uses the unique circumstances of the farm to craft the "who, what, why and how's" that help develop a farm business plan

...sets goals and standards and provides clear decision-making criteria

Drawing up a Mission Statement (1)

- **What type of farm business do I (want to) have?**
 - Grain farm, forage or hay farm, vegetable farm, nursesey, tree fruits, etc.
- **Which words or phrases do my farming practices describe?**
 - Organic, conventional, sustainable, grass-fed, hormone-free, biodynamic, etc.
- **What words or phrases describe best the principles or values that guide my choice of farming practices?**
 - Quality, good pricing, natural, rural heritage, efficient, community involvement, fresh, healthy, local, sustainable, etc.
- **What words or phrases describe best how I (want to) sell my products/services?**
 - Direct retail sales, wholesales, farmers market or tailgate market, pick-your-own, agri-tourism, entertainment, etc.



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Drawing up a Mission Statement (2)

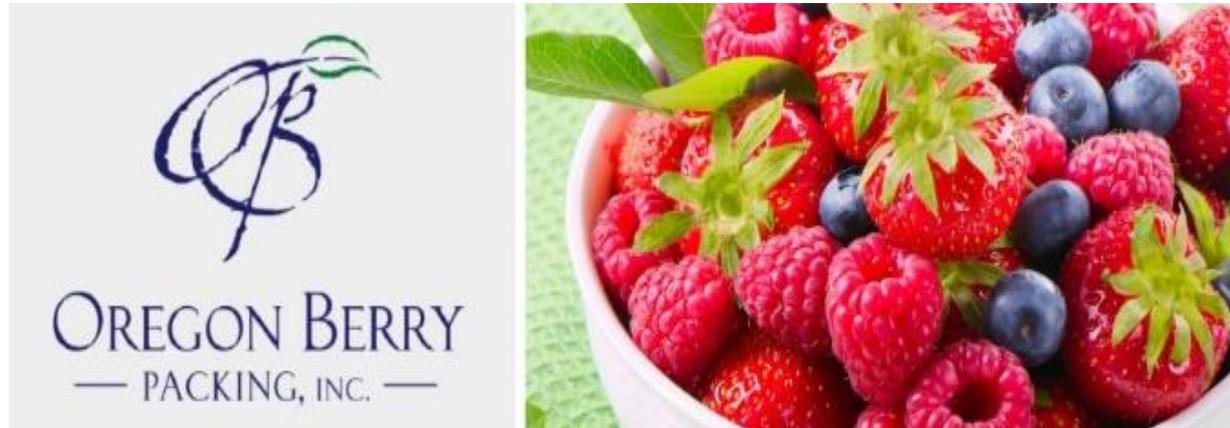
- **What words or phrases describe best what I want my farm to be known for?**
 - Family atmosphere, humanity, freshness, high quality, superior quality, honesty, fairness, integrity, progressiveness, welcoming, etc...
- **Which words or phrases describe best my customer base?**
 - Local consumers, retailers, outlets, restaurants, tourists, ethnic markets, etc.
- **And, finally: Is there anything else that makes my farm/business unique?**



Examples of Mission Statement (1)

Oregon Berry Packing, Inc.

“To produce products that create win-win-win relationships between our customers, growers, and our company. With our focus on premium customers and growers, strict packing standards, and sustainable farming practices, our company is dedicated to preserving sustainable agriculture”



<http://www.oregonberry.com/about/>

Examples Mission Statement (2)

Silver Snaffle Farm:

“Silver Snaffle Farm is a friendly, low-pressure place to learn classical horsemanship and riding. Students and horses are brought along slowly and correctly to instill confidence and ensure success. At Silver Snaffle Farm, we ride for the love of the sport and the animal.”



Source: www.pixabay.com

Business Plan: Definition

A **Business Plan** is a plan of how an entrepreneur intends to organize his/her future business and to implement activities necessary and sufficient for the venture to succeed. Based on the ***Mission Statement***, it is an essential tool for planning, directing and running a business.

Furthermore, a business plan:

- Clarifies the operational and financial objectives of a business and contains the detailed plans and budgets showing how the objectives are to be realized;
- Serves as an evaluation of business's chances to become a success;
- Functions as a written summary of the business venture, its operational and marketing opportunities and strategy, as well as the skills and abilities of the manager and employees.

Business Plan: Why Would I Need That? (1)

Why should a farmer need a Business Plan?

