

The Strategy Making Toolbox

Economic Consultant, MSc in Economics
Torben Ulf Larsen

tul@vfl.dk, 8740 5170

Det Europæiske Fællesskab og Ministeriet for Fødevarer, Landbrug og Fiskeri har deltaget i finansieringen af projektet.



Agenda

- Presentation – Danish Advisory Service
- Strategy and part strategies
- Dynamic strategy
- Risk management
- Case study – Noble Castle - exercises





1788

Knowledge Centre for Agriculture



Torben Ulf Larsen, cand. oecon., Team Leader



Danish Agricultural Advisory Service

August 2010

- Partnership
- 26 regional centres and Knowledge Centre for Agriculture in Skejby
- 3.600 employees
- Turnover app. EUR 310 million.



Relations between DAAS and farmers

Farmers are:

Owners

Users

Customers

Key words:

Best and cheapest advisory services

Impartiality

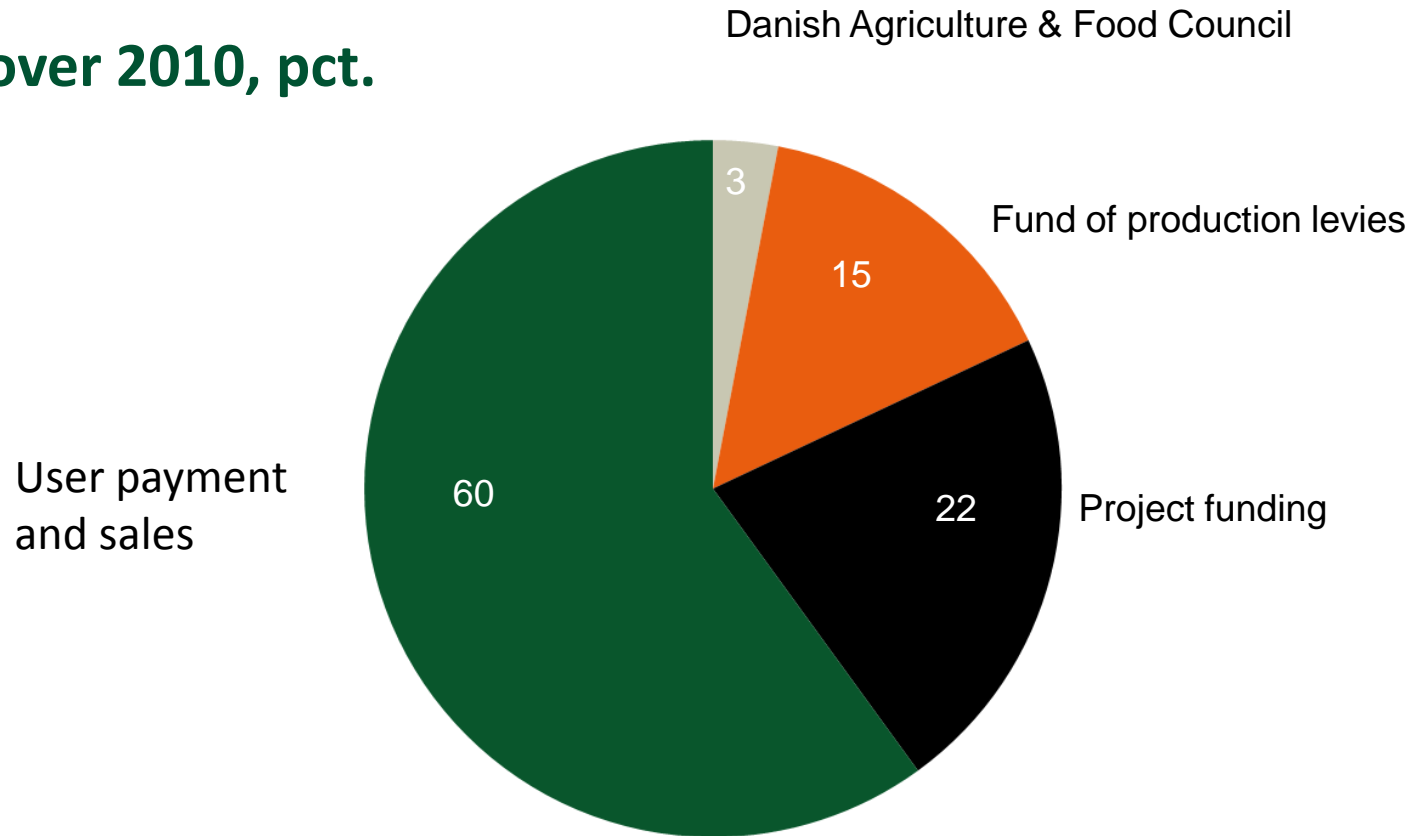
Non-profit



Products and tasks of The Knowledge Centre

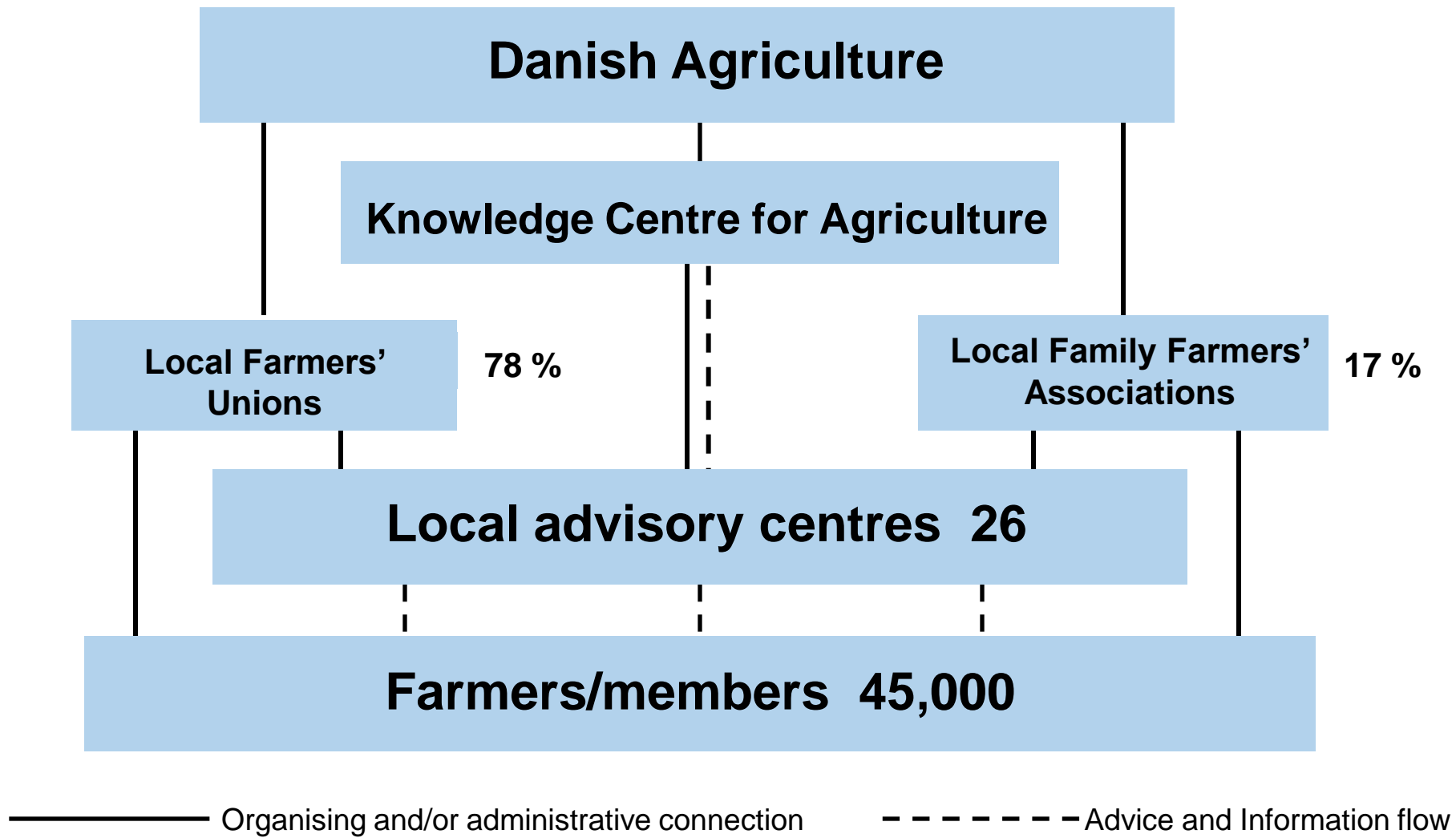
- General and specialised advice
- Transfer of knowledge
- Innovation/ Development
- Research, trials and demonstration
- Education, training and courses
- Operation and maintenance of ongoing tasks

Turnover 2010, pct.

