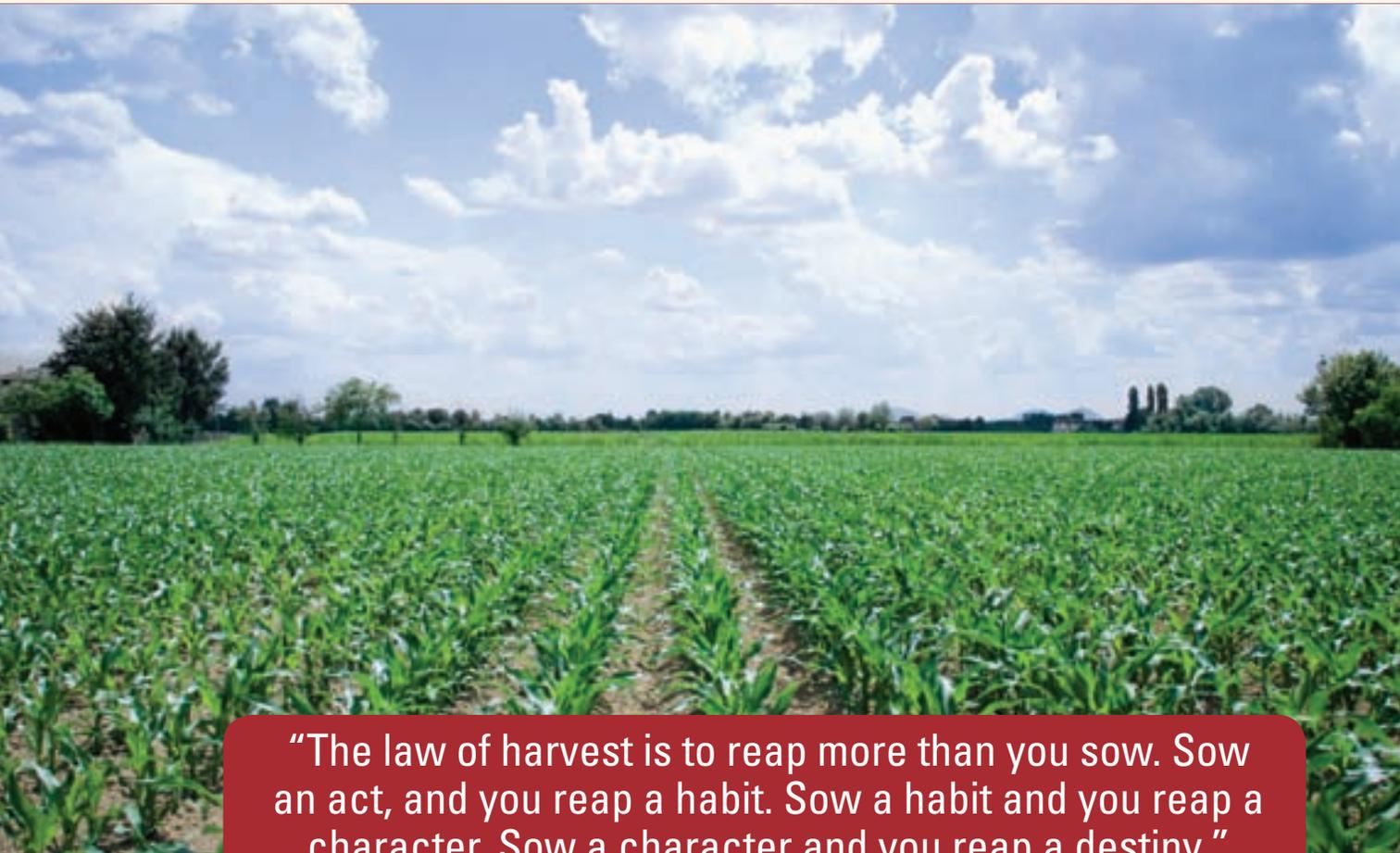


Chapter 5

The Right Foundation



“The law of harvest is to reap more than you sow. Sow an act, and you reap a habit. Sow a habit and you reap a character. Sow a character and you reap a destiny.”

James Allen

THE BUSINESS PLAN

A viable business model grows a more robust operation.

A well-written business plan provides instructions on how a business should be run—and a well-executed business plan can make the difference between mediocrity and success.

For a farm to survive through multiple generations, a business plan must include specific guidelines for decision making. It must be flexible and vigorous enough to adjust to changing conditions, shifting resources, regenerative initiatives and evolving abilities.

A dynamic plan is a motivating factor for you, your family and your employees. People enjoy being part of a vision to grow something bigger than they could grow on their own. The bigger your vision, the better your plan, the more likely it will inspire others. Forward motion, though difficult to sustain, is crucial in this fast-paced world.

You must strive to develop and grow your

business. Progress is exciting. It fuels the fires to work harder and keep a sharp eye out for opportunity. Though a business plan is reviewed and refined each year, it should be written with a long-term perspective.

There is no right or wrong way to write a business plan, but generally it includes the following components.

VISION OR MISSION STATEMENT

A business plan should start with a clear vision or a mission statement—a description of exactly how your business will look when you have achieved your objectives.

What do you want to see when your business is built and your vision is realized?

Is it running smoothly, and is it paying increasing profits?



ciency or better economies of scale require a business to improve its operating, management, staffing and production systems.

