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# STRATEGIC PLANNING OF AN AGRICULTURAL INDUSTRY\*

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## INTRODUCTION

Policy-makers in general, and therefore also agricultural policy-makers, are confronted with a rapidly changing decision-making environment. The rate of change, expressed in terms of the number of events per time unit, is increasing as the modern world develops (Toffler, 1971, pp. 11-51), and so at the same time are the complexity and uncertainty of the decision-making process. These changes embrace developments in the institutional, social, economic, technological, political and resource fields. The changing decision-making environment also has a continuous effect on the actions of the shareholders that serve the agricultural sector, which in turn has a further ripple effect on other areas. This changing milieu of the policy-maker necessitates the building of a widely directed long-term perspective into policy management<sup>1)</sup> Furthermore, the position is adopted that the continuous exposure of shareholders, in a structured manner, to the planning realities of the sector should promote the development of the necessary strategic planning insight. This paper discusses a strategic approach to policy management at the sectoral and management levels with reference to aspects of the strategic problems of the deciduous fruit industry.

## THE STRATEGIC PLANNING PROCESS

Strategic planning and decision-making embrace the so-called entrepreneurial task of top management and are therefore concerned with the pursuit of effectiveness, namely the taking of the right actions regarding the future development of an enterprise, industry or sector as a whole, having regard to the effect of a changing decision-making environment. Operational planning and decision-making, on the other hand, are concerned with the pursuit of efficiency, namely carrying out the correct actions, as identified, in the correct (most efficient) manner (Drucker, 1970, p. 18).

The illustration of the strategic planning process in Figure 1 implies two interdependent phases that are carried out continuously. The first phase is characterised by a strong reflective and analytical tendency, and is concerned with identifying and evaluating all possible strategic options. On the one hand it embraces a decision-making environmental investigation with the

\*The contents of this paper are based on the findings of a research project on aspects of policy management in South African agriculture, with the different sectors of the deciduous fruit industry as the field of application

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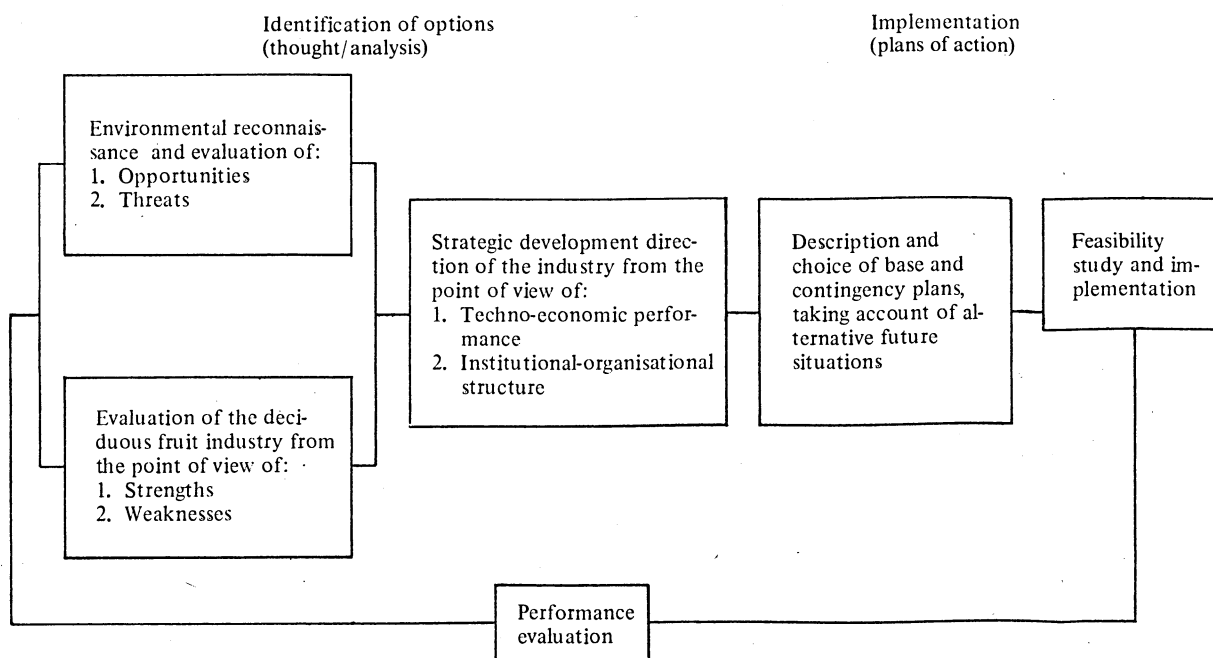


