

# Strategic Planning: Regions, Communities & Rural enterprises



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May 2.001

# **What is the goal?** (Stoner & Wankel)

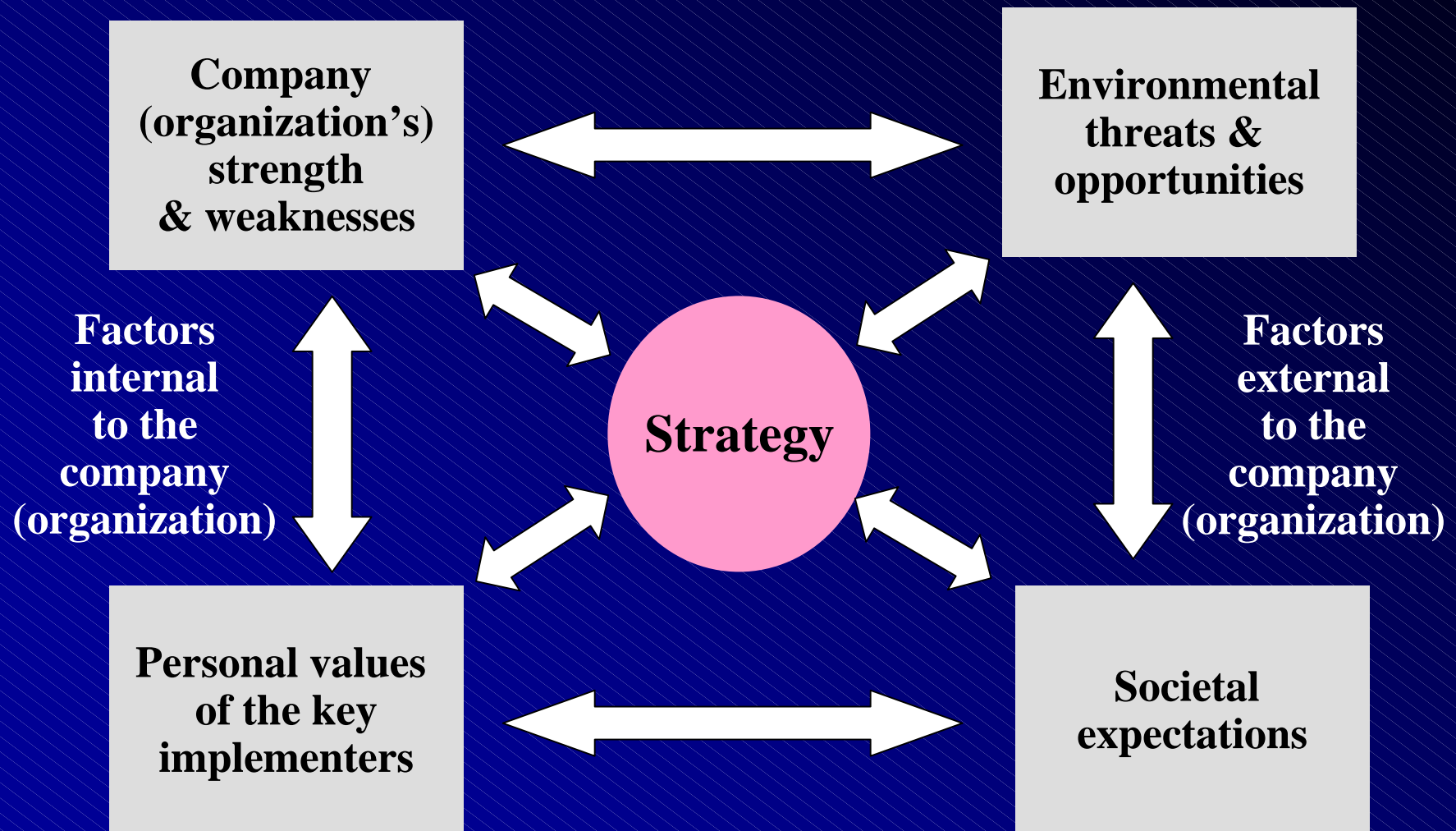
- \* The 'organizational goals' provide a basic sense of direction.**
- \* The term 'GOALS' encompasses the purpose, mission and objectives of the organization.**
- \* The purpose of the organization is its main role in society; usually defined broadly. Can share this purpose with other organizations.**
- \* The mission is stated in a unique way; it distinguishes the organization from the rest.**
- \* The mission of an organization is translated into several objectives that must be achieved to reach its goals.**

