STRATEGIC POSITIONING: FOCUS VS. FLEXIBILITY

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The mantra of almost all strategic planning discussions and recommendations is that a company cannot be all things to all people - - it must be focused in its choice of customers and how it will create value for those customers. In farming, the most common focused strategy is to be a low cost producer of commodity products for national or global processors where the competition is also increasingly global. In recent times, opportunities to produce differentiated products for customers that want and are willing to pay for unique product or process attributes has evolved, requiring different product/service features or new innovations that typically require incurring additional cost. It is difficult to be effective and efficient trying to implement both a low-cost focused strategy and a differentiation focused strategy in the same firm since they require different skills and capabilities as summarized in Tables 1 and 2. Most successful firms choose a singular strategy and emphasize implementation of that strategy.

But markets change - - customers change their expectations, competitors enter the market, the business climate becomes less robust, technological advances occur - - the focused strategy is no longer relevant to the new market realities and the firm is strategically out of position. A new strategy may be more appropriate for the new business climate. This uncertainty of the future marketplace requires the firm to be flexible so it can adapt to the new economic landscape.

The dilemma of being both focused and flexible in strategic positioning can be best managed or resolved by delineating and clarifying the responsibilities of different members of the leadership and management team. The operations managers who are responsible for implementing the chosen strategy should emphasize the activities that will result in the firm being “Best in Class” in implementing that strategy - - they must stay focused. The senior management (and Board) in contrast are primarily responsible for choosing the proper strategy and adapting that strategy to the changing business climate and market place; they are responsible to regularly scan the environment and position the business to be sufficiently flexible to adapt to changes that are likely to occur in any dynamic industry like agriculture.

So what are the features of a focused strategy - - how might it be characterized and what should the operations managers emphasize as they implement that strategy? Table 3 summarizes the critical features essential to successful implementation of the common low-cost commodity production strategy.

And what are the flexibility features that the leadership and senior management team should emphasize as they scan the environment and consider the prospect of repositioning the firm in a new strategic direction? Table 4 summarizes those features which will enable the firm to successfully adapt and reduce the risk of being strategically out of position when there are shifts in the business climate and marketplace.

Table 1. Commodity Product Strategy

Production Emphasis	The focus is primarily on production activities rather than marketing or finance
Manufacturing Mentality	The science and systematic process of producing food products rather than the art of raising commodities is emphasized
Low Cost Producer	Cost control is critical to being competitive in a commodity business
Large Scale Operation	Larger scale operations generally have cost advantages over smaller scale units
Outsource Resources	Land is rented; machinery is leased or customer hired
Open/Impersonal Markets	Markets are open to all who meet gross commodity product standards at publicly known prices
Downside Price Risk	Excess worldwide production can result in significant downward price movements
Independent Decision-Making	The traditional independent farmer provides most of the managerial and other resources and makes most of the decisions

Table 2. Differentiated Product Strategy

End-user Focus	The focus is on a final consumer or food processors needs rather than commodities
Distribution/Marketing Mentality	Marketing and distribution decisions and expectations of consumers are as (or more) important than production considerations
Value-Added Production	The additional revenue to be gained by further processing and distribution is emphasized
Smaller Scale Operation	A focus on a segmented consumer market and niche markets allows and encourages small scale, more nimble and flexible producers
Insource (own) Resources	More land and other resources are owned because the scale of operation is not beyond the financial resource base of the smaller producer
Negotiated Markets	Responding to consumer needs and producing products with specific attributes requires more direct communication throughout the chain
Relationship Risk	Contracts can be terminated and alliances severed unexpectedly
Interdependent Decision-Making	The negotiated linkages with suppliers and processors reduces independence and forces joint, interdependent decision-making

Table 3. Strategic Focus – "Best In Class"

Intense Cost Control	Efficiency/productivity is critical
Margin Management	Know your margins Protect positive margins
Execution	SOPs (Standard Operating Procedures) Timely operations Details/details/details
Buying Right	Procurement mentality Compare supplier offers Sets your cost structure
Logistics Management	Flow scheduling 24/7 operations
Manage Operating Risks	Technology Marketing Insurance
Data Management	How to measure/collect Insights Who to share with
Debt Management	Sources (dealer financing) Leasing Interest rates Repayment terms Collateral Covenants Relationships
Simplification/Automation	
Do Fewer Things Better	
Return to the Basics	

Table 4. Strategic Flexibility

Anticipate	What to watch Preempt rather than react
Contingency Planning	Scenario analysis Plan for the tails Triple based budgeting (expected, low, high)
Options Thinking	Minimize downside, capture upside Beta testing Avoid “Big Bets” Value of waiting
Incremental changes	Phased expansion Test before you invest Experiment
Discovery Driven Planning	Specify bottom-line expectations Catalogue assumptions Test/reality check performance and assumptions
Systematic Learning	Learning by doing/experiment Learning by listening/observing A learning log/capture insights
Position for the Opportunity	Financial liquidity (cash or borrowing base) Slack resources (managerial and equipment)
Downsizing/Exit/Disengagement	Shrink to survive Exit smart
Position to grow	Buy distressed assets Spring ahead when others pull back