FIG. 1 - The strategic planning process

purpose of identifying the opportunities and threats inherent in the dominant environmental forces, and on the other hand it consists of an evaluation of the strengths and weaknesses characteristic of the industry.

The industrial investigation comprises, among others, an evaluation of the present strategy, the shareholders, the resources and the development potential of the industry. The second phase of the strategic planning process focuses on the implementation of plans aimed at attaining specific (previously specified) objectives within the framework of a strategy. Strategic planning therefore subscribes to the principle of management by objectives, and its implementation at the industrial level implies that shareholders should be actively involved.

Since the strategic planning process is exclusively future-directed, it is necessary to emphasise a few principles of futures studies. Together with the systems principle, these principles form the basis for a strategic approach to policy management. It is a basic tenet of futures studies that the future is not predictable, that it is not predestined and that it can therefore be influenced by human actions (Amara, 1981, p. 25). This tenet is illustrated in Figure 2. Two tense situations in decision-making are illustrated in the figure - namely a high tension and a low-tension situation.

In the high-tension situation decisions are formulated without any clear conception of what can be achieved in practice. The low-tension situation presupposes a comprehensive prestudy of the decision-making environment and a clear understanding of what can be achieved. The reality

of a complex shareholders structure and conflicting interests should therefore be accommodated during strategic planning at the sectoral and industrial levels in order to avoid high-tension situations. An important entrepreneurial task of strategic planning at the sectoral and industrial levels is to create the necessary climate and attitude that will enable shareholders to participate in the planning process. An important shift in emphasis is therefore proposed for the strategic planning process, namely a shift from planning *for* the shareholders to planning *with* the shareholders. An interactive approach to strategic planning at the industrial and sectoral levels is proposed, based on the principle of the interdependence of shareholder interests. Although the procedures of strategic planning have been developed to address management strategy problems in the business world, the same procedures can be used with few adjustments to carry out strategic planning and policy development at the industry and sectoral levels (Foresight task force, Report, 1983, p. 3).

### THE INTERACTIVE APPROACH TO STRATEGIC PLANNING

The value of interactive planning lies in the development of future perspectives of shareholders in an industry or organisation and in the relatively easier communication of strategic actions. The advantage of interactive planning does not necessarily lie in the resulting plan, but rather in involving decision-makers (shareholders) continuously in planning, carried out as a continuous