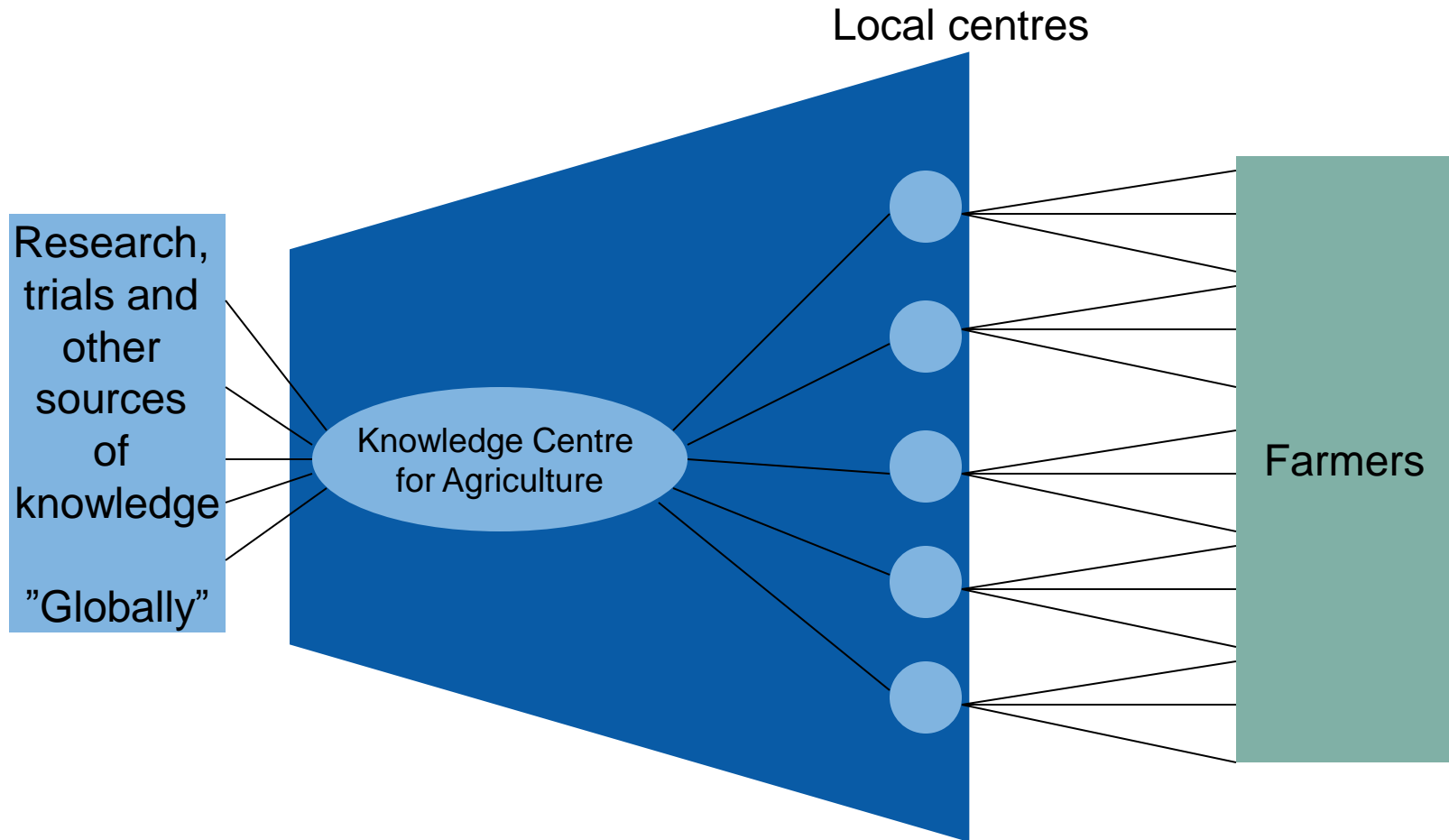


Turnover app.EUR 81 million.

Danish Agricultural Advisory Service



Danish Agricultural Advisory Service



Relations between DAAS and farmers

Farmers are:

Owners

Users

Customers

Key words:

Best and cheapest advisory services

Impartialness

Non-profit



Tasks of the Knowledge Centre

Dissemination of Knowledge

LandbrugsInfo

105,000 documents

27,000 page references per day

55,000 visitors per week

50 interactive programs

plant protection

calculation of animal units and area requirement

weather forecast and weather radar via sms

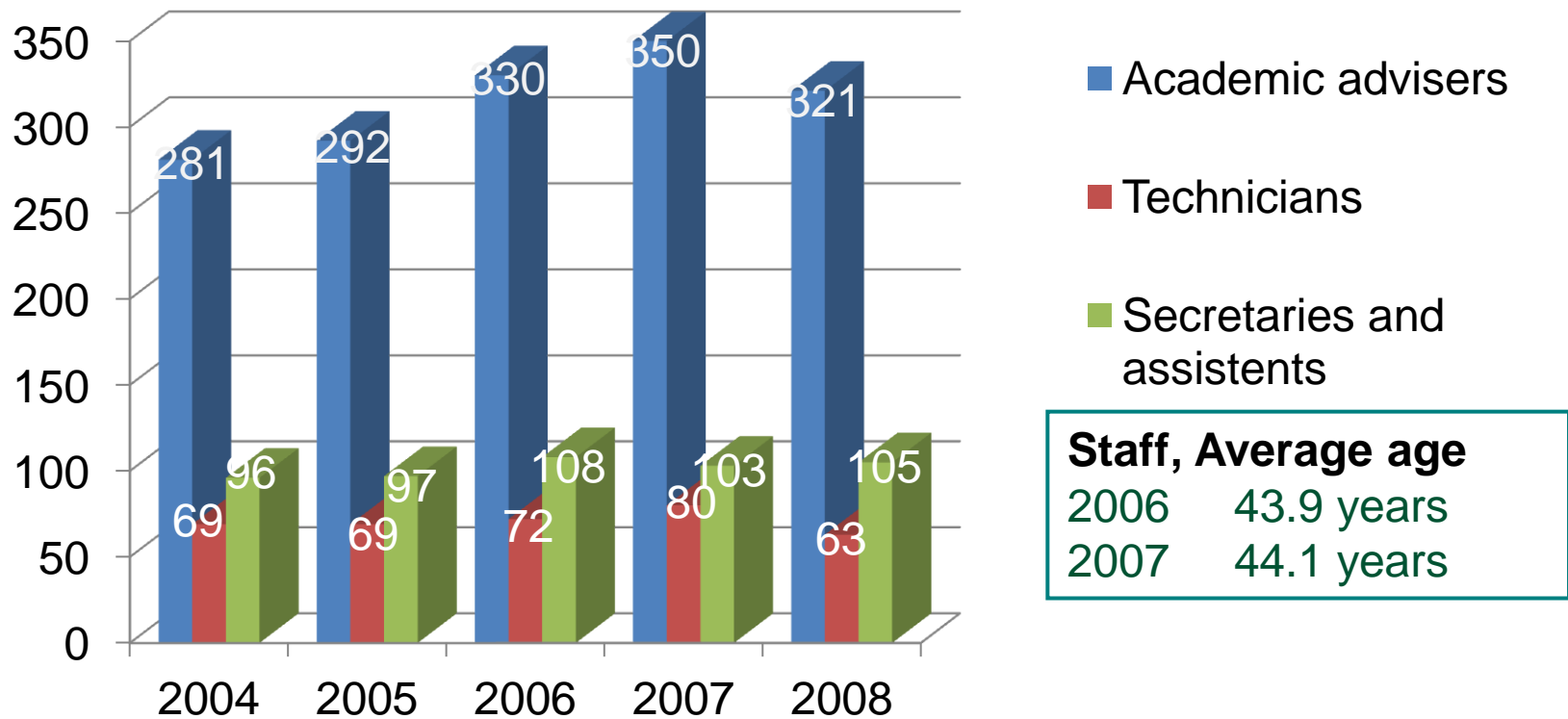
2.3 mill. visit LandbrugsInfo and Landmand.dk every year

The screenshot shows the Landmand.dk website interface. At the top, there is a green header with the Landmand.dk logo and navigation tabs for 'Generelt', 'Kvæg', 'Svin', and 'Plante'. Below the header, a green banner reads '- Gør det lettere at være landmand'. The main content area is divided into several sections:

- Log ind:** A login form with fields for 'BrugerID' and 'Kodeord', a 'Log ind' button, and a link for 'Glemte kodeord? Ny bruger'.
- Nyheder fra LandbrugsAvisen:** A news section with a dropdown arrow. It features a main article titled 'Hopper skamferet på fynsk gods' with a sub-headline 'To hopper i en fold ved Lehnkov Gods blev groft skamferet i pinsen.' and a 'Læs mere...' link. To the right, there are three smaller news items: 'Nyt logo og navn til Thyregod', 'Japans landbrugsminister begår selvmord', and 'Brasilien verdens førende på fødevarer', followed by a 'Flere nyheder...' link.
- Nyheder fra Dansk Landbrugsrådgivning:** A news section with a dropdown arrow. It features a main article titled 'Pelsdyr: Moderate resultater i udsigt' with a sub-headline 'Goldprocenten er større end normalt, og der meldes om alt for mange sterile hanner.' and a 'Læs mere...' link. To the right, there are three smaller news items: 'Så er coloradobillerne her', 'Kornpriser stiger stadig', and 'Business Check Mink en uge endnu', followed by a 'Flere nyheder...' link.
- Nyheder fra Dansk Landbrug:** A news section with a dropdown arrow. It features a main article titled 'Én miljøgodkendelsesordning - og kun én' with a sub-headline 'De små afgrøders behov underkendes' and a 'Læs mere...' link.

On the left side, there is a 'Ny bruger? - se her' link and a 'Kodeord til landmand.dk' section with a phone icon and the text 'ring 70 15 50 15 ...gælder medlemmer af en landbo eller familiebrugsforening. Ring 8 - 17/15 30'.

Staff Education and Age



Denmark leading the field

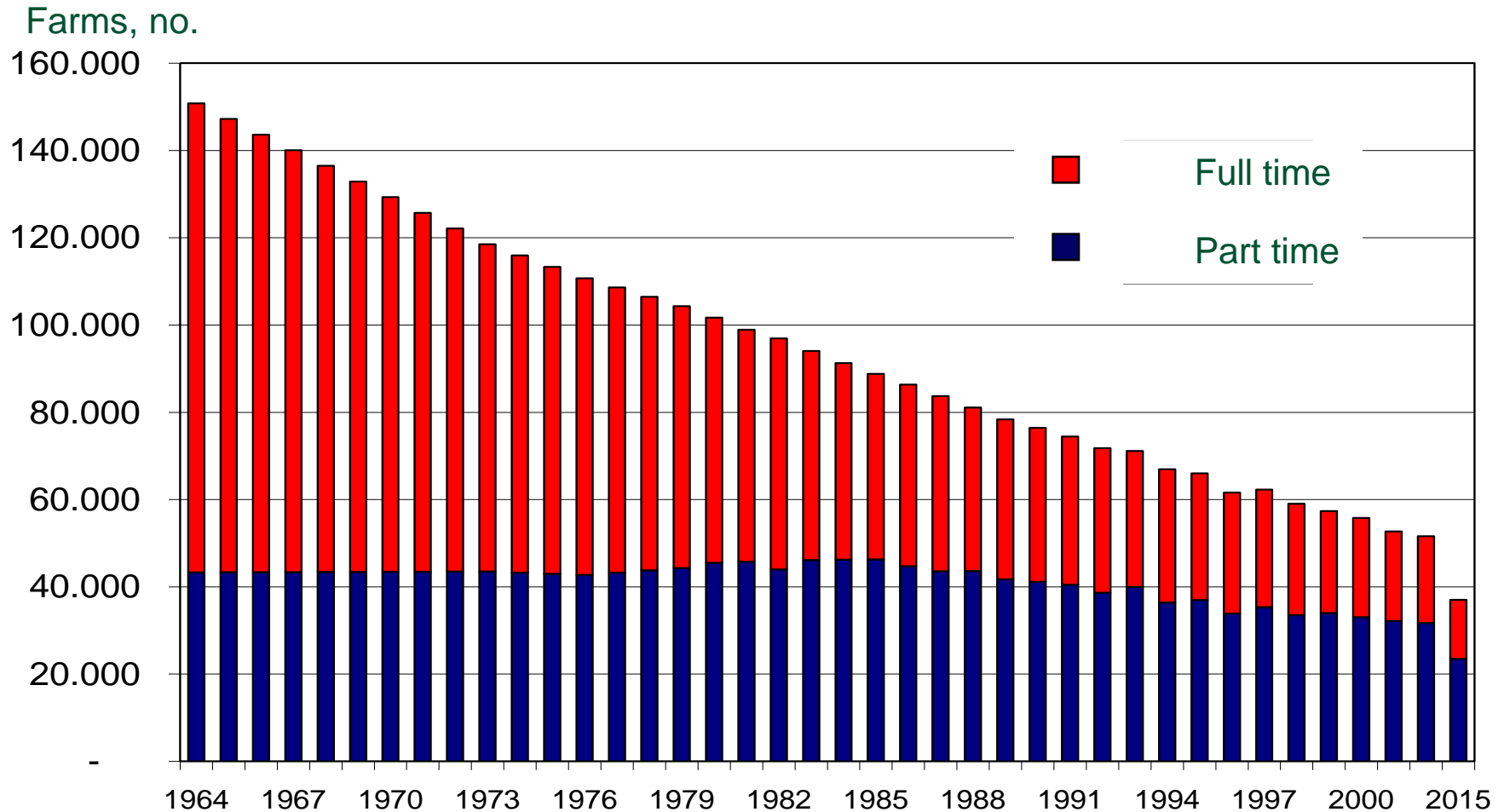
- Research and education
- Technology and food science
- Knowledge in practice
- Management and craftsmanship

BUT ...