There are 5 main reasons to have a business plan for my farm/business:

1. Writing down thoughts forces me to define/refine my farm/business:

- Assess the current situation: Where am I now?
- Set objectives for the business: Where am I going?
- Establish the farm's mission statement.

2. A business plan allows me to set goals for my farm/business:

- Short and long term planning;
- Evaluating market conditions;
- Determining the history and direction of my farm;
- Determining the key players in my operation;
- Evaluating my skills, talents, resources, etc.



Source: www.pixabay.com

Business Plan: Why Would I Need That? (2)

3. It allows me to effectively share and explain my goals and vision with others:

- Prove to anyone/myself that my vision is realistic;
- Bankers and investors often require a business plan before lending or investing;
- Nonprofit/granting agencies may require a business plan.

4. It provides the tools to quantify the success of my business:

- Target sales;
- Growth and expansion;
- Market share;
- Profits.

5. A business plan can help to identify potential issues/pitfalls before I begin, such as competition, legal concerns, liability issues, and labor needs

- A business plan can **protect** me from proceeding with an idea that doesn't make good "business sense." Moreover, understanding the potential issues beforehand can allow for proper planning.

Business Plan: What Should Be in It? (1)

What should be in a Business Plan?

A **Business Plan** should contain:

- A description and definition of who is involved, what consumer needs will be met, what the saleable product/service is, and the market environment.
- A plan for producing and promoting the product/service;
- A list of resources needed to achieve the plan and when they are required;
- A summary of anticipated results (a written summary of the business venture, its operational and financial details, marketing opportunities and strategies, as well as the skills and abilities of the manager and employees).

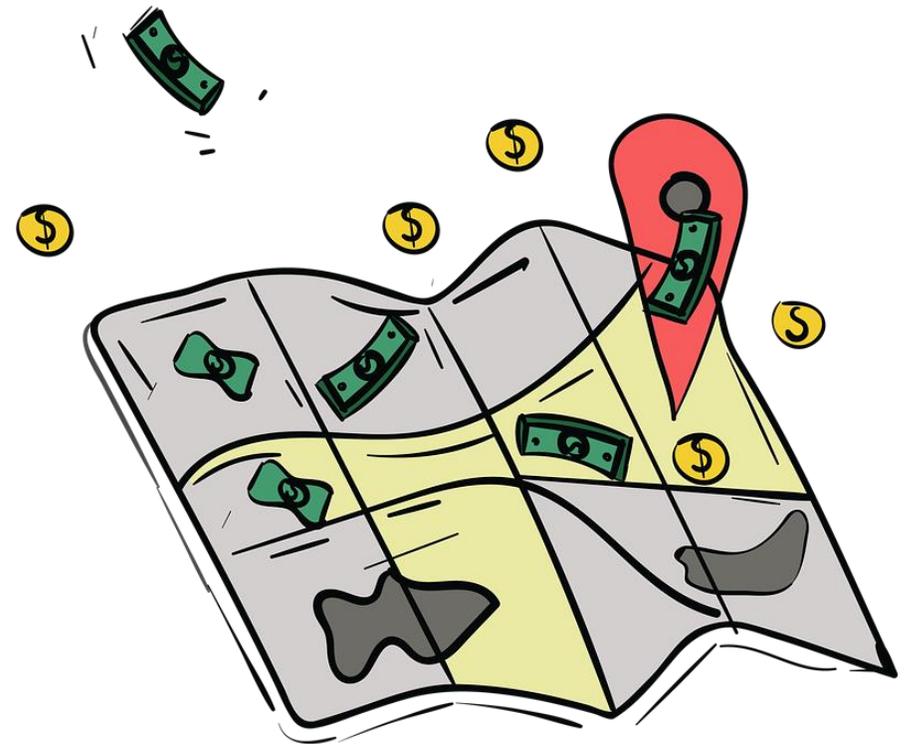


Source: www.pixabay.com

Business Plan: What Should Be in It? (2)

In short, most **Business Plans** contain the following:

- Executive Summary (see below)
- Mission Statement (see above)
- Business Description (see below)
- Management Plan (see below)
- Production Plan (see Module 10)
- Marketing Plan (see below)
- Financial Plan (see Module 9)
- Chances & Risks (see below)



Source: www.pixabay.com

Executive Summary

The **Executive Summary** gives a brief overview of the current situation and the aspirations for the future. It is one of the most important chapters of a business plan. On a maximum of two pages, all information of crucial importance should be included. Above all, it has to be ensured that the offered services and the resulting customer benefit are stated clearly. A brief description of the market potential, the capital requirement, and the desired profitability should not be missing. Though this chapter is put in the beginning of the business plan, it usually is written last because it summarizes the overall business plan and presents the essentials so that the reader is able to capture the particular strengths and the most important success factors of the company at a glance. In case it is the only thing that a reader will read, it needs to give a synopsis of what you want to do or achieve.