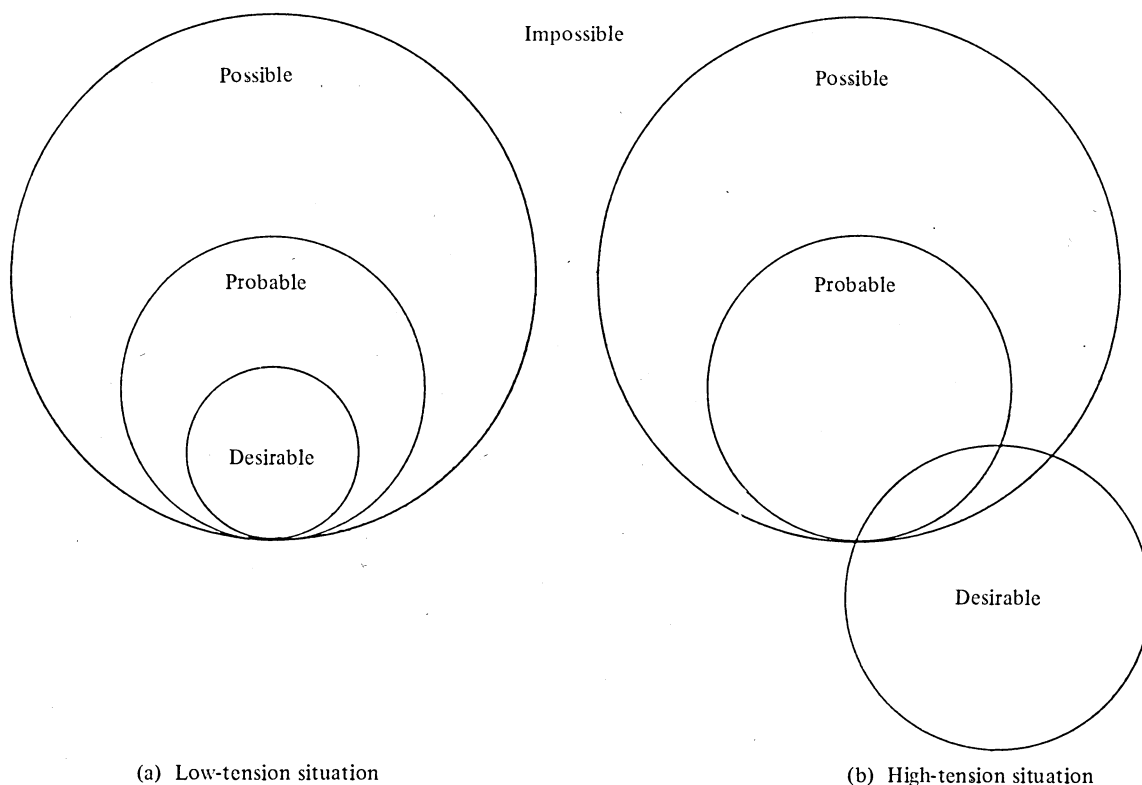
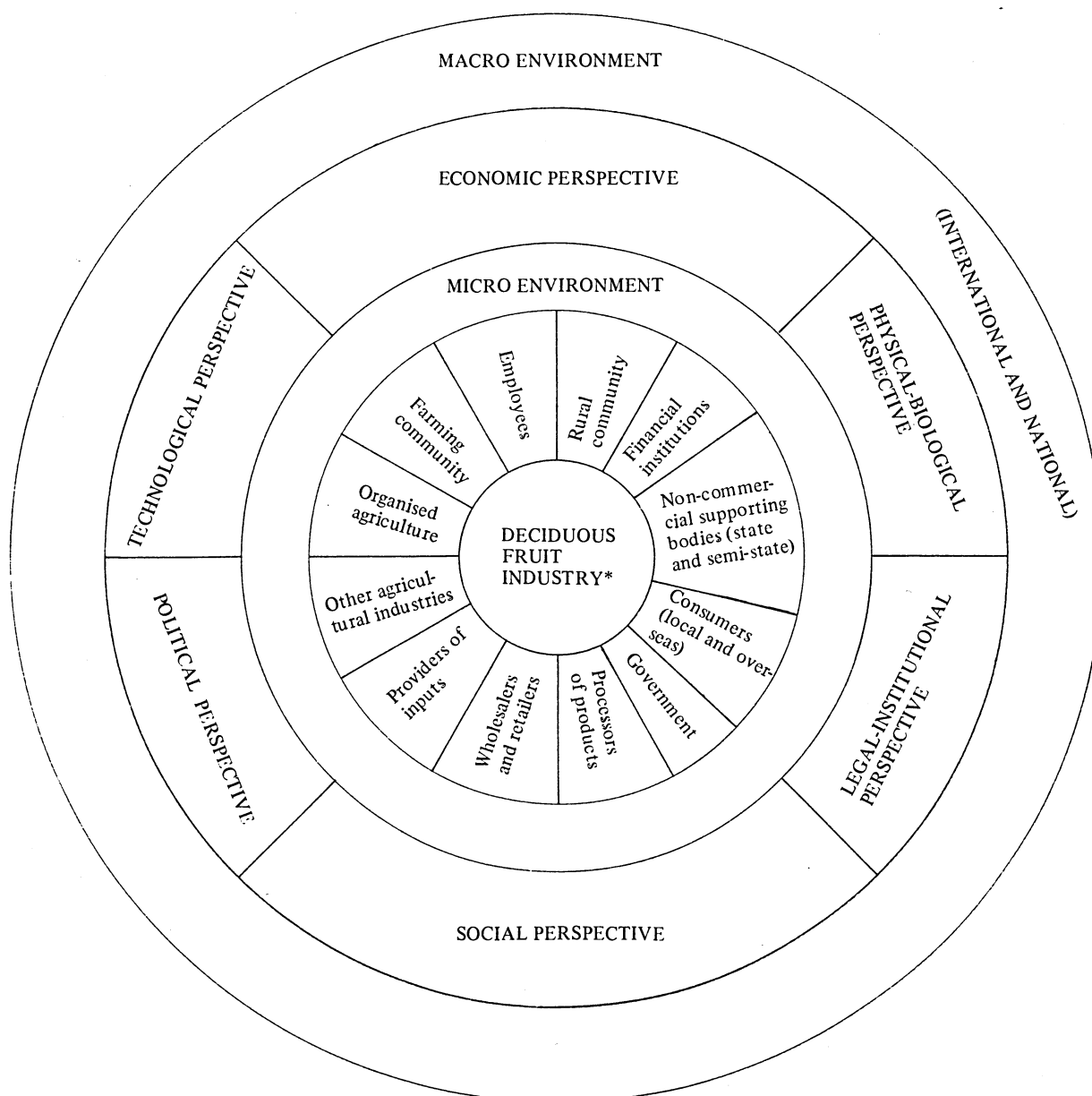


