

Risk Management

Strategic Planning for Landowners

Jason L. Johnson and Wade Polk*

Strategic planning is a process that provides direction and meaning to day-to-day activities. For landowners, this process often involves preparing for a change in the dynamics of an existing operation. If you planned a trip to some new destination, the first item you would consult would be a map to chart the journey from point A to point B. In many ways, a business plan serves the same purpose and provides a map for your operation and your desired destination. This publication will focus on the process of setting and assessing goals to incorporate into a formal business plan or course of action.

Before you can begin any journey, you must define a specific destination. Likewise, in our business and personal endeavors, we must define our goals. When you consider adding an alternative enterprise to your existing operation, a logical first step in the evaluation process involves defining what you hope to achieve from adding this activity and how this new activity fits within the framework of your existing operation. This requires careful reflection to set and prioritize personal and/or financial goals.

In any endeavor, setting S.M.A.R.T. goals will help you achieve the intended result. A S.M.A.R.T. goal is one that is: **S**pecific, **M**easurable, **A**ttainable, **R**elated and **T**imely. Each of these concepts is important for success. Specific goals infer that a unique desired outcome can be defined. Measurable goals are important because they create a gauge by which

success can be evaluated. Attainable goals are those that can be achieved with the knowledge, skills, abilities and resources available. Finally, timely goals specify measurable results within a specified time frame and prevent procrastination from undermining success.

Types of Goals

There are three types of goals that can be defined for any new or existing enterprise—strategic, tactical and operational. Strategic goals define what you are trying to achieve. When you have multiple goals, you must determine both what they have in common and where they may be in conflict. Tactical goals define how you are planning to get to your destination and what landmarks you will pass along the way. You should specify the methods you will use and the measures you will select to evaluate progress and success. These are the prerequisites for accomplishing your strategic goals. Operational goals are those day-to-day activities necessary to obtaining the tactical goals. They specify the manner in which the resources available will be used and combined.

To understand the hierarchy of goals, remember that management is performed from the top down. Therefore, managers must define the desired outcomes and specify the steps necessary for success. At the same time, the implementation of strategic goals is performed from the bottom up. Managers are also responsible for



*Assistant Professor and Extension Economist—Management, and Extension Specialist—Risk Management, The Texas A&M System



carrying out those required daily tasks. Landowners are often both manager and employee, which demands a combination of vision and technical aptitude.

Steps for Setting Goals

Strategic planning experts have identified four basic steps to properly setting these goals.

1. Set a positive goal.
2. Set an attainable target date for achievement.
3. Write down your goal as a constant reminder.
4. Stay focused.

First, set a positive goal for yourself. “I will annually generate positive cash flow from my agricultural operations” is a positive goal, while “I will look for ways to cut costs” is a negative goal. By focusing on a positive goal, necessary considerations such as reducing expenses will be less cumbersome and more likely to be embraced.

Second, set an intended date for achieving your goal. A goal is just a wish until a target accomplishment date is attached. The purpose of setting a date is to give some degree of urgency and focused priority to your goal. You should be careful to set a date that is attainable. Otherwise, you are likely to get discouraged and quit. There is nothing wrong with postponing your target date, but an approaching mark on the calendar should help to keep you progressing toward your desired goal.

Third, write it down. This is one of the primary merits of incorporating goals into a business plan. The business plan facilitates careful thought coupled with a written course of action. Just as setting a target date will generate a sense of importance, writing your goal down will serve as a constant reminder of exactly what you are trying to accomplish. Many people have succeeded by simply placing a reminder of their goal (in the form of a photo, post-it note, etc.) in a convenient place so that it motivated them to work continuously toward the goal.

Fourth, stay focused. Seek out individuals who have reached the goal you are trying to attain. Much can be learned from their successes and failures. Concentrate on the benefits that achieving your goal will provide. If you cannot perceive the benefits, you likely will not achieve your goal. By immersing yourself in your goal and focusing on the approaching benefits, you will find it easier to endure the sacrifices required.

Developing Your Goals

While strategic goals are unique to each operation, common ideas are shared by many land managers. It is not uncommon for goals to include a mix of personal and financial motives.

Common Strategic Goals of Landowners:

- Maximize profit or revenue
- Generate a reliable income stream
- Personal or commercial recreation or wildlife use
- Pride of ownership/Desire to maintain ownership
- Tax relief or land investment
- Livestock/Crop production or diversification
- Provide a future estate
- Quality of life

Tactical goals help define how you plan to achieve your strategic goals and how you will measure progress. If the strategic goal of an operation is diversification, an appropriate tactical

goal might be to add enterprises that produce income during periods when existing enterprises are only incurring expenses. Another tactical goal might be to add enterprises that reduce the effects of low prices or adverse weather on existing enterprises. An example of carrying out the latter goal is leasing land for hunting or establishing a nature tourism business. Such enterprises often reduce the volatility of income generated by the land.

Resources Available

The operational goals define the manner in which resources are to be combined to complete daily activities. Operational goals can be expressed as: "Today/this week, I'm going to (fill in the blank)." This requires that the landowner fully understand the resources available to perform the task. A resource inventory can help identify both underutilized and limited resources. The resource inventory should cover all resources that are currently available as well as those that would be needed to begin an alternative enterprise.

A resource inventory evaluates:

Natural Resources – soils, plant species, rangeland condition, wildlife, water availability

Capital Resources – crop inventories, livestock enterprises, equipment

Human Resources – labor force, management, salaries/wages, work schedule, duties

Physical Resources – water facilities, working facilities, buildings, off-ranch resources

Financial Resources – outside income, profit and loss, cash flow, balance sheet statements

When evaluating a new or existing enterprise, landowners should examine how any proposed changes fit within the context of their overall operations. The initial step in evaluating any enterprise is defining the strategic goal(s) and then formulating tactical and operational goals

that are compatible and supportive. These lower level goals can be determined only after a thorough resource inventory is completed. These are the preliminary steps in the construction of a detailed business plan.

Developing a Business Plan

Many business owners write a business plan only when they approach a financial institution for a loan. But there are many reasons why writing a business plan is an important exercise for any entrepreneur. The simplest way to demystify the task of business plan preparation is to focus on the word "plan." A plan is simply a way to define where you are now and where you want to be in the future. A business plan describes how your business is going to succeed, how you will define success, and what you need to do to achieve it.

There are several reasons for a business plan:

- It defines your business goals and direction.
- It forces you to think about your competition and the marketplace.
- It lets you clearly define your management and operating practices.
- It forces you to take a detailed look at your finances, profitability and cash flow.

Although finding time for planning is difficult, developing a business plan often makes the difference between working hard and working smart. A professional business plan includes seven key components:

- introductory elements,
- business description,
- resource inventory,
- marketing plan,
- operating plan,
- management plan, and
- financial plan.

One of the benefits of a business plan is that it generates a checklist for evaluating new, existing or expanded enterprises and requires careful reflection. This can minimize unforeseen complications.

A business plan is the framework for adding both perspective and depth to landowner goals. The strategic goals fit nicely within the introductory elements of the plan, while the tactical and operational goals can be defined in the other business plan components. The combination of strategic, tactical and operational goals ensures that the four roles of management have been defined—planning, organization, implementation and control. With the setting of goals and the construction of a business plan, the landowner has established a starting point, defined a destination, and created a road map for the journey. All that remains is to implement the plan.

References

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