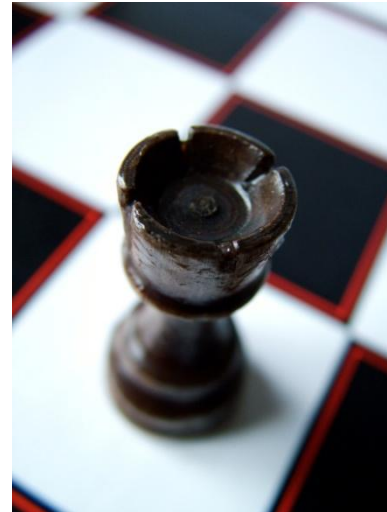
- No profit
- Accelerating demands from the surrounding society
- Etcetera ...



Number of farms in Denmark



Strategy and Part Strategies



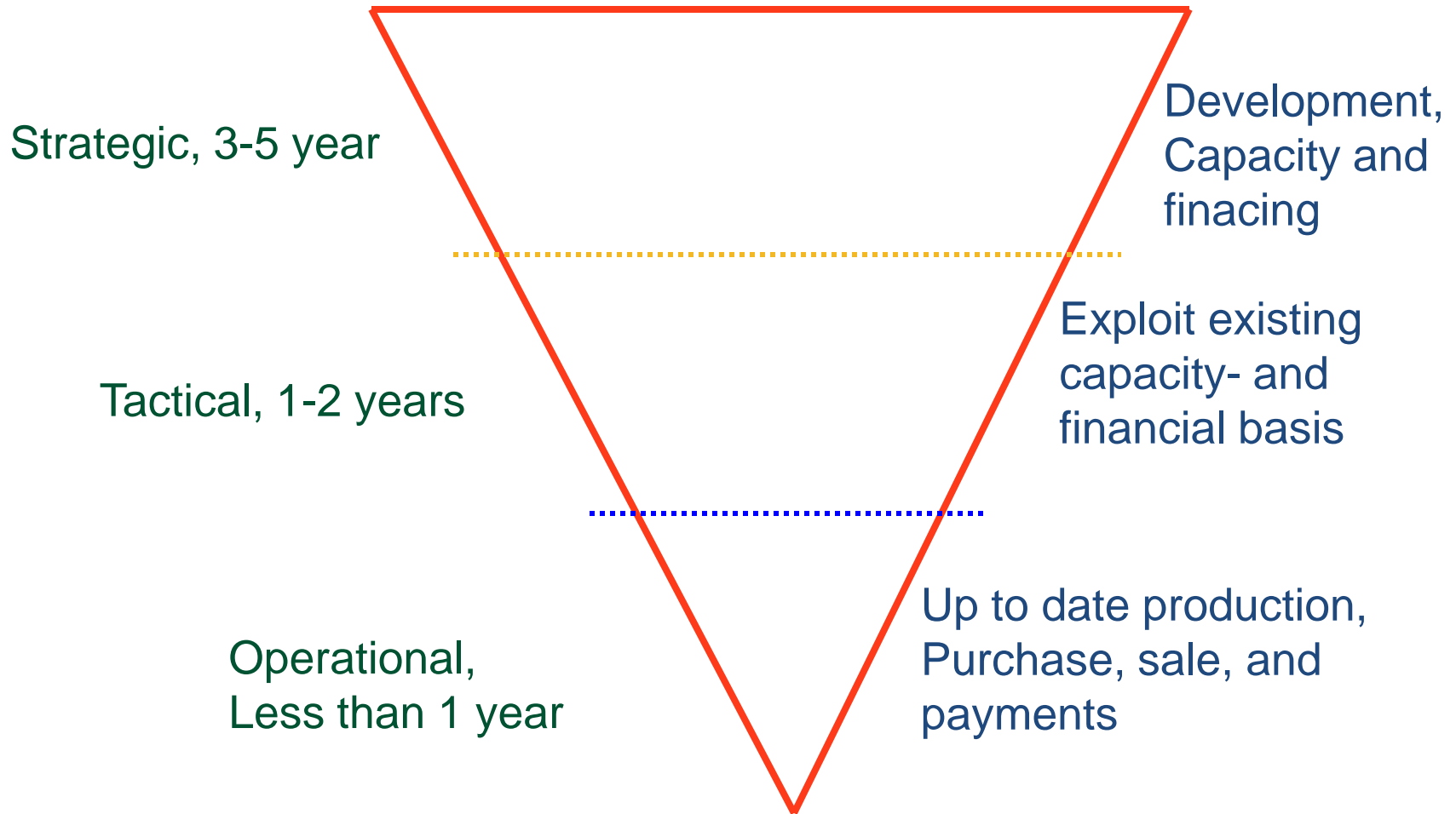




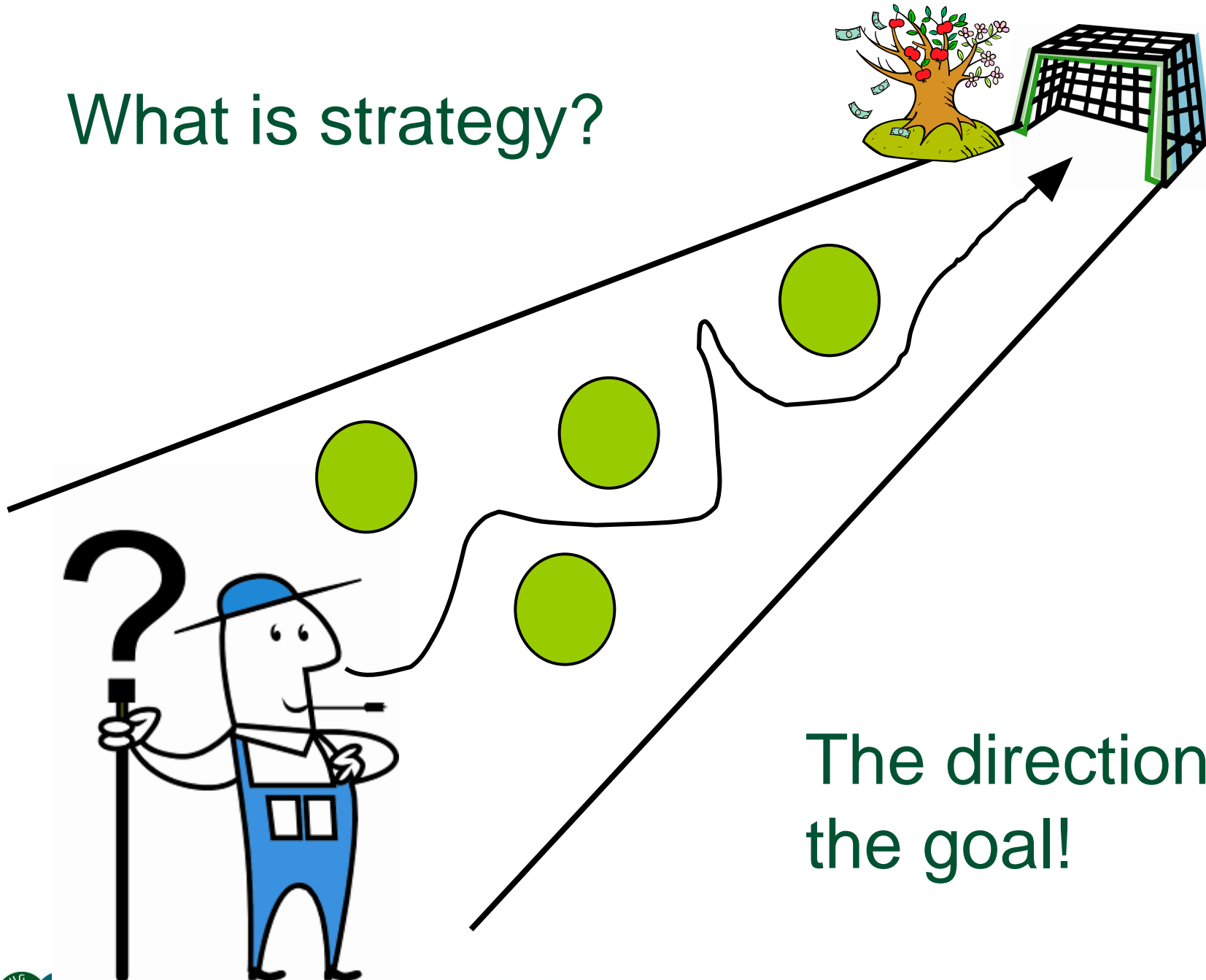
”It is not the strongest of the species that survive, nor the most intelligent, but the one most responsive to change”