FIG. 2 - Alternative future situations



\*Including fresh, dried and canning fruit

FIG. 3 - The decision-making environment of shareholders in the South African deciduous fruit industry

process (Ackoff, 1981, p. 65). A further result of the participation principle is the development of a business culture that places greater emphasis on matters such as the building up of a common insight and therefore subjects the values and underlying belief of shareholders to close scrutiny during industry development. An important first step in the interactive planning process is to develop a common attitude among decision-makers (shareholders) and planners with regard to a suitable framework in which planning should take place. Various perspectives among participants (shareholders and planners) with regard to a suitable planning framework can disrupt the planning process severely. A planning framework of this kind should embrace the following aspects, *inter alia*:

- A communal insight with regard to the underlying cultural and value systems of shareholders,
- a communal insight with regard to the strategic vision of the future of the participants (shareholders and planners) in the planning process,
- an understanding of the strategic questions and decisions to which the planning process should be aimed at,
- an understanding of dominant environmental forces that can influence future events,
- an identification of strategic events that can affect the rate and direction of change, and
- an identification of strategic options.

Various perspectives among shareholders are

nevertheless the rule rather than the exception, partly because of different cultural backgrounds, different subject disciplines and different political insights. Indeed, the importance of taking multiple perspectives into account during the strategic planning process cannot be over-emphasised. It is therefore important that aids should be used that are aimed at illustrating the differences in views. In this regard scenario development as a planning aid can play an important part.

## SCENARIOS AS AN INTERACTIVE PLANNING AID

Scenarios are acceptable (in terms of present insights) "stories" about the future that depict the logical chain of events in terms of a central theme. According to Kahn and Wiener (1967, p. 6) a scenario consists of a hypothetical sequence of events drawn up with the object of drawing attention to causal processes and decision-making points. Each scenario is based on logical assumptions with regard to relationships between and the extent of influence of factors capable of affecting the future. The field of application of scenarios is therefore a wide one.

