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# Value-added Business Success Factors: Strategic Planning and Implementation

here has been a surge of interest in farmerowned business ventures that seek to capture
additional value from commodities past the
farm gate. Some of these ventures have been very
successful, some marginally successful, and some
have failed. Supported by funding from the Ag Marketing Resource Center at Iowa State University, we
conducted in-depth interviews with farmer-owned
businesses to determine the key factors that influenced the relative success or failure of these ventures. A better understanding of why some ventures
succeeded while others failed provides valuable
insight for the success of future farmer-owned businesses. This article focuses on the role of strategic
planning and implementation on business success.

#### Research method

To identify factors having the greatest impact on the success or failure of farmer-owned business ventures, a cross-section of seven farmer-owned commodity processing businesses formed since 1990 in North Dakota, South Dakota and Minnesota were selected. Extensive interviews were conducted with individuals who played, or continue to play, an important role in the formation and operation of the business. This included leaders in the formation of the business, key members of the management team, selected board members, lenders, local leaders and others.

## Research results

Early in the development of a farmer-owned enterprise, the board of directors and management need to work together to define business goals, objectives and standards. In a previous article the importance of a shared vision by management and the board was discussed. The strategic planning process is where the shared vision is identified and articulated. Typically, management with its industry knowledge and expertise would prepare a strategic plan and present it to the board for approval. The implications of the plan need to be understood by both groups.

#### **Business assessment**

The plan should incorporate an articulate tight, well-defined business focus. Launching a multi-million dollar commodity processing business is challenging enough on its own. But without a well-defined vision and plan for implementing of that vision, the odds of success decline. Management and the board need to realistically assess their business's relative strengths and weaknesses and implement plans that capitalize on the venture's strengths. For example, one business found that it had an advantage over competitors in shipping product to points north and west of its facility. It then focused its marketing program to capitalize on this advantage.

It is important that a new business venture not try to do too much. A new business should focus on being very good at one thing rather than try to do several things. Penetrating a commodity market with thin margins, often the case with a processing business, is difficult enough on its own. Trying to penetrate multiple markets is even more difficult. One business venture attempted to process and market five different products. This posed problems for both marketing and plant operations because of the need to retool each time it began processing a different product. The venture failed within a year of beginning operations.

### **Business launch**

The launch phase of a new business is critical. The strategic plan must provide for significant and appropriate investment in sales and marketing. This is relevant for all new ventures, but particularly for non-commodity or differentiated product ventures.

Page 2 File C5-183

The use of proven technology is also critical to a new enterprise. A new enterprise should use the best available technology, but also stick to proven technologies. An embryonic organization should not attempt to pioneer new technologies. There are simply too many unidentifiable risks for a new venture to attempt to overcome.

If a technology problem emerges or a production delay emerges that hinders start-up or causes a shutdown in production, starting legal action against the technology provider or builder should not be postponed. A substantial lag can occur between the time of initiating legal action and financial remedy. In one situation the builder was given additional time to reach guaranteed plant production capacity. So, legal action was not initiated until after several attempts by the builder to reach production capacity. By the time legal action was started and subsequent financial remedy received from the builder, the business venture ceased operations and went out of business.

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<sup>...</sup> and justice for all