

Creating an Effective Farm Business Strategy

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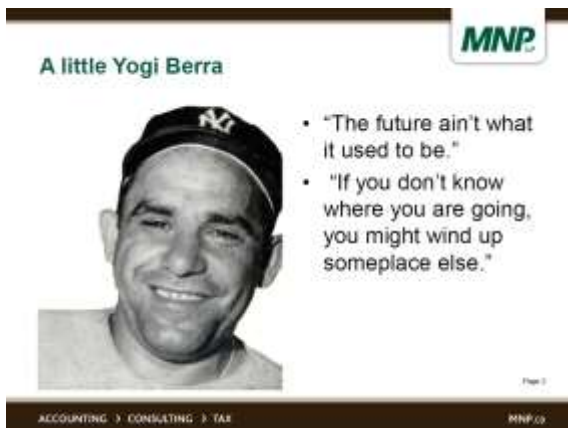
Creating an effective farm business strategy

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Presented by: **Jeff Orchard**

Date: **Today**

The slide features a vertical stack of three small images on the left: a group of people in a meeting, two people shaking hands, and a group of people in a meeting. On the right, there is a large photograph of several people walking alongside a line of cows in an outdoor setting, with a large building in the background.



A little Yogi Berra

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- "The future ain't what it used to be."
- "If you don't know where you are going, you might wind up someplace else."

Photo ©

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The slide features a black and white portrait of Yogi Berra wearing a baseball cap with the letters 'NY' on it. The background is white with a dark brown header and footer.

Thriving in Interesting Times



- Agriculture is changing, has to change more.
- Competition is worldwide
- "Old thinking" is risky
- Need "plans of attack" (strategy)
- **Execution** is also critical.
- History provides great examples including:

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CREATIVE EXECUTION



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CREATIVE EXECUTION



Page 1

CREATIVE EXECUTION



- 1805 Europe lies within Napoleon Bonaparte's grasp
- Only England stands in his way
- 200,000 crack troops in France
- Admiral Villeneuve joins forces with the Spanish Armada to secure the Straits of Dover
- "Let us be masters of the Straits for six hours and we shall be masters of the world."

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CREATIVE EXECUTION



- In the way Horatio Nelson, Royal Navy's most capable admiral,
- Decimated French fleet that escorted Napoleon's army to Egypt in 1798
- Armada = 33 ships
- *Santissima Trinidad*, the world's largest with 130 guns
- Nelson's = 27 small men-of-war, in peak fighting condition.

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CREATIVE EXECUTION



- Nelson surprises Villeneuve off Cape Trafalgar
- The English sink or capture 18 French ships
- 14,000+ French and Spanish killed in action, 10X more than the English
- Villeneuve commits suicide
- Napoleon's dreams of a French Europe shattered

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Nelson's touch

- Ability to **execute a strategy**
 - almost **guaranteed** a successful outcome.
- **Crush** not just defeat
- No **traditional “parallel lines”** pounding from a distance
- Attack at **90-degrees**
- Attack individual ships from **close quarters (size matters!)**

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Nelson's touch



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Nelson's touch

- Strategy:
 - Plan - Speed versus power
 - Practice - Load and fire twice as fast
 - Sink or disable enemy ships from short range
 - Shoot, turn and reload, fire
 - Forgot one thing – Duck!



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What About You?



- Aren't you the little guy?
- Business is like war
- Your "battle plan"?
- You invincible Napoleon?
- Aren't most of us just like the British navy?
 - Nimble versus slow, fit versus huge
- **But what's is YOUR plan?**



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7 Essential Elements of Effective Strategy



1. **Competitive Advantage**
 - Differentiate, be better in a way or ways that matter
2. **Thorough and deep analysis**
 - External environment and the internal capabilities
 - Leverage strengths, shore up areas of weakness
 - Seize opportunities, minimize threats
3. **Be flexible, ready and willing to adapt**
 - To changing circumstances
 - Napoleon's soldiers carried own provisions vs supply train

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7 Essential Elements of Effective Strategy



4. **Deeply understood direction, shared by the organization**
 - Genghis Khan's Mongols defeated far larger armies without direct supervision
5. **Invite varied input from a diverse group of thinkers**
 - Lincoln surrounded himself with his political rivals
 - No group think
6. **Never Stop Communicating**
 - Change does not occur without ample communication
 - Repetition is expected and needed
7. **Monitor, Measure and Report results**
 - Facts verify the strategy and provide early warning signals
 - Use a scoreboard

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5 Things every leader needs to know about strategy:



1. Compete to be unique, not to be the best
 - Many ways to win
 - Young Farmers of Saskatchewan
 - Uber, Air B and B
2. Compete for profit
 - Farm business is not about being the largest or growing fast. It's about being profitable in a sustainable manner.
3. Know your industry and your place
 - A farm is not an island - it's part of a larger ecosystem, an industry.

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5 Things every leader needs to know about strategy:



4. Strategy means Choice
 - WHO are you are going to serve and a clearly HOW you are going to serve them
 - Connect the outside world - demand side - with your farm - the supply side
5. Don't ever stand still
 - customers' needs and behaviors change, technology evolves, competition moves

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LONG TERM SUCCESS REQUIRES PLANNING



Today you must be a business architect.

Anything built in today's business environment must have a step-by-step blueprint or plan on how to achieve success.