Scenarios are generally used as an aid to strategic planning. It is important to note the way in which scenarios are developed. Scenarios are often developed one-sidedly by planners for submission to decision-makers (shareholders). Scenarios of this kind, according to Wack (1984, p. 4), are relatively sterile since they frequently focus on alternatives in terms of obvious uncertainties. From the point of view of decision-making it is more useful to develop insights into the relationships between what it is desired to achieve and uncertainties. A scenario that has been developed one-sidedly has little more value than a forecast. Such scenarios can be useful during environmental reconnaissance, but are of little value from a decision-making point of view.

The development of decision-making scenarios is an educational process in itself. It is therefore directed at the "microcosmic image" (mental image) the decision-maker has regarding the future. Wack (1984, p. 39) states that no change in decision-making behaviour can be expected before the perception of the future of the decision-maker is changed. The actual target of scenario development is therefore the "microcosm" of the decision-maker. The planner has the important task of conveying the realities of the decision-making environment to the decision-maker, in such a way that these are relevant to the actual decision-making questions. Scenario development starts with global environmental scenarios and ends with specific question-directed decision-making scenarios. Scenario development is a disciplined manner of viewing an uncertain future, with the object of structuring strategic decisions within a framework of what is possible and probable.

## A WORKING METHOD FOR SCENARIO DEVELOPMENT

The procedure for scenario development according to the interactive planning philosophy proposed by Nanus (1979, pp. 4-6) consists of three steps that will be briefly discussed in the following pages. For the sake of clarity, examples regarding the South African deciduous fruit industry will be referred to where applicable.

### Preparation

A strategy advisory group, consisting of top decision-makers from the shareholder groups in the industry, is nominated for participation in a scenario development exercise that is carried out in the form of a working seminar. In order to make the working seminar more topical, a comprehensive "notebook" is drawn up that serves as an agenda. In addition to trends in existing industrial activities, the notebook contains global scenarios and trends in changes in the decision-making environment (both international and national). The information on the decision-making environment is divided into its economic, technological, political, socio-demographic and physical-biological components. The notebook is made available to participants in good time so that they can study it and discuss it with people in their particular organisation and shareholder group in order to broaden their inputs into the working seminar.

### The working seminar

Essentially, the working seminar consists of an environmental reconnaissance exercise in the course of which the strategic development of the industry is discussed with the following discussion points as the point of departure:

- The mission<sup>2</sup> (strategic vision) of the industry,
- the strengths and weaknesses of the industry,
- the environmental forces (both international and national) aimed at identifying critical environmental questions and events that could influence the future development of the industry,
- opportunities and threats the environmental forces hold for the industry (as deduced from the previous point of discussion), and
- strategic questions and decisions that can influence the future development of the industry and that can therefore serve as guidelines for the discussions and scenario development.

The discussions are first held on a global level (international and national), followed by discussions on a regional or industry-oriented level. The following questions are asked for each discussion point:

- Should any other aspects concerning this discussion point be discussed?

- What messages do aspects under this discussion point hold for the industry?
- What critical question does this discussion point imply for the industry?
- What critical events does this discussion point imply for the industry?

A summary for the most important contributions of participants with regard to each discussion point is made continuously on large sheets of paper and put up against the walls of the conference room. Participants can therefore refer back to this at any time. At the end of the working seminar these summaries are again reviewed and the five most important *questions, events and decisions* that can affect the future development of the industry are selected. The working seminar concludes with a brief discussion of strategic options and plans of action for the industry and participants are requested to complete a structured questionnaire at home, based on their personal perceptions of the strategic development of the industry.