# What is strategy?

- \* **Strategy creates a direction for the organization based on its diverse objectives and orientates the mobilization of resources employed to move the organization towards these objectives. (Stoner & Wankel)**
- \* **Strategy is “the pattern of objectives, purposes, or goals and major policies and plans for achieving those goals, stated in such a way as to define what business the company is in or is to be in and the kind of company it is or is to be”. (Learned *et al*)**
- \* **The formulation of strategy requires that the decision-makers create a fit among: (Learned *et al*)**
  - **opportunities in the external environment**
  - **strengths & weaknesses of the firm**
  - **personal values of the key implementers**
  - **broader societal expectations for the firm**

# Formulating a strategy

(Hamermesh)



# What is Strategic Planning?

(Stoner & Wankel)

- \* **Strategic Planning (SP) is the process of selecting the goals of the organization, determining the policies and programs needed to reach the specific objectives that will lead towards the goals and establishing the required methods to secure that the policies and strategic programs are executed.**
- \* **Strategic Planning (SP) is the formal process of long-term planning, that is used to define and reach the goals of the organization.**
- \* **SP consists of formulating a long-term survival and growth strategy (Kotler & Armstrong).**
- \* **SP focuses in doing the correct thing (effectiveness).**

**Strategic Planning  
for  
Regions &  
Communities**

# **Strategic Planning: Regions & Rural communities - 1**

- \* People in regions and communities are usually not working together in an organized fashion.**
- \* There are usually several ‘interest groups’ within the region or community.**
- \* Inhabitants are usually disperse and not readily available for meetings.**
- \* People in regions and communities may be interested in promoting development.**
- \* There will be many views on how to achieve development.**

# **Strategic Planning: Regions & Rural communities - 2**

- \* Leadership is another issue. Will it come from the community, the private sector, the local government, or a combination?**
- \* SP requires a previous process of motivation and coaching before it can begin.**
- \* The SP process will require a great effort in convening, harmonizing interests, some in conflict, & in reaching consensus.**
- \* An outcome of SP can be improved organization or collective action.**

# Strategic Planning: The Sequence - 1 (Ostertag)

- \* **The SP sequence proposed for regions & communities is different than for rural enterprises.**
- \* **A key assumption is that an organization does not exist and, therefore, neither a mission statement.**
- \* **Hence, we propose four steps before preparing a formal mission statement:**
  - \* **an environmental analysis,**
  - \* **a resource analysis, and**
  - \* **developing a vision**
  - \* **analyzing the gap between vision and reality**

# Strategic Planning: The Sequence

- 2 (Ostertag)

- \* At some point in time, the organizational issue may arise. Is an organization needed?
- \* If so, what organizational format is more convenient to execute the mission, objectives & strategy, to achieve the vision?
- \* A community organization? A local government committee? A public-private organization? A regional development committee? A rural enterprise?
- \* This sequence will provide greater meaning and information for mission development.

# Steps for Strategic Planning: Regions & Communities (Hofer, Andrews, Ostertag)

What is there that needs to be done?

**Environmental Analysis**

What can we do?

**Resource Analysis: Strengths & Weaknesses**

What needs to be done that we can do?

**Identifying Threats & Opportunities**

This is what we want to be 5, 10 years from now.

**Developing a Vision**

**Executing strategies**

Do it.

**Developing Strategies**

This is what we will do to arrive where we want to go.

**Formulating Mission & Objectives**

Do we need some kind of organization? What do we want?

**Analyzing the Gap: Vision vs. Reality**

Will continuing to do what we are now doing, lead us to our dream?

# **Environmental Analysis**

**(Stoner & Wankel; Kotler & Armstrong)**

- \* Using the identity and characteristics of the region or community as the starting point, what environmental trends or forces will affect it?**
- \* These forces generate opportunities or threats to the region or community.**
- \* These forces are:**
  - demographical**
  - economical**
  - natural**
  - technological**
  - political**
  - cultural**

# **Resource Analysis: Strengths & Weaknesses (Hofer & Schendel)**

- \* **Develop a profile of the main resources and skills (or capitals') available in the region/community in five general areas:**
  - \* **economic & financial**
  - \* **physical (natural resources)**
  - \* **social, organizational, & enterprises**
  - \* **human (education, leadership)**
  - \* **technological (local know-how)**
- \* **Determine the critical success factors in the activities or markets where the region/community can participate or compete.**
- \* **Compare the resource profile with the critical success factors to detect strengths & weaknesses.**
- \* **Compare strengths & weaknesses with those of similar regions/communities, to see if any resources/skills are sufficient to produce a competitive advantage.**

# Identifying Threats & Opportunities (Stoner& Wankel)

- \* The previous steps are combined here.
- \* Discover the underlying opportunities & threats.
- \* A threat can also be an opportunity, depending on the organization.