-Worth

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LONG TERM SUCCESS REQUIRES PLANNING



If you do not know where you are going...you will not know:

1. How to get there
2. The progress toward your destination
3. When you have arrived



Well this is just going from bad to worse

STEPS TO SUCCESS



1. Plan
2. Critical success factors
3. Metrics - KPIs
4. Implement, Measure and Manage always
5. Evaluate
6. Improve
7. Continue forever





The Four Perspectives of Strategy

Financial	How do we create value?	<ul style="list-style-type: none"> Financial Performance Perception of Value
Customer	How well are we meeting their needs?	<ul style="list-style-type: none"> Attraction Satisfaction Retention
Operations	How can we improve internal processes to deliver products & services better, faster and cheaper?	<ul style="list-style-type: none"> Efficiency Quality
People	How can we support the internal processes through improved knowledge & skills, abilities, tools & technology, leadership and other capacities?	<ul style="list-style-type: none"> Human Capital Tools Innovation Infrastructure Culture



Balanced Scorecard



Vision

<p>Customers</p> <ul style="list-style-type: none"> • Attract sufficient customers (that we want) • Delight (retain) good customers 	<p>Operations</p> <ul style="list-style-type: none"> • Be sufficiently productive (efficient output) • Consistently turn out high quality (products and/or services)
<p>People</p> <ul style="list-style-type: none"> • A skilled team that is constantly getting better • A highly motivated team that wants to be part of a successful organization 	<p>Financial</p> <ul style="list-style-type: none"> • Sales (Marketing) • Gross Margin (Input costs) • Expenses (Overhead) • Net • Cash Flow

Exit



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Balanced Scorecard – In our Neighbourhood



Vision


<p>Customers</p>  <ul style="list-style-type: none"> • Go Get 'em • Keep'em Happy 	<p>Operations</p>  <ul style="list-style-type: none"> • Get it done! • Do it right
<p>People</p>  <ul style="list-style-type: none"> • Willing • Able 	<p>Finance</p>  <ul style="list-style-type: none"> • Sell Lots • Maintain Margins • Manage Expenses • Manage Working Capital

Exit

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WHY KEEP SCORE?



Drives performance by:

- Identifying what performance looks like in your business
- Providing meaningful information in areas that matter
- Stimulating productivity, focus and accountability

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KNOWING THE SCORE, ALLOWS YOU TO PLAY MORE EFFECTIVELY

Armed with the right information (metrics)

BUSINESS OWNERS are able to make real-time adjustments TO MEET THEIR SHORT and LONG TERM GOALS.



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WHAT IS A METRIC?

- MEASURES
- METRIC



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MEASURE VS. METRIC

- MEASURE : Butterfat produced
- METRIC: $\text{Fat \%} = \frac{\text{Total butterfat produced}}{\text{Total volume}}$
- MEASURE: \$ spent on feed
- METRIC: $\text{Feed cost per litre} = \frac{\text{\$ spent on feed}}{\text{\# of litres produced}}$
- MEASURE: Vet spend (\$)
- METRIC: $\text{Average vet cost per head} = \frac{\text{Vet spend}}{\text{Size of herd}}$

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GOOD PERFORMANCE METRICS:

1. Are Financial or non financial
2. Add meaning to measures
3. Show results not process
4. Use easily accessible Data
5. Get Measured and Reported at regular intervals
6. Are Tracked over time to show a trend



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CRITICAL SUCCESS FACTORS



Your company's profitability depends on how well you and your people consistently perform specific activities.

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THE RIGHT METRICS: KPI's

- Show progress to goals
- Developed from Critical Success Factors
- Aligned with strategy
- Used to track, monitor and evaluate progress



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METRICS MUST BE SMART

- Specific
- Measurable
- Attainable
- Results focused
- Time Based



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WHAT IS THE RIGHT NUMBER OF METRICS?


- The simpler the business, the fewer the metrics.
- Don't get overwhelmed by too many things
- Focus on WHAT MATTERS MOST



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HOW OFTEN TO MEASURE?



- What activities drive that measure?
- Evaluating short intervals is better than waiting too long and missing out

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Five keys to Creative Execution 

1. A Unique Strategy understood and accepted by everyone.
2. Candid Dialogue.
3. Clear Roles and Accountabilities.
4. Bold Action
5. Visible Leadership



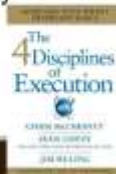
The Creative Execution Loop 



4 Disciplines of Execution 

- McChesney, Covey and Huling

1. Focus on the Wildly Important (Results)
2. Act on the lead Measures (Activities)
3. Keep a Compelling Scoreboard
4. Create a Cadence of Accountability




Making It Work For You 


- **Evaluate / Create strategy. (Have one?)**
 - What will you become?
 - How will you compete?
 - Why should you win?
- **Encourage bold thinking**
 - How engaged are the minds?
- **Lead from the Front**
 - Anyone can KITA!



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MAKE METRICS MATTER 

Small incremental changes in key areas can have a profound affect on the bottom line.



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How to Start

- Look out
- Look in the mirror
- Be honest
- Chart your course
- Lead from the front
- Keep score
- Play to win



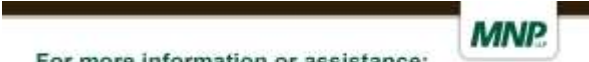
Where to start?

- Your trusted business advisor
- Two heads are better than one
- Allies are great in a time of war
- Pick your battles
- Victory by design



Have you ever been to sea, Billy?





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