The ability to replicate systems is an important consideration as you decide to expand your business. Without the ability to replicate the systems of a successful operation, you must be available 24/7 to guide each business activity. You become the micromanager or the operational speed bump in the path to business success. If, on the other hand, you can design your business as a system of activities that can be replicated, you allow yourself the freedom to expand.

ANALYSIS OF STRENGTHS, WEAKNESSES, OPPORTUNITIES AND COMPETITION

Analysis demands a critical eye and an objective point of view. Time and effort must be invested to explore what may be possible. What areas of opportunity exist related to your farming operation?

A thorough analysis examines every aspect of your business. How can your operation be managed better, faster, stronger or more profitably than in the past? Analysis measures your available resources. Given your business resources, the characteristics of your current operation and the market for various products, what can you change, adjust or rededicate to increase profits, develop new markets and diversify offerings?

CLEARLY DEFINED GOALS AND OBJECTIVES

Defining goals and objectives may be the most difficult part of the business plan. Goals and objectives become commitments. Everybody appreciates a commitment from someone else, yet no one wants to make one because of the fear of accountability. But the only sure way to accomplish anything is with a clearly defined objective or goal.

ACTION PLANS TO SUPPORT EACH GOAL

Constructive action supports a worthy goal. A detailed action plan must be designed to support each objective in your business plan. An action plan can be as simple as a to-do list or as complex as an instruction manual. Each goal, its situation, the resources available and the expected working conditions dictate the level of detail necessary in an action plan.

BUDGET TO PROJECT INCOME AND EXPENSES

Money is the fuel that fires the business engine. Your investment is measured in dollars, sweat, tears and time. Your return is income for the family, equity to pass to the next generation and satisfaction that you have built something of lasting value.

Motivation comes in many forms. Your direct reward comes in financial appreciation. Money provides measurable feedback that reinforces the value of your work.

REVIEW AND EVALUATION

A consistent review of your business activity is critical to the success of your business plan.

Are you achieving the level of success you projected? If you are, can you do better? Were your projections too low? If so, why?

With detailed action plans and budgets to support expenditures, it is usually easy to discover why an objective is not being met.

The action plan allows you to trace accountability. It is either getting done or it is not. You can trace expenses. Are you spending so much that profits are not as high as they should be? Or are you not spending enough to support the goals you may have set, such as entering a new market or streamlining production? Without regular follow-up, a business plan becomes an exercise in futility.

CHAPTER 5 EXERCISE

BUSINESS PLAN SELF-ASSESSMENT

This tool should be used to identify the strengths and weaknesses of an operation's business plan. It should also be used to review the business plan on an annual basis. If a business plan does not yet exist, use this as a checklist for writing a plan.

- Check if completed.
1. Write a concise mission statement to inform the direction of the company and serve as a guide for long-term growth and development.
 2. Detail the company history. It is important to document the motivation and vision of the founder and the values foundational to company structure.
 - a) Review the past ownership and capital structure.
 - b) Briefly describe business operations and locations.
 - c) Identify past owners, board members, etc.
 - d) Note past professional advisers.
 3. Detail the current management structure, including roles and responsibilities of board members and other advisers.
 - a) Review areas for improvement in the current management structure.
 - b) Identify active family members and their roles, tenure and future aspirations.
 - c) Note potential leadership/management mentors on the staff.
 4. Detail the primary products and services of the operation. Identify the proprietary product(s) and system(s) that will be difficult for competitors to replicate.
 - a) Review any weaknesses/shortcomings in the company's products and services.
 - b) Identify potential areas for growth, expansion and subsidiary development.
 - c) Note any underperforming products and services.
 5. Detail the farm's strategic alliances, suppliers and third-party vendors.
 - a) Is there an opportunity for integration, cobranding or other development?
 - b) Is there an opportunity for improved efficiency, systems integration or other cost-saving measures?
 - c) Diagnose the financial stability of suppliers and vendors. Should you create a backup relationship?

Check if completed.

- 6.** Review, understand and integrate the economic conditions that affect business strategy. Include consideration of prices, costs, resources, demand, competitive trends and economic cycles.
- a)** What other complementary product/subsidiary opportunities exist?
 - b)** Does international demand present an opportunity for business growth and development?
 - c)** Have you overlooked a complementary/subsidiary business opportunity within your current market?
- 7.** Detail the competitive environment, both direct and indirect. Who competes for the same, similar or substitute products?
- a)** What are the biggest threats to your competitive position?
 - b)** As a growth strategy, have you considered acquiring any competitors?
 - c)** Have you considered how to become your own competition? What would you do as a competitor to render your operation obsolete?
- 8.** Detail your operation's strengths, the depth of proprietary operation/products and the breadth of market reach.
- a)** Is the operation owner-centric? Do you manage day-to-day operations or do you allow others the responsibility and accountability for organizational success?
 - b)** Can you identify specific areas of strength that may be grown into proprietary systems and products?
- 9.** Review the company's weaknesses and identify areas that might benefit from the successor's skills.
- a)** Where is the company vulnerable?
 - b)** What challenges consume so much time, money, skill or attention that the operation's success is threatened?
- 10.** Detail specific long-term goals and short-term objectives.
- a)** Develop point-by-point action plans for each goal and objective.
 - b)** Assign management, staff, project manager or foreman to direct specific efforts.

You can also find this tool at
www.FarmJournalLegacyProject.com