Charles Darwin

Management Levels

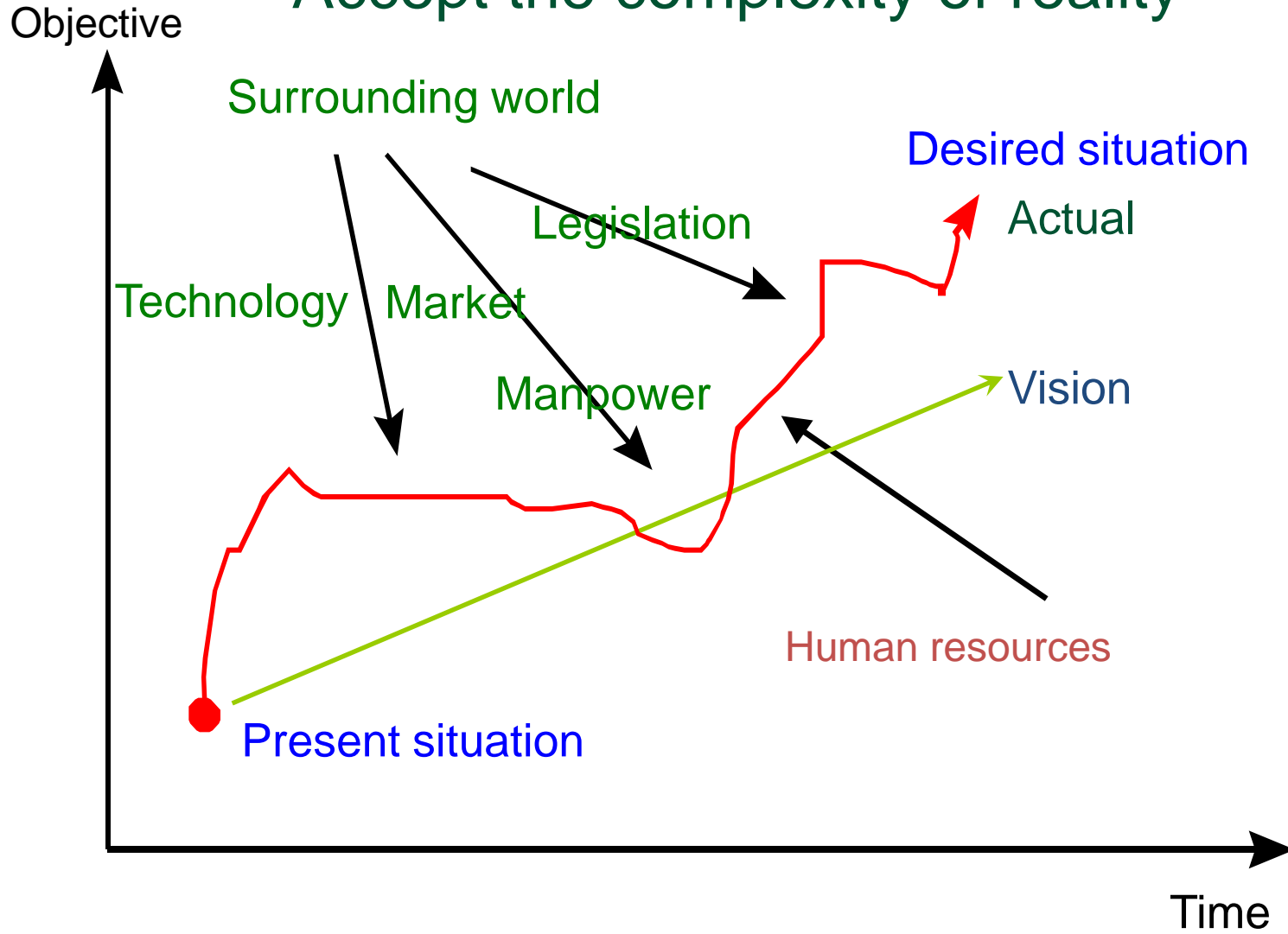


What is strategy?

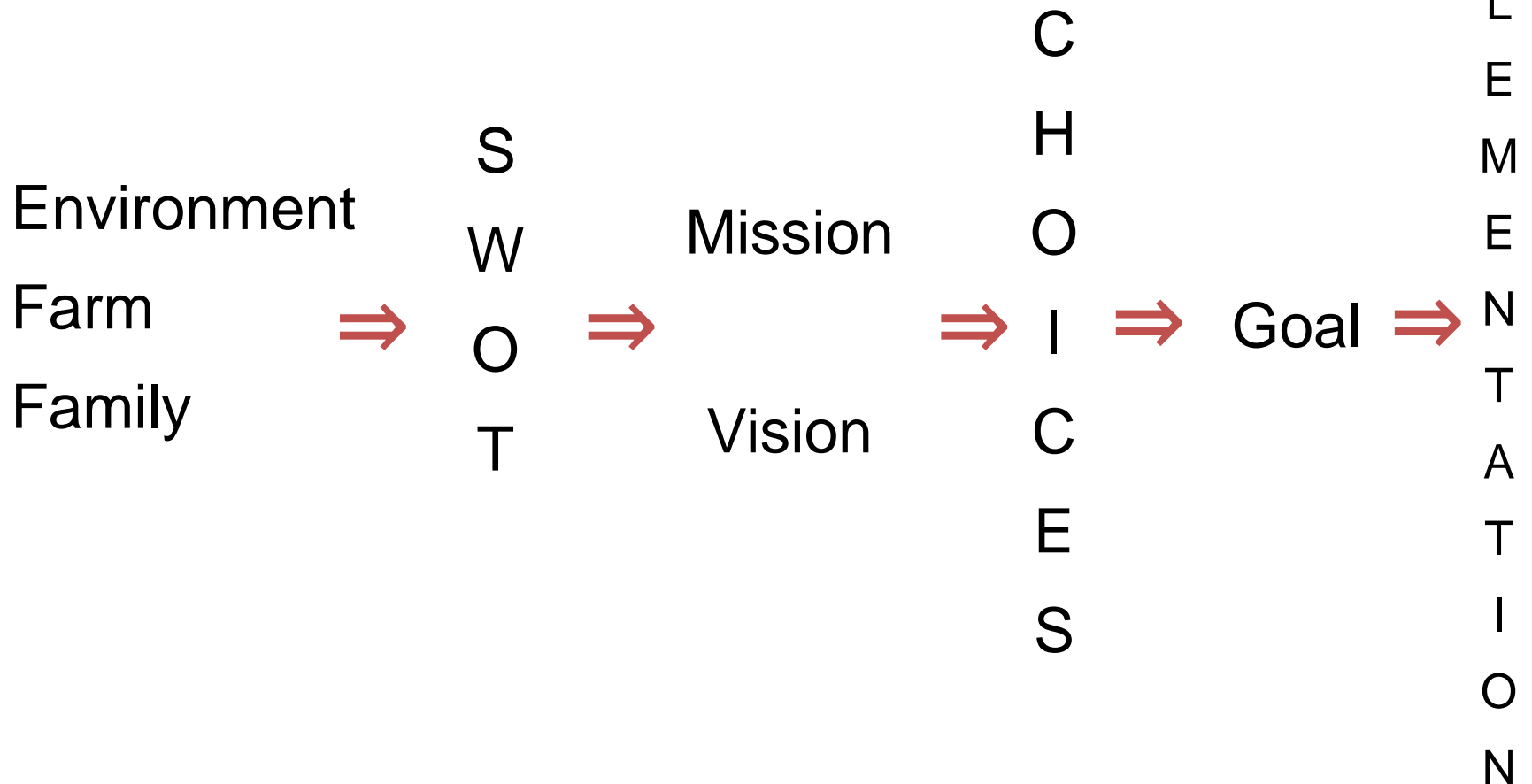


The direction to the goal!

Accept the complexity of reality



The Strategy Process



The Strategy Process

Mission

Environnement



Farm



Vision

Family

S
W
O
T



C
H
O
I
C
E
S



G
O
A
L



I
M
P
L
E
M
E
N
T
A
T
I
O
N

The vision – a guiding star – a picture of the future in the long run



A scenario for the future.
A continuous description of what you want
your business to be in 3 – 5 – 10 years.

Vision

- Through high standards in food quality, an economic consolidation must be made, this brings the possibility for an up to date development. This must be done on an environmental and harmonic farm, where the working environment is of high importance, among the best in business, and including time for freedom and a close contact with the enduser.

”Car phones? That will never be good business. Nokia must concentrate on television sets.”

Kari Kairamo

CEO of Nokia

Early 1980's



PEST

1. Political factors



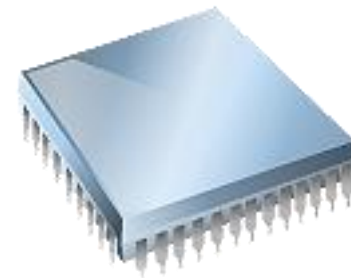
2. Economic factors



3. Sociocultural factors

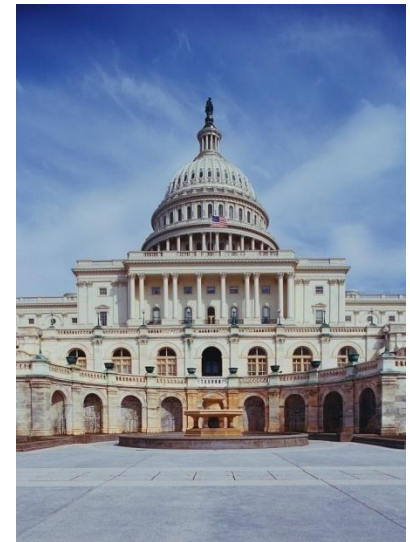


4. Technological factors



Political Factors

- EU agricultural policy
- National agricultural policy
- Environmental policy
- Commercial policy



Economic Factors

- International economy
 - Prices
 - Sales
 - Subsidies
- National economy:
 - Unit and capacity costs
 - Interest rates and land prices
 - Wages



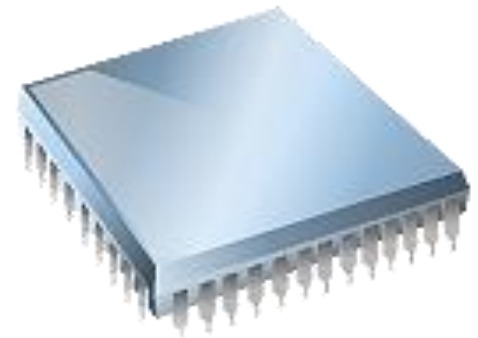
Sociocultural Factors

- Traceability
- Nature experiences
- More employees on plant production farms
– size?
- Image
- Sustainability



Technological factors

- Technological possibilities
 - Larger, more efficient and automatic machines
 - Milking robots
 - Reduced soil processing
 - IT
 - Manure separation
- Processing possibilities
 - GMO



Tools: Farm analysis

Use everything you know already!

