

Strategic Thinking for Agricultural Value-Added Businesses

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Agricultural value-added businesses need to be extremely proactive to succeed in their rapidly changing marketplaces. Unlike traditional agriculture, value-added businesses tend to be closer to consumers, playing in highly competitive markets where speed and accuracy are imperative. This requires leaders and managers of value-added businesses to develop and hone their strategic thinking skills to increase their ability to quickly spot changes in their environments and develop ameliorating strategies to maintain their competitiveness.

This paper provides a brief overview of a strategic thinking framework and, as such, depth is sacrificed for brevity. Readers may refer to *Strategic Business Planning for Agricultural Value-Adding Initiatives*, available at the Agricultural Marketing Resource Center website (www.agmrc.org) and the Kansas State University's Agricultural Economics Research and Extension website (www.agmanager.info) for more information. References to some works on the subject are also appended.

What is Strategic Thinking?

Strategic thinking is the process leaders use to formulate, articulate, and communicate clear, concise and explicit strategies for achieving specific outcomes. It begins with asking if the right thing is being done within the context of the organization's strategic direction (mandate, vision, mission, core values and objectives and goals (expectations).

Mandate is defined by answering the question "Why are we in business?" A well-articulated mandate defines the organization's performance metrics. For example, the Red Cross' mandate is to provide humanitarian services during emergencies. The right thing for the Red Cross, then, is helping people during emergencies, and we can determine if it doing this by looking at its record during disasters. Vision defines what the organization is striving to be and mission is the first actions that need to be accomplished for the vision to be realized. Core values provide the behavioral guidelines and expectations are the specific desired outcomes collectively supporting the vision.

Strategic thinking facilitates the assessment of current actions and activities within the context of future performance expectations. It is the continuous process for placing defined expectations within the perspective of the organization's dynamic environment in order to ensure its competitiveness. The organization's environment comprises all elements, both internal and external, that influence its performance. The internal environment encompasses the organization's physical (machinery and equipment, buildings, and other tangibles), human, financial and relationship resources. The external environment includes government, intelligent opponents, customers, suppliers and nature – weather, pestilences, etc. These elements interact with each other to create complex

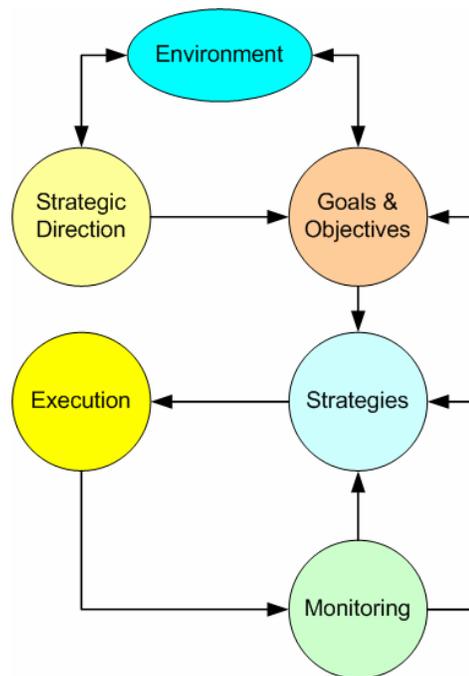
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dynamic effects on the organization. For example, increasing South Asian populations (external) with higher incomes can create opportunities that influence demand for skilled human resources (internal). These interactions are hardly direct cause-and-effect relationships and strategic thinking helps organizations decipher the appropriate responses needed to maintain or enhance competitiveness.

A Strategic Thinking Process

Strategic thinking aims to ensure the organization’s competitiveness within its dynamic environment given its strategic direction. Therefore, strategic thinking begins with an assessment and confirmation of the continued relevance of the strategic direction given emerging environmental dynamics (see figure). A major shift in the external environment could change the organization’s strategic direction and a major shift in the direction could alter the internal environment. For example, the emergence of the automobile altered the external environment of buggy whip makers. Yet, many did not change their strategic direction and continued making the best buggy whips.

Sometimes external environment shifts only require alterations of expectations, which may engender changes in the organization’s internal environment. Successful leaders maintain a permanent play in this loop - constantly assessing how changes in their external environments are affecting their strategic direction and their goals and objectives as well as what changes they have to make in their internal environment to maintain an alignment with expectations.



Strategies are integrated sequences of actions aimed at achieving defined expectations resulting from strategic thinking. Therefore, they emerge directly from expectations, which must be specific, measurable, achievable, relevant and timely. Successful organizations relentlessly evaluate strategies to ensure their effectiveness in achieving the defined expectations. Effective evaluation is done within the context of sensemaking or construction of meaning. Assumptions, mental models, cultural *realities*, knowledge and information – the ingredients of sensemaking – are hardly objective, and must therefore be challenged to avoid cognitive myopia. The sensemaking ingredients that either constrain possibilities (inertia) or overextend the organization (momentum) must be understood and brought in line with the dynamic environment and expectations.

Execution is translating expectations into desired outcomes through commitment to the implementation of the strategies. It demands enlisting people throughout the organization who listen, speak, and act on behalf of its future. Effective execution requires an action plan – the allocation of responsibility for different outcomes to specific people who are

passionate about seeing them through, and the development of appropriate incentives to motivate the right behavior.

Monitoring focuses on keeping resources in line with expectations, seeking to know and understand variances between established milestones and performance. When effective, these variances can be discovered quickly and corrective actions taken. Monitoring provides feedback to the strategic thinking process, allowing for continuous evaluation of strategies and expectations within the context of changing environments, facilitating the necessary adjustments in plans to ensure continued competitiveness.

Conclusion

Strategic thinking is a skill all leaders and managers of agricultural value-added businesses must acquire, hone and use constantly to ensure their ability to profitably gain and maintain market share. Strategic thinking requires business leaders to continuously assess their business' external and internal environments against its desired expectations. They must be cognizant of the sensemaking processes they use to interpret the data and information they use in strategic thinking. When successful, strategic thinking provides the right information for developing or modifying expectations and/or strategies. In a rapidly changing marketplace, one cannot afford to miss opportunities or see impending challenges from afar.



The following works provide more extensive discussions on strategic thinking:

Avinash Dixit and Barry Nalebuff. *Thinking Strategically: The Competitive Edge in Business, Politics and Everyday Life*, W.W. Norton & Company, 1993.

Willie Pietersen. *Reinventing Strategy: Using Strategic Learning to Create and Sustain Breakthrough Performance*, John Wiley & Sons, 2002.

Jim Collins (2001): *Good to Great: Why Some Companies Make the Leap... and Others Don't*, HarperCollins Publishers, 2001.

Patricia Schiff Estess. "Survival Training: Before focusing on succession, develop a strategic plan for growing the company," *Entrepreneur Magazine*, September 1997, available at <http://www.entrepreneur.com/article/0,4621,227635,00.html>.

Entrepreneur Magazine. "Five Minutes With Author Jim Collins," October 01, 2001, available at <http://www.entrepreneur.com/article/0,4621,293352,00.html>.