# Developing a Vision

- \* **Imagine the ideal region, community or organization you dream of, five or ten years into the future.**
- \* **Describe it, in terms of these capitals:**
  - \* **economic & financial (markets, sales, savings, credit)**
  - \* **physical (natural resources)**
  - \* **social, organizational & enterprises**
  - \* **human (education, leadership)**
  - \* **technological (local know-how)**
- \* **Requires harmonizing existing interests; how can these complement each other?**

# **Analyzing the Gap: Vision vs. Reality** (Stoner & Wankel)

- \* Determining the level of change required.**
- \* Continue to think in terms of the capitals.**
- \* If we continue with current strategies, what will the gap look like in five, ten years from now for each capital?**
- \* Do we need some type of organization?**
- \* The greater the projected gaps, the greater the changes in strategies required.**

# Formulating the Mission & Objectives (Kotler & Armstrong)

- \* Define the organization's purpose, mission & objectives.
- \* In what business are we in? Who are our clients?
- \* The mission should not be stated in terms of a product or service, but rather based on the needs of the market or client.
- \* Products become obsolete, not customer needs.
- \* The mission should not be too broad or too narrow.
- \* The mission should also be realistic, concrete & motivating.
- \* Divide the mission into objectives that are specific & quantifiable.
- \* The values of participants & organization are important.

# Developing Strategies

(Hamermesh; Stoner & Wankel; Kotler & Armstrong)

- \* **Strategy responds to the question ‘How do we achieve our objectives?’**
- \* **Identify, evaluate & select alternative strategies.**
- \* **Always maintain the needs of the market and the competitors in perspective.**
- \* **Strategies have to responde to capabilities & skills of the organization; take advantage of strengths.**
- \* **Sometimes, though, a strategy will require investing in obtaining new capabilities & skills.**
- \* **Strategy development & implemetation are both continuous & symbiotic.**

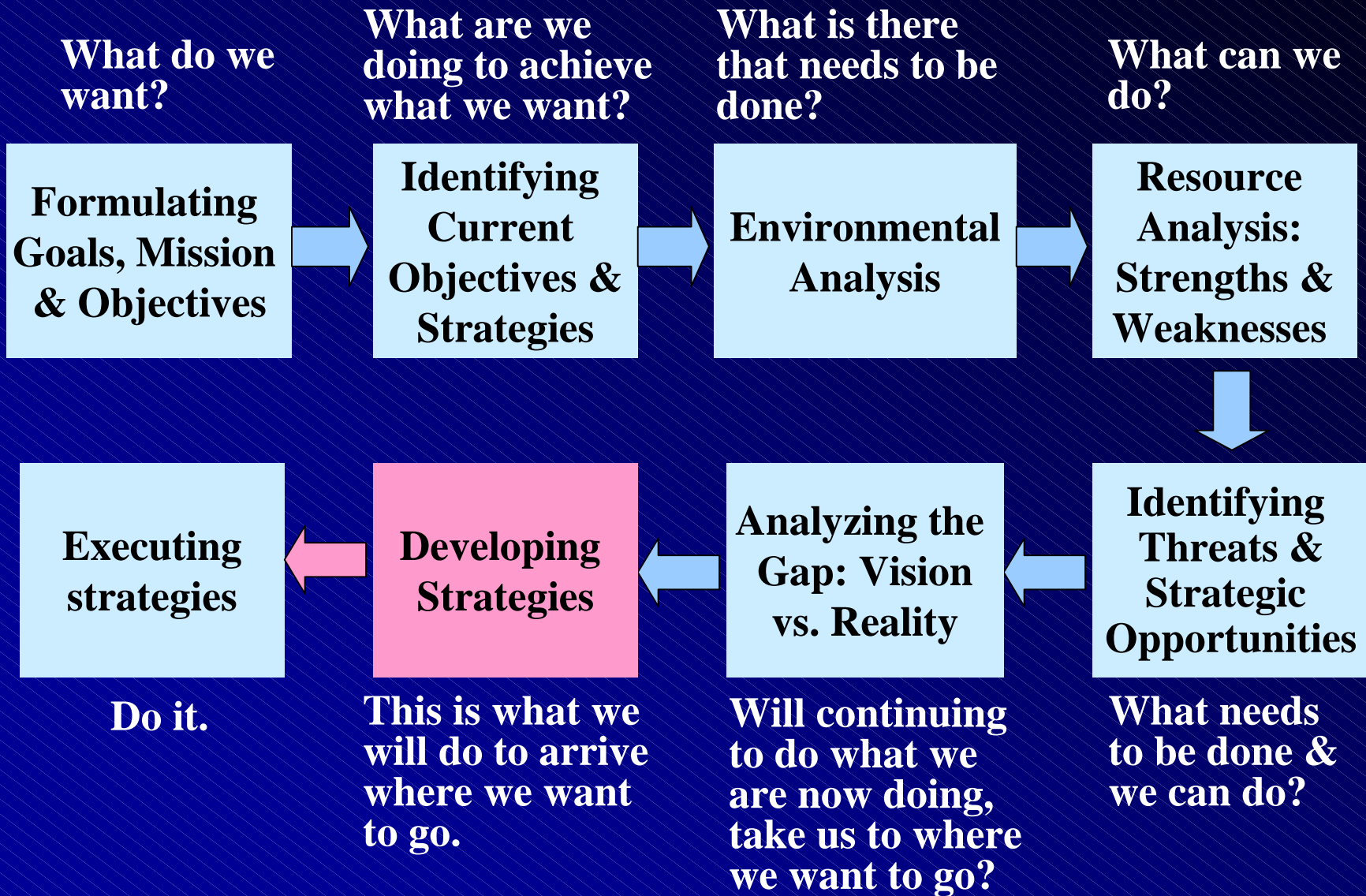
# Strategic Planning for Rural Enterprises