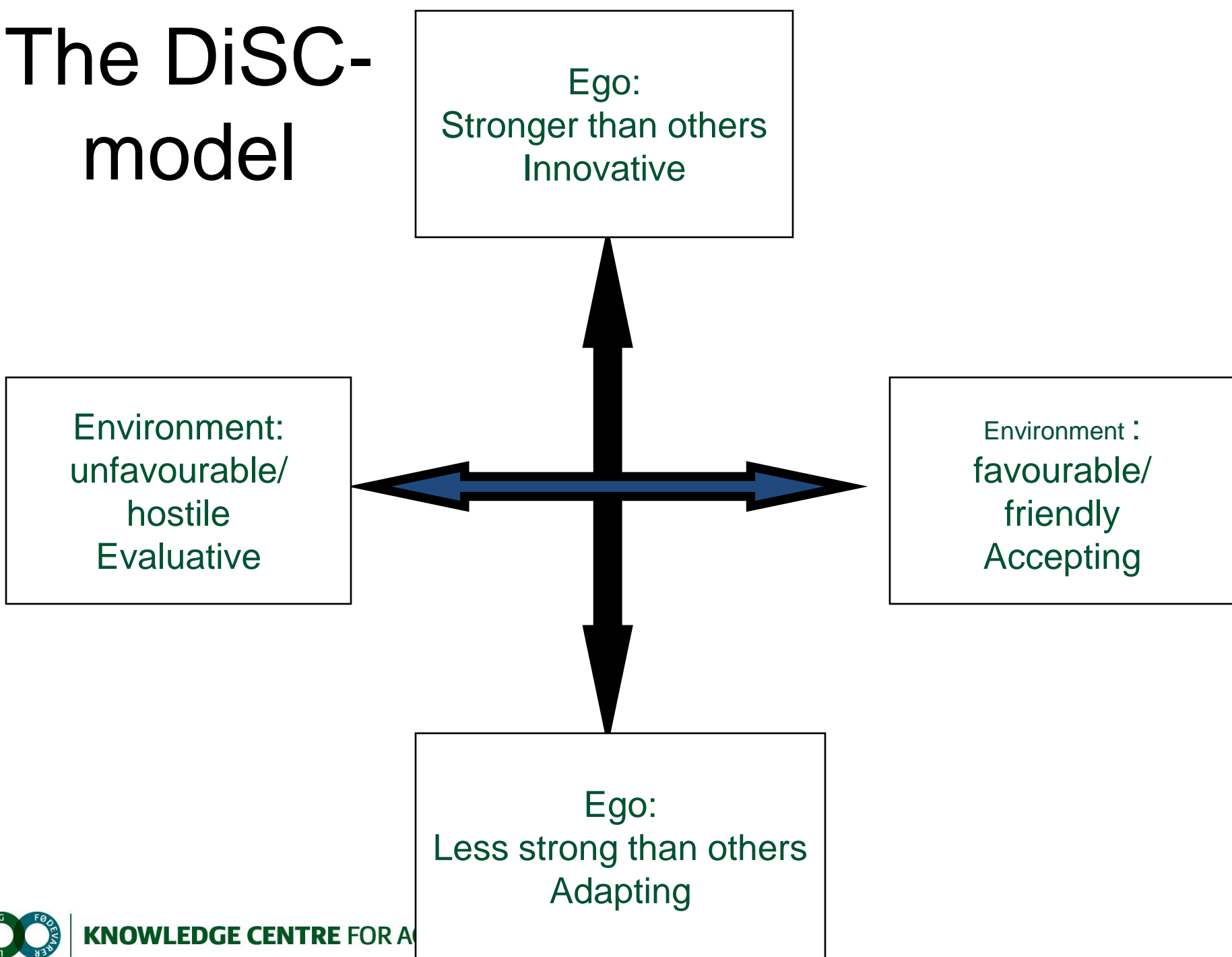
Go for the important facts

Don't waste time and money to go into useless details

- Land
- Buildings
- Machinery
- Technical equipment
- Herd
- Environment
- Economy

- Use experts' statements
- Present the draft report for the farmer and the involved experts
- Get full accept on the final report

The DiSC-model



Human Resources Analysis

one of many tools for assessing human resources
is the DiSC; here we help the farmer to clarify his attitudes



D	→	Dominating
I	→	Integrating
S	→	Social
C	→	Competent

By answering a large number of questions the farmer gets an idea of his personal profile, sometimes surprising, sometimes disappointing, often being a good reason to think over once more the strategy for the future

The DiSC model

D = dominance



Motive:

- Control and management...

Fears:

- Loss of control

Wants:

- Force
- Challenges
- Direct answers
- No rules
- New activities
- Individual performance

Characteristics:

- Self-confidence
- Taking risks
- Making decisions
- Focusing on results
- Demanding
- Limitations:
 - No respect for others
 - impatience
 - Lack of quality focus

The DiSC-model

i = (social) influence



Motive:

- Social respect

Fear

- Social rejection

Want:

- A round of applause
- popularity
- Praise
- Group activities
- Positive relations
- No control and regulations

Characteristics:

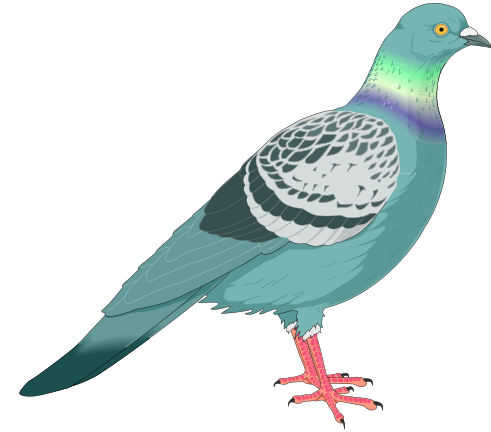
- optimistic
- Inspires confidence
- emotional
- Involved with human beings
- Extroverted
- Charming

Limitations:

- Impulsive
- Promises to much
- Lack of completion

DiSC-modellen

S = stability



Motive:

- Stability

Fears:

- Changes

Wants:

- Genuine appreciation
- Cooperation
- Work with well-known methods
- Safety

Characteristics:

- Considerate
- Stability in work
- Willing to cooperate
- Patient
- Loyal
- Taking care of the group
- accepting

Limitations

- Own needs are not important
- Resistance against positive changes

The DiSC-model

C = competence



Motive:

- Quality and precision

Fear:

- Failures, criticism, emotions

Wants:

- Win discussions
- General view
- Praise
- Limited risk

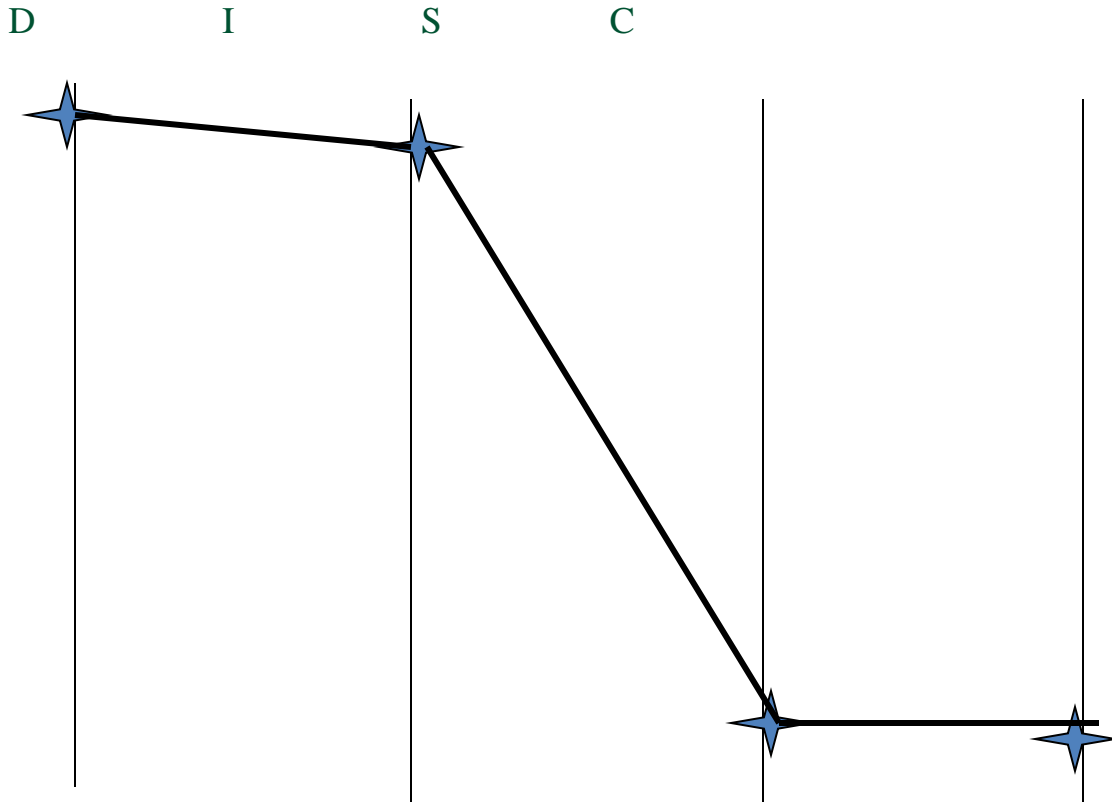
Characteristics:

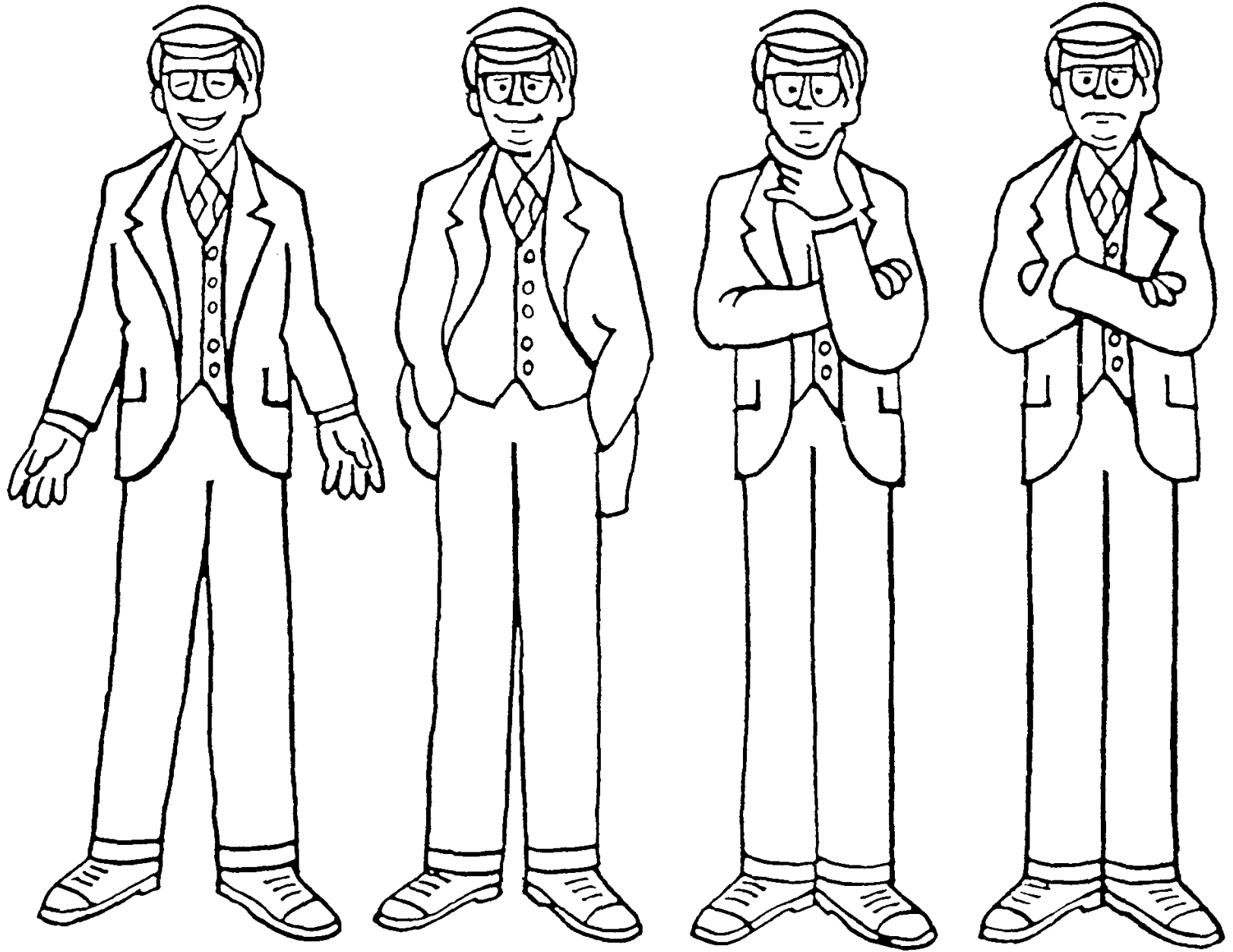
- Analytical and factual
- Aware of details
- Conscientious
- Diplomatic
- Business-minded
- Curiosity
- Reliable