Business Description

A **Business Description** is a brief description of the business: the main concept, business size, where the business is located and what product or services are going to be given to the clients or customers. You need to indicate - for example, if you want to farm – at which time the planting season will be and at which point harvesting will take place. You should also describe when and how the farm started and mention your future plans. Set up milestones if you can. To complete the business description, a final convincing statement makes clear why you think you have a winning business venture and why potential stakeholders should invest in your business.

Management Plan

The goal of the **Management Plan** is to give answers to the following questions:

- Who manages the business?
- Who else works/will be working in the business?
- What are the employees functions during which time of the year?
- Which skills are needed for the key positions?
- What are each persons qualifications? Provide information on key employees!

Additional to the employees: Mention the network!

- Which connections do you have to people other than your employees that could be valuable for your business/farm?
- Are you part of any relevant organization or association?



Source: www.pixabay.com

Marketing Plan (1)

Without customers, your business does not exist. A **Marketing Plan** is about defining your customer or target market and tailoring your product, pricing, distribution, and promotion strategies to satisfy your customers.

Consider the following aspects:

○ **Markets:**

- Who are the target customers and what do they value?
- How many potential customers are there? How often and how much will they buy?
- What is the total size of the market? Is the market emerging, growing, or shrinking?

○ **Product:**

- What product will be offered and how is it unique?
- How long will the product last? How will customers use this product? Will they need special knowledge or service to use it?

○ **Place:**

- Where do buyers look for your product/service from?
- How can you access the right distribution channels? Do you need to sell to retailers?
- What do your competitors do and how can you learn from that and/or make your product different?¹⁶

Marketing Plan (2)

○ **Competition:**

- Who are your competitors and how will you position yourself to compete?
- Could there be new entrants?

○ **Prices:**

- How will you price your product or service?
- What is the perceived value of your product or service to the consumer?
- Is your price in line with the market's perceived value?

○ **Promotion:**

- How and what will you communicate with buyers or customers?
- Do you have a marketing strategy with good promotional, advertising, and branding strategies in place?

○ **Distribution:**

- How and when will you move your product to market?
- What market channel will you use?

○ **Packaging:**

- How will you present the product to the customer?

Marketing Plan: Pricing (1)

There are 8 main strategies for **Pricing** (determining/setting up the price for) your product:

1. **Competitive pricing:**

- Predator pricing: one company sets its price below cost to force its competitors out of the market;
- NOT recommended for small-scale businesses. Price wars are not easily won.

2. **Cost-oriented pricing:**

- Based on costs including production, marketing, and promotion – and a return for your time and investment.

3. **Flexible or variable pricing:**

- Common when bargaining. Prices are flexible according to individual buyers, time of the year or even time of the day, e.g. to get rid of excess products.

Marketing Plan: Pricing (2)

4. Penetration or promotional pricing:

- Setting the price below costs for a while to gain customers;
- Advantage: keeps competition away, but there is also a risk to loose money.

5. Production line pricing:

- Marking a line of products in a specific price range;
- Example: Classification of products in “affordable” and “premium” line.

6. Relative pricing:

- Setting the price above, bellow or at the current market price.

7. Price skimming:

- Starting with a high price to recover from costs quickly before lowering the price to the long-term price;
- Only possible when there are only few or no competitors.

8. Contract pricing:

- Long term agreements between buyer and seller.

Chances & Risks (1)

Farms face external opportunities and threats that are beyond their control. Farms also have strengths and weaknesses that are internal to their businesses such as location, skills of family members, and cash flow position. Performing an analysis of the business's internal strengths and weaknesses and the business's external opportunities and threats may uncover overlooked risks and find unexpected chances.

To be effective, a **S**trengths, **W**eaknesses, **O**pportunities, **T**hreats (SWOT) analysis should be a very candid and honest assessment of the business.



Always remember: **some risks can also be opportunities!**

Chances & Risks (2)



- Finance
- Marketing
- Profit / Sales
- Personnel
- Production
- Facilities

- Cultural and Demographic Trends
- Market / Globalization Trends
- Input Costs
- Technology
- Regulations
- Government Programs / Political Changes

Chances & Risks (3)

Ask yourself...