(i) *Analysis of strategic questions and decisions*

The aim of this step is to focus the process of scenario development. The focal point of a series of scenarios may vary from a particular strategic position such as an investment decision to relatively broader strategic questions regarding the long-term development of an industry. For instance, the overseas and domestic market potential for deciduous fruit production, and the South African industry's relative bargaining power on overseas markets, may be regarded as strategic questions with regard to the industry's long-term development. In general, scenario development can be used as a planning aid to evaluate all decisions and strategic questions.

(ii) *Identification of key figures capable of influencing strategic questions and decisions*

### Scenario development

The contents of the notebook, the events of the working seminar, the information derived from the questionnaires to participants and from interviews with representatives of relevant specialities serve as the basis for the development of the decision-making scenario. Since the procedure of Mandel (1982, pp. 6-10) (see Figure 4) is typical of the present status of scenario development in interactive planning, Mandel's proposal is briefly summarised in the following five steps:

All factors capable of influencing strategic questions or decisions are identified in this step. For instance, a strategic question such as the domestic market potential for deciduous fruit products may be affected by factors such as buying power, size, distribution and preferences of the variety of South African population groups. The ideal source of information in this regard is a group of top decision-makers that are actively involved in the scenario development process. Further sources of information include existing business plans and interviews with specialists on identified questions.

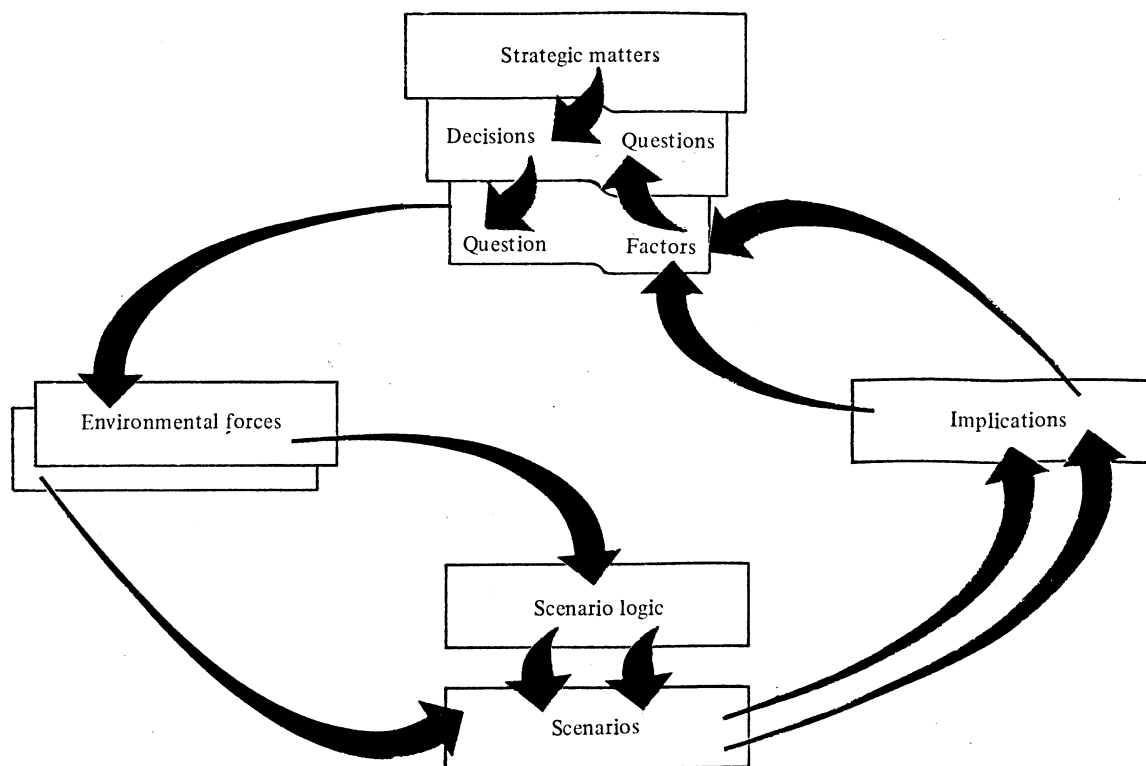


FIG. 4 - The scenario development process

Source: Mandel, T.F. 1982. Scenarios and Corporate Strategy: Planning in uncertain times. Menlo Park, Stanford Research Institute, Research Report 669, p.6