# Strategic Planning: Rural enterprises

- \* The name 'rural enterprises' implies a certain degree of organization.
- \* However, some rural enterprises are very weak & may not be operational.
- \* Should be evaluated with respect to social cohesion, leadership, business orientation & marketing orientation.
- \* However, interests & visions will be more uniform.
- \* The enterprise will focus more on producing goods & services for a profit.
- \* Lack of leadership is not an important issue.
- \* It's highly probable that the enterprise will already have 'Goals': Purpose, Mission & Objectives.
- \* A possible outcome of SP may be improved organization.
- \* The sequence followed is the conventional one; it's not adapted.

# Steps for Strategic Planning

(Hofer, Andrews)



# **Developing Strategies: Planning the Business Portfolio**

(Hamermesh; Kotler & Armstrong)

- \* Analyze the current business portfolio to make investment decisions**
- \* Formulate growth strategies to add new products or business units to the portfolio**

## **Analysis of current business portfolio**





- \* Identify Strategic Business Units (SBUs)**
  - can have own mission & objectives**
  - for example, enterprise division, product line, a product or brand**
- \* Determine attractiveness of SBUs**
- \* Decide appropriate level of support for SBUs**
- \* Evaluate SBUs by looking at their market attractiveness & position**

# Planning the Business Portfolio

(Hamermesh; Kotler & Armstrong)

\* Two matrices: Boston Consulting Group (BCG) & General Electric (GE); attempt to categorize cash flow position

Growth-Share  
Matrix:  
Boston Consulting  
Group

		Market share	
		High	Low
Market growth	High	 Star	 Question mark
	Low	 Cash cow	 Dog

# The Growth-Share Matrix

(Hamermesh; Kotler & Armstrong)

## \* Stars

- \* most advantageous position
- \* require investment but generate high profits
- \* with time, investment will decrease & will become a cash cow

## \* Cash cows

- \* require less investment
- \* generateslots of cash
- \* can support other SBUs

## \* Question marks

- \* require much investment to increase or maintain market share
- \* decide to make it a star or eliminate

## \* Dogs

- \* require little investment, but generate little cash too

# The Growth-Share Matrix

(Hamermesh; Kotler & Armstrong)

- \* Size of circles are proportional to sales volume
- \* One of four strategies can be applied for each SBU
  - \* invest to increase market share
  - \* invest as needed to maintain market share
  - \* invest little, milk
  - \* eliminate
- \* SBUs have life-cycles: Stars can become Cash cows; Question marks can become Stars or Dogs; Cash cows can become Dogs

# Matrix for Planning Strategic Business Units

(Hamermesh; Kotler & Armstrong)

- \* has two dimensions: industry attractiveness & position or strength of business
- \* both dimensions are indexes

## Industry attractiveness

- \* market size
- \* market growth rate
- \* net profits
- \* number of competitors
- \* seasonality
- \* demand cycle
- \* cost structure

## Strength of business

- \* market share
- \* price competitiveness
- \* product quality
- \* marketing expertise
- \* sales effectiveness
- \* geographic advantage

# Matrix for Planning Strategic Business Units

General Electric

Build

Hold

Harvest

		Business unit position		
		Low	Medium	High
Industry attractiveness	High			
	Medium	○		○
	Low		○	

# Product - Market Growth Matrix (Ansoff)

	Existing products	New products
Existing markets	Market penetration	Product development
New markets	Market development	Diversification

# Product - Market growth strategies

## Market penetration

- Increasing sales
- Current products, current market segments
- No change of product

## Market development

- Identify new market segments
- New locations, clients and uses
- Current products

## Product development

- New/modified products
- Current segments
- Improved products, packaging, brands

## Diversification

- New products
- New markets