- What production levels do you have now, or do you want to achieve?
 - Does the location lend itself to direct marketing or wholesale marketing?
 - How much land do you own or have access to?
 - What machinery and facilities do you have?
 - What is their age and condition?
 - Can they be better used?
 - What is your financial condition?
 - What are the skills of the owner/manager?
 - Do your skills and resources limit the alternatives?
 - What are some marketing and production opportunities?
 - What marketing channels are possible?
- Can you form alliances with other businesses that could complement yours?
 - Does your strategic plan require greater competence or resources than you currently possess?
 - What skills and talents do employees possess?
 - What family members will be involved in the business and what are their unique talents and interests?
 - Who will be the next generation of management?
 - How does the layout of the farming operation impact on production efficiencies?
 - Do you have an adequate cost effective access to resources like water, for instance?

Chances & Risks (4)

And don't forget to take a look at the others!

- How much competition is there?
- Who are the competitors? Where are they located?
- Is the market/request for your type of product big enough for all of you?
- Are there any forthcoming changes/developments regarding the market to expect in the near or far future?
- What are your strengths compared to your competitors?
- What are the weaknesses? Can you overcome them?
- If yes, how?
- If not, should you try to adapt your product/service to fit into another niche? Or should you diversify your portfolio to lower the risk?

Business Strategy Development (1)

After all the information has been gathered in the previous steps, you are now in the position to develop alternative strategies that will attain the objectives of your farm/business. Developing a **Business Strategy** is mapping out a course to take the company from its current to its desired position:

- Match strengths and weaknesses to external opportunities and threats;
- Focus on what you can do better than your competitors;
- In case of unexpected problems with the main strategy, have alternative strategies ready that will still attain the objectives of the farm business;
- Keeping costs low is an important consideration no matter what type of competitive strategy you choose.

Business Strategy Development (2)

Determining **Key Results Areas (KRAs)** – areas in which the organization must achieve success to grow and prosper – can make it easier to process and prioritize objectives, allocate resources and coordinate with other areas. Some examples of KRAs are:

- Increase revenues;
- Improve financial condition (profitability, liquidity, solvency, credit and collections policies, etc.);
- Keep pace with or out distance the competition;
- Improve efficiency and productivity;
- Achieve and maintain superior customer service;
- Capitalize on emerging trends;
- Increase utilization of technology to improve operations;
- Improve labor relations, human resource development and training (personnel issues: salary administration, job descriptions, benefits, personnel manuals, etc.);
- Improve internal communications;
- Improve distributor and/or supplier relationships;
- Improve public relations, advertising, promotions, etc.;
- Improve or enhance products and services;
- Capitalize on the physical facilities (location, capacity, layout, parking, etc.);
- Improve or enhance insurance coverage;
- Capitalize on or improve organizational structure;
- Arrange for the orderly retirement and transfer of ownership and control of senior owners to junior owners or potential owners.

Business Strategy Evaluation

Once alternative strategies have been formulated and selected, they need to be evaluated.

Here are a few possible **Business Strategy Evaluation** variables to consider:

- High quality vs low price;
- Narrow vs broad product line;
- High-tech vs low-tech products;
- New/trendy vs traditional products;
- Customized vs standard products;
- Niche market vs mainstream market;
- Larger benefits vs smaller benefits;
- Early vs later benefits;
- Safety vs risk.



Source: www.pixabay.com

Business Strategy Implementation

Put simply, **Business Strategy Implementation** is the process that puts plans and strategies into action to reach goals. Doing so, it is advisable to include the following steps:

- Get managers or other key employees, but also “normal” employees, involved in setting and implementing new strategic course;
- Translate the chosen strategy into organizational action to make sure that people understand what they need to do and why;
- Create strategy-encouraging policies;
- And, last but not least, **monitor and adapt** your strategy. At least once a year, you should review your strategy to check it against changes in your external and competitive environments as well as your internal environment.



If there's one constant in business these days, it's change!

References

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Woodruff, J. N. (2007). *Develop a Useful Mission Statement for Your Agricultural Business*. Ohio State University. Retrieved October 20, 2019 from <http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.190.2766&rep=rep1&type=pdf>

For further notice: Parts of the content of this module are based on the teaching material from the Erasmus+ project

https://www.up2europe.eu/european/projects/empowering-woman-farmers-with-agricultural-business-management-training_85787.html



*Empowering Woman Farmers With
Agricultural Business Management Training*