(iii) *Identification and analysis of environmental forces*

The object of this step is to form an image of the nature and extent of factors in the decision-making environment capable of influencing the identified key factors. For instance, the buying power of the South African population is affected by matters such as the economic growth rate, the growth rates of the various population groups, the relationship or distribution of the national income among the various population groups, and the regional patterns with regard to economic activity and settlement patterns.

(iv) *Definition of scenario logic and the building up of scenarios*

The logic of a scenario is a definition of the structure (logical cohesion) of the factors (key factors and accompanying environmental forces) that characterise the particular future perspective. In order to sketch a fairly acceptable comprehensive description of uncertainties, a series of scenarios, each based on a particular logic, can be developed. The logic of a scenario is generally deduced from existing theories, assumptions and perceptions of change *inter alia* in the social, political, economic and technological fields. It therefore represents a particular interpretation of the process of change. The logic of a particular scenario provides the base for its further expansion. The underlying logic of the scenarios is tested using a follow-up working seminar with the same group of shareholders in the industry. The building-up of the scenarios consists in an evaluation of the implications the dominant environmental forces can hold for strategic questions and decisions.

(v) *Analysis of the policy implications of the scenarios*

Scenarios do not prescribe a particular decision but are, as we have already said, aimed at making the uncertain decision-making environment easier to handle. The final decision and plan of action is still the responsibility of the decision-maker, who ought to take other aspects into account, such as the "robustness" of a plan - i.e. its ability to accommodate to different situations and contingencies.

Continuous scenario development according to the interactive planning philosophy is therefore a very suitable aid for illustrating the multi-dimensional nature of the present strategic planning problem and explaining the dimensions of change. Scenario development according to the proposed working method should promote real entrepreneurship in policy management.

## SUMMARY

The biggest challenge to agriculture is the need to adapt continuously to changing circumstances.

The increasing interdependence of the agricultural sector and the developing socio-economic and political order in South Africa, and the implications of international political and economic changes for agriculture, increase the complexity and uncertainty of agricultural policy problems. The complexity of policy problems is increased by the effect of a developed agricultural shareholder set-up and accompanying institutions to promote group interests. This changed milieu makes it necessary to incorporate a widely directed long-term perspective into agricultural policy management. A working method supported by a strategic (future-directed) orientation appears to be essential. Since strategic planning subscribes to the principle of management by objectives, the application of a strategic approach to agricultural policy management implies that agricultural shareholders should be actively involved in agricultural policy-making. An important shift in emphasis is therefore proposed, namely from planning *for* the agricultural shareholder to planning *with* the agricultural shareholder. A procedure of policy-making that also promotes the development of the necessary strategic insight among policy-makers (shareholders) appears to be essential if the industry wishes to remain in step with a rapidly changing world. The inter-active approach to strategic planning, backed by the proposed working method of scenario development, should give rise to the development of a more generally confirmed management strategy, directed at the problems of a rapidly changing world.

## NOTES

<sup>1)</sup>Policy management embraces the planning and administration with regard to the implementation of plans of action to promote the realisation of particular objectives. Policy management is a subordinate part of a more comprehensive concept "strategy". The strategy of an enterprise, institution or industry comprises firstly a goal-directed, future-directed and all-embracing conception of its purpose and nature. This future-directed decision-making process serves as the basis of policy management

<sup>2)</sup>The mission is a clear, communal vision of shareholders regarding the eventual purpose and nature of the industry. The mission is therefore future-directed and should specify, ideally, what should be done and what the industry should be like in future (Foresight task force, Report, 1983, p. 1).

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