Limitations:

- Critical
- Indecisive
- Lacks creativity

DISC Profile





Tools: assessment of analyses

The critical SWOT- a practical example

	Positive factors	Negative factors
Internal factors	Strengths Strong economy Herd management New machinery	Weaknesses Farmers health Poor milking parlour Close to town
External factors	Opportunities Ecological production Diversified production	Threats Lack of new employees Decreasing milk prices

Demands for a good strategy:

- Consistent
- Feasible
- Competitive advantage
- Need for innovation

NOW!

Farmer's STRATEGY

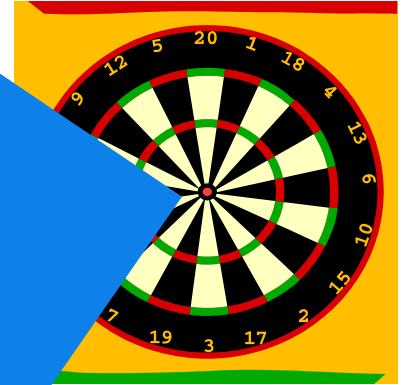
HR
strategy

Financial
strategy

Communi-
cation
strategy

Environ-
mental
strategy

GOALS



Dynamic Strategy



Areas of Focus During Development

1. The strategy product must be appropriate for current times
2. The strategy product must be appropriate for the farmer's situation
3. The farmer must be serviced with the requested advisory role
4. A platform for communication with interested parties

The strategy product must be appropriate for current times

- General strategy versus dynamic strategy

Strategic planning

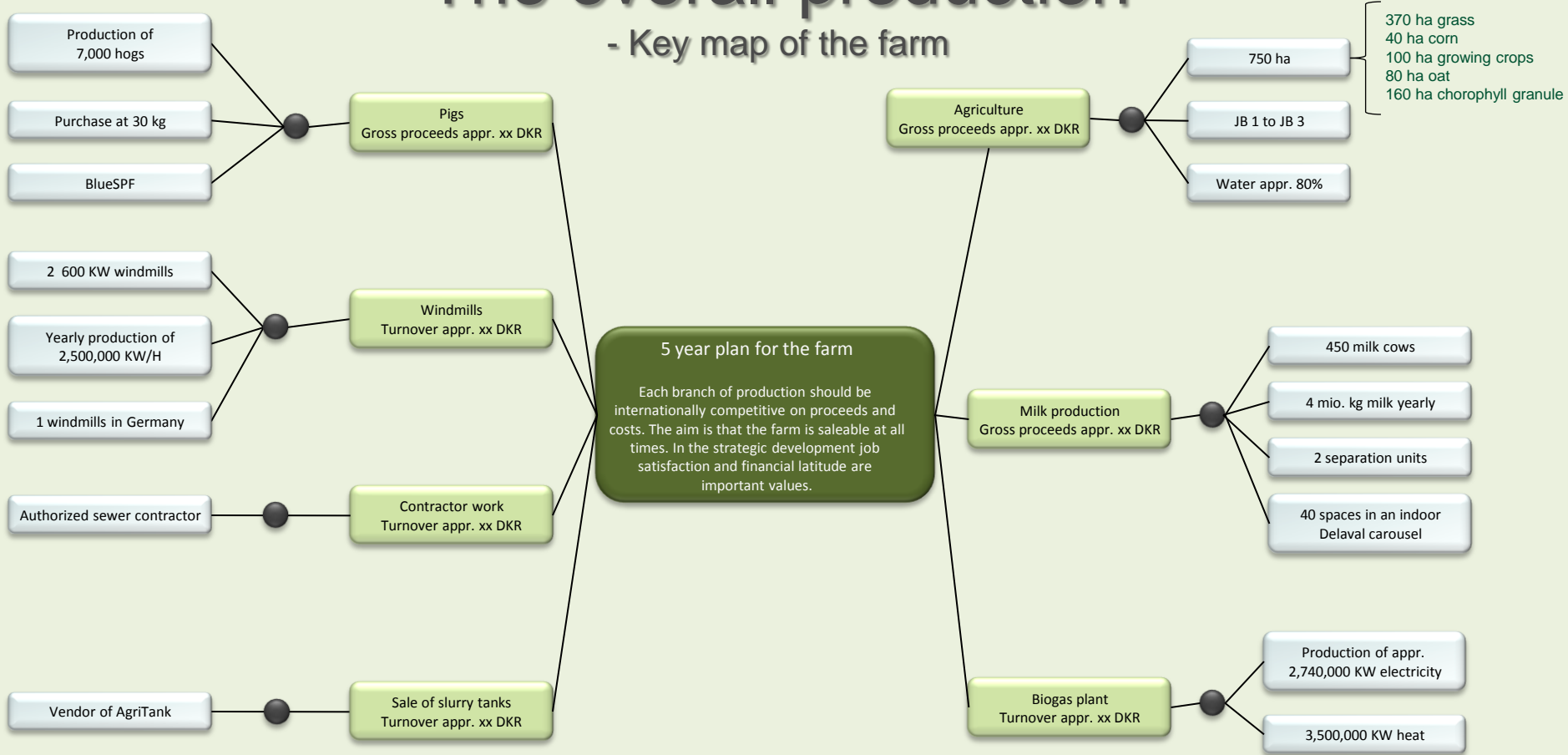
- 5 year plan
- Focus on operation
- The strategy is prepared by the expert
- Decisions are made on basis of complete information

Emergent strategic development

- Continuous adjustments
- Focus on development
- The strategy is prepared by the man on the floor
- Many decisions are made on basis of limited information

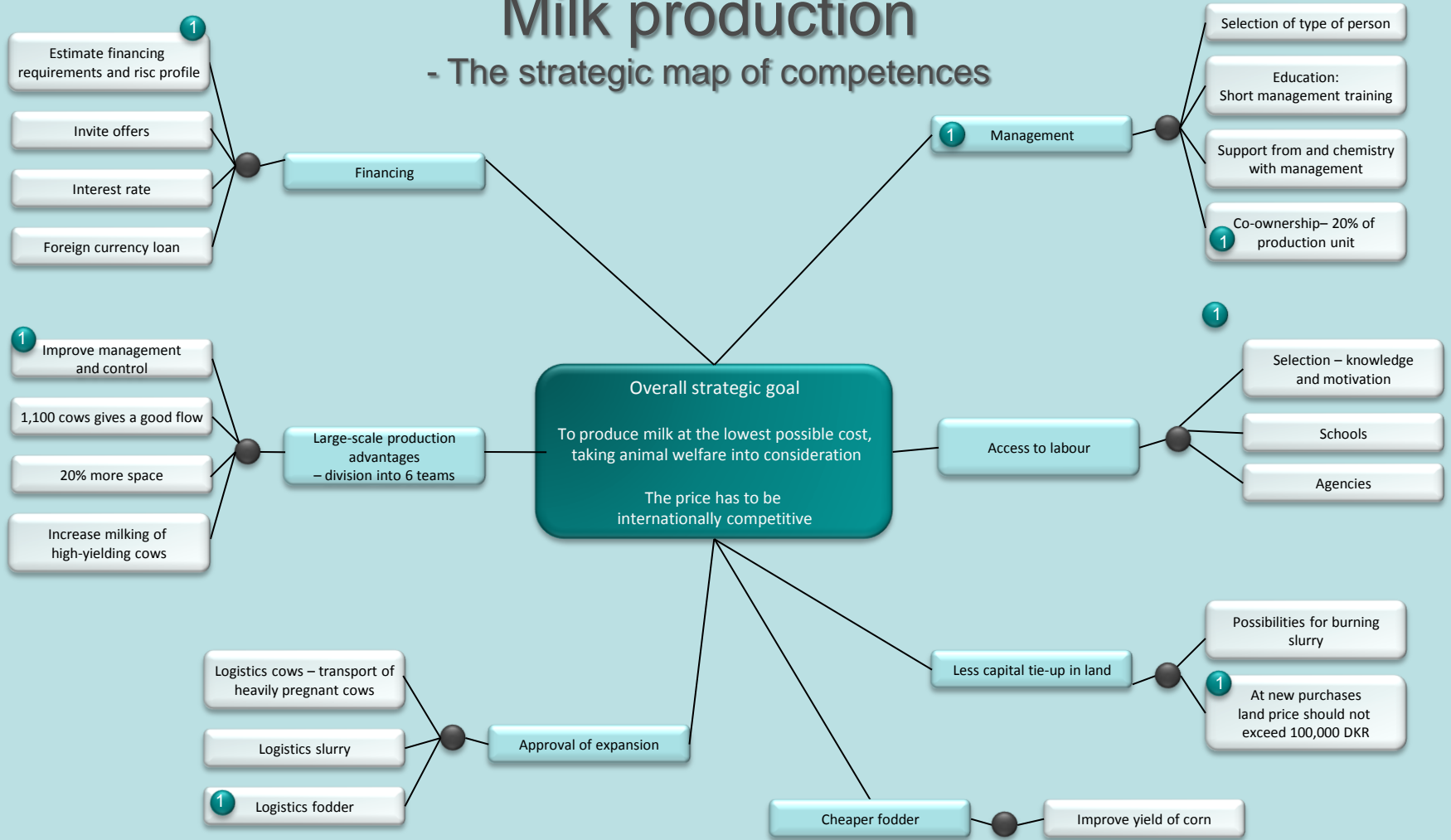
The overall production

- Key map of the farm



Milk production

- The strategic map of competences



Purpose

- Overview of the most important factors in the environment which have influence on the farm
- Dialogue with the farmer: What are the consequences for the farm?
- Follow-up: Which factors?



SMART goals

- **S**
- **Specific**

- **M**
- **Measurable**

- **A**
- **Ambitious**

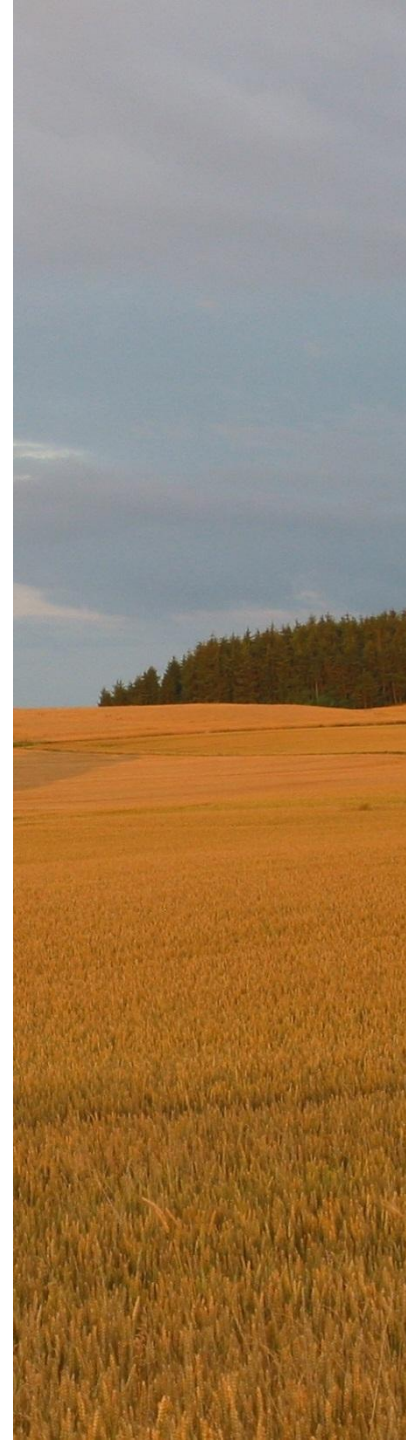
- **R**
- **Realistic**

- **T**
- **Timed – dead lines**



Benefits for the farmer

1. Ownership of the strategy
2. A simple lay-out of his strategy that allows continuous adjustments
3. Keeps focus – maintains ideas
4. Clear goals – strengthening of the management
5. Focus on realizing the plans of action



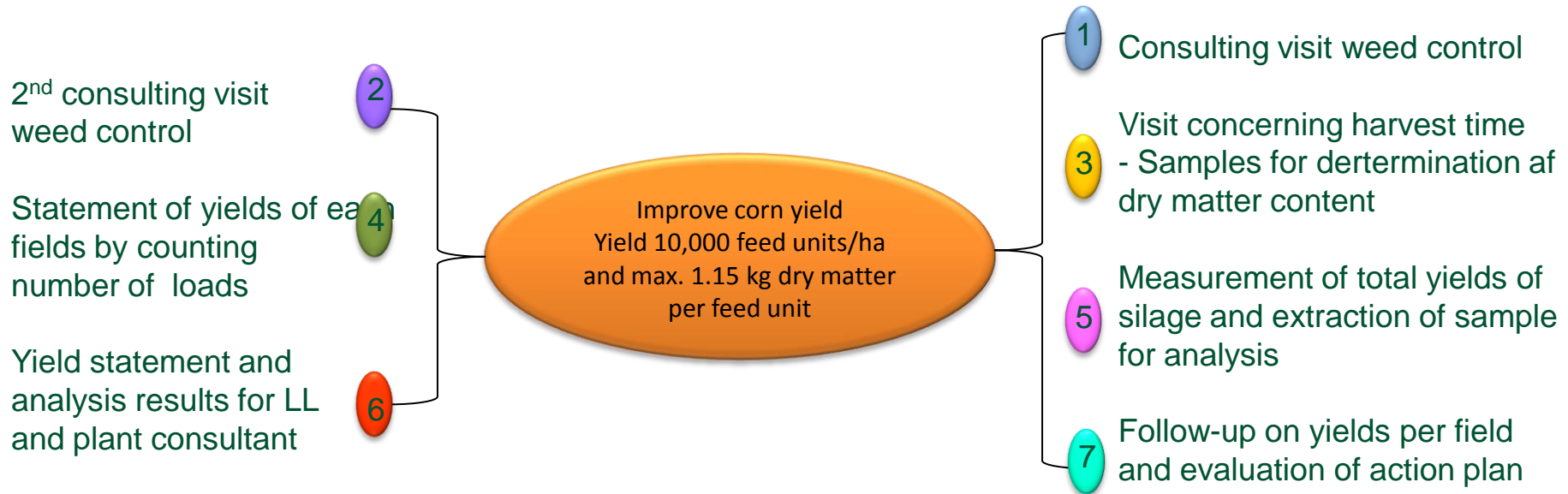
Benefits for the advisor

1. A tool that brings you closer to the client
2. Kick-starts strategic focus
3. A great tool for a "like it" task
4. Better sparring partner
5. Improves interdisciplinary collaborations with colleagues



Visual action plans

Improve profits on corn



Visual action plans

Example of Gantt map

Activity	Responsible	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Status	Follow up
Management															
a 1 Kontakt med bureau	Lars	10/1												✓	Birte
Stillingsopslag skriv og															
a 2 annoncering	Lars	20/1												✓	Konsulent
a 3 Samtale med kandidater	Lars													✓	Birte
a 4 Ansættelse	Lars													✓	Konsulent
a 5 Introduktionsforløb	Lars													✓	Birte
Yield in corn															
b 1 Rådgivningsbesøg 1	Poul (pl konsulent)					15/5								✓	
b 2 Rådgivningsbesøg 2	Poul						4/6								
b 3 Rådgivningsbesøg før høst	Poul														
b 4 Udbytteopgørelse (antal læs)	Lars														
b 5 Udbytte opmåling + Analyser	Kurt (kvægrådg.)										30/9				Poul
Aflevering af															
b 6 analyseresultater	Kurt														Poul
b 7 Evaluering af handlingsplan	Poul														Kurt
Loan offers															
Drøftelse af															
c 1 finansieringsmuligheder	Niels														Birte
c 2 Indhente lånetilbud	Niels								25/7						
c 3 Møde med bank	Lars														Niels
c 4 Hjemtage lån	Niels								15/8						Lars

Experiences with strategy work

- Increasing and diversified demand from farmers
- Flexible concepts is necessary depending on the farmer's needs and the advisors skills and motivation
- Increased cooperation between advisors – has certain demands to the organization
- The advisors are the barrier or the critical success factor
- The advisors demand: easy to use concepts
- Strategy processes generates extra sales of advisory service

This is how we do it

- One day with advisors and farmers – with an acknowledged need of change
- Eventually half a day with everybody who has contact with clients
- 1 month for creating a strategy
- One day with to make a report
- Subsequently BSC for implementation
- Differences in the concept
- 15 centres – 160 farmers

The customer is in centre

Keep it simple – get through to the conclusions

Ideas
Discussions
Conclusions
Revision
Acceptance



Values, mission,
vision, purpose,
priorities

Facts and figures

HR-, farm-, PEST-
SWOT-, etc. analysis

" The world is full of strategies and plans, visions and intentions, but what counts, what really counts is the ability to act - to lead the strategies into practice."

Paul Evans



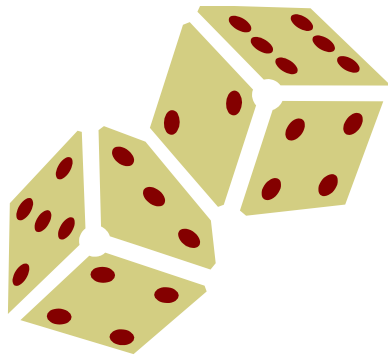
*“You can have the car painted
in any color you like so long as
it is black”*

Henry Ford

Early 1920's



Risk Management



What is risk?

- Risk is the factors that can affect the strategic goals negatively

Or in more operational terms

- Risk is the possibility for financial loss – assets, liabilities and profits



Purposes of Risk Management

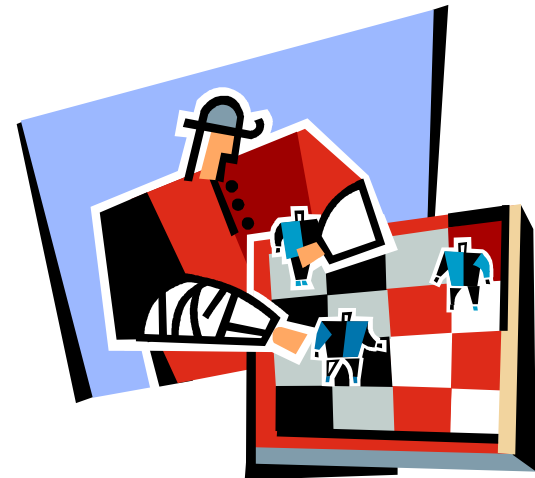


- Overview – fully and interdisciplinary
- Assessment and actively taking a stand
- Methods and tools
- Better sleep



Stages of Risk Management

1. Mapping of risk factors on the farm
2. Assessment: Relevance and probability
3. Handling: Lay-out of possibilities for action and related costs
4. Implementation and follow-up



The development means increasing demand for strategy and risk management?



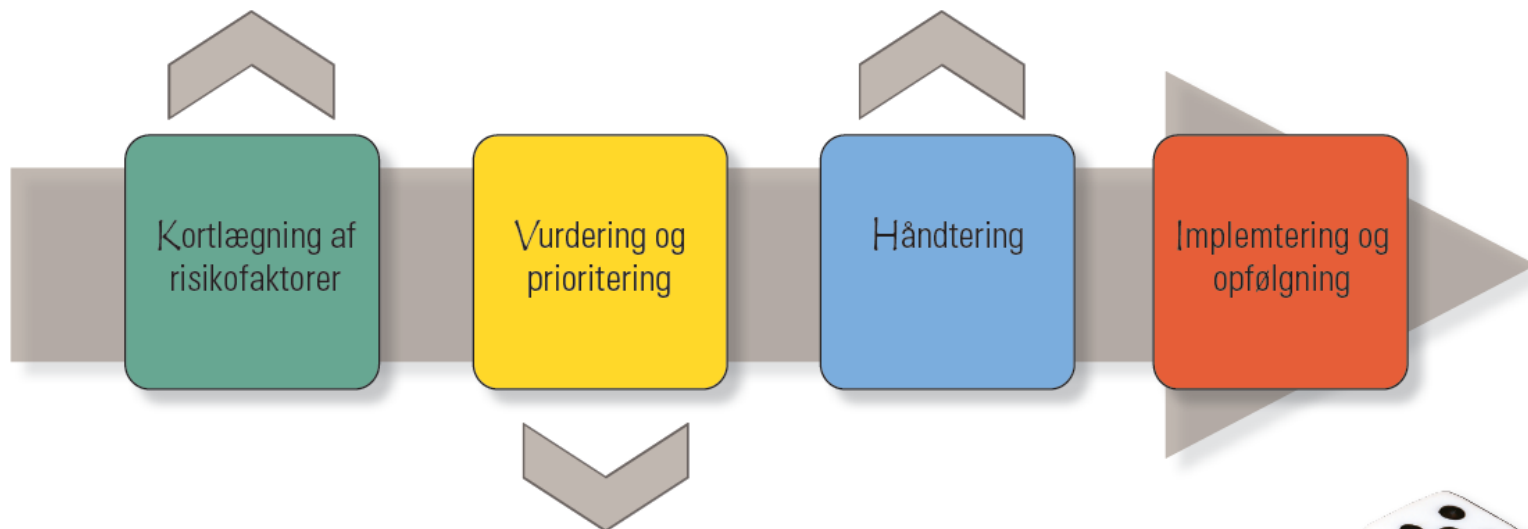
Risikostyring skal fokusere på usikkerhed, ikke på illusionen af forudsigelighed

Hvilke risici er der?

- Marked - afsætning og indkøb
- Finansiering - rente og valuta
- Produktion
- Humane
- Omverden

Hvad kan vi gøre ved risici?

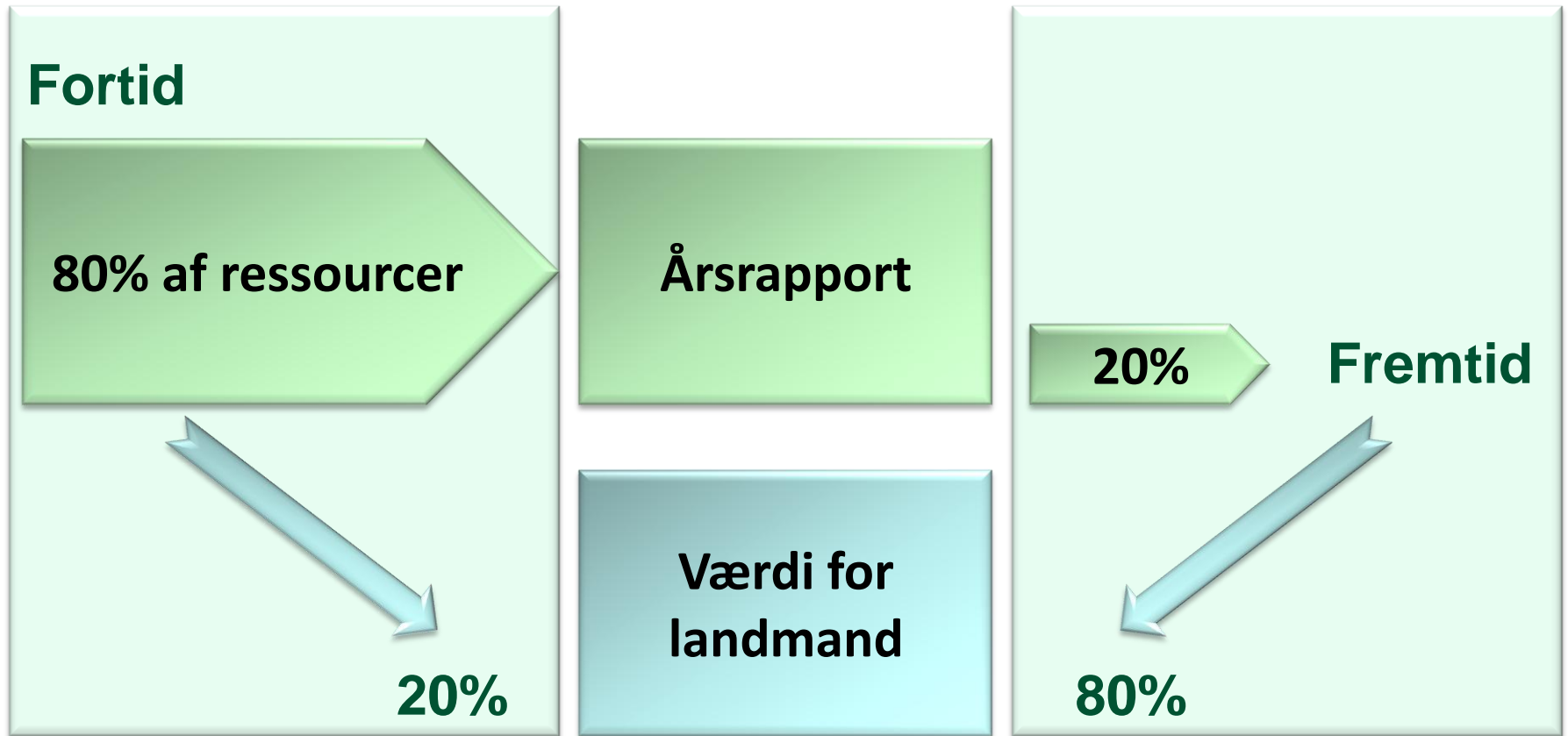
- Acceptere
- Undgå
- Dele, sprede, forsikre
- Reducere



Hvor sandsynligt er det?
Hvor væsentligt er det?



Hvad skaber værdi for landmanden?



Mapping- Systematic

- Human
 - Divorce, illness, death
 - Inability to get qualified assistance, generational change
- Market
 - Prices of sales products, prices of raw materials
 - No demand
 - Loss of buyers for small pigs



Mapping – Systematic (continued)

- Financial
 - Price of money (increasing interest rates)
 - Lack of liquidity
 - Negative bank
- Production
 - Disease in the herd
 - Lack of efficiency in the stable
 - Special crops that fail
- Institutional
 - Changed environmental requirements – sale/depositing of slurry
 - Agricultural policy of the EU



Navn: X

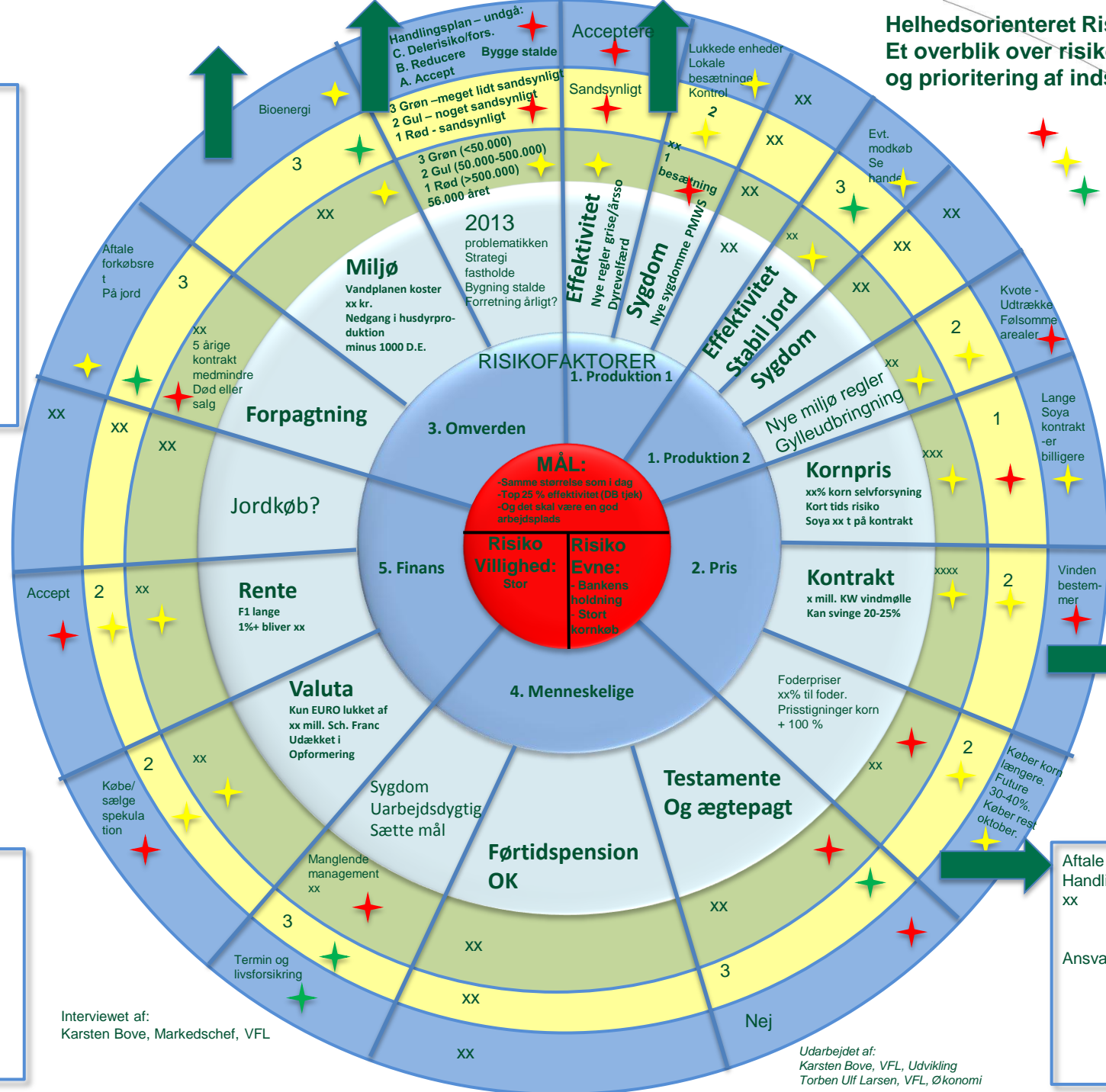
Bedriften kort:
 - xx årssøer
 - Opfedning af slagtesvin på 2 lokaliteter
 - Lejet xx slagtesvin
 - Lejet halvpart i opfor søer
 - Slagtesvin xx i opfor søer
 - Skov xx ha
 - Mølle (3 søskende)
 - Ukraine xx søer og xx ha
 - Bioenergi

Risiko worst case
 Rød x
 x Gul x
 x Grøn x
 x alt

Interviewet af: Karsten Bove, Markedschef, VFL

Udarbejdet af: Karsten Bove, VFL, Udvikling
Torben Ulf Larsen, VFL, Økonomi

Helhedsorienteret Risikostyring Et overblik over risikofaktorer og prioritering af indsats



Aftale om opfølgning
 Handlingsplan
 xx

Ansvarlig: xx

What can we do about risks?

- Accept
- Avoid
- Share, spread, ensure
- Reduce



Attitude Towards Risk

- Risk avert / little willingness to take risks
- Risk neutral
- Risk preferment / great willingness to take risks



