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**STRATEGIC POSITIONING  
IN AGRIBUSINESS:  
ANALYSIS AND OPTIONS**

by

Allan Gray, Mike Boehlje and Jay Akridge

Staff Paper 04-13

September 2004

**Department of Agricultural Economics**

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## **Abstract**

The planning process presented in the paper outlines several methods of analysis that farm business managers can use to choose among three business position options. The five forces model is an effective tool for scanning the external business environment and assessing a business's internal resources and capabilities. The value plate will assist managers in identifying the activities upon which a business may build a competitive advantage. Once these are assessed, managers must select a strategic position from three options: operational excellence/cost leadership, product or service innovation, and customer intimacy.

Keywords: strategic planning, five forces model, value plate model, strategic options

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# STRATEGIC POSITIONING IN AGRIBUSINESS: ANALYSIS AND OPTIONS

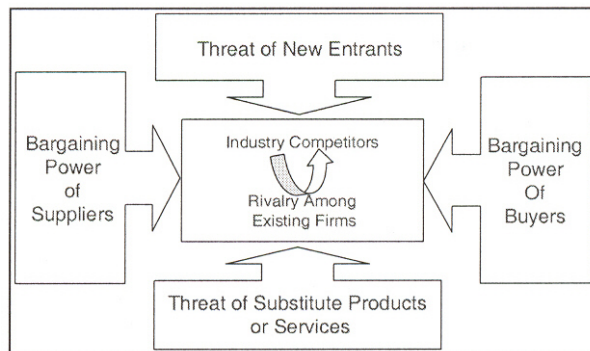
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The future business environment for agribusiness firms can be characterized by greater volatility and risk; increased focus on value by producer customers; the pervasiveness of a commercial mentality on the part of producers/customers; the evolving needs of the part-time, commercial producer; growth in the recreational agriculture segment; rapid growth of niche markets; intense competition from traditional and non-traditional sources; enormous pressure for efficiency in all phases of operations; increased coordination across players throughout the total food chain; increasing consolidation at all levels of the input distribution channel; new and more streamlined distribution channels; and a higher level of social awareness and responsiveness. Given this increasingly challenging business environment, developing a strategy that responds to the changing business climate is essential for long-term sustainable competitive advantage and financial success.

## Strategic Planning and Analysis

So, what is strategy? In essence, strategy is the integrated and coordinated set of actions and activities that provide value to customers and gain a competitive advantage for the business by exploiting core competencies in specific product or service markets. Any strategic planning activity involves thinking about the future. However, the focus of strategic planning and analysis is not on predicting the future, but instead on making better decisions here and now in order to reach a desired future. In thinking about the future, strategic planning requires information about both the external economic environment in which the business operates and the internal characteristics of the business. This information provides data for the development and evaluation of alternatives. Thus one of the keys to developing a sound business strategy is conducting a SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis for a business. With the SWOT a business's internal strengths and weaknesses are used to take advantage of external opportunities while avoiding threats.

**Figure 1. Porter's Five Forces Model**



## **External Analysis – Five Forces Model**

In conducting an external environmental scan, the agribusiness manager must assess various industry forces. Michael Porter, an authority on competitive strategy, suggests there are five forces that need to be accounted for in conducting an industry analysis. "The collective strength of these forces", he contends, "determines the ultimate profit potential in the industry, where profit potential is measured in terms of long-run return on invested capital."<sup>1</sup> These five forces are illustrated in Figure 1.

*New entrants* usually bring new capacity and competition for customers and resources. This is a threat to existing businesses in the industry. The threat of entry depends on the presence of entry barriers. Entry barriers make it difficult for another business to enter the industry. Examples of these barriers include economics of scale and capital requirements. Because these are large in many agricultural industries, they prevent new firms from quickly entering the industry.

*Substitute products* are products that appear to be different but can satisfy the same need as another product. Chicken can be a substitute for beef in consumers' diets. The most obvious example in the seed/chemical industries is the substitution of Roundup and Roundup Ready genetics for traditional chemical/genetic combinations. When switching costs are low, substitutes can place a price ceiling on products. Market analysts often talk about "wheat capping corn." This occurs because wheat and corn are substitutes in animal feed formulations. If wheat prices are low, corn prices will also be low because if corn prices rise, feedmills will quickly shift to wheat in order to keep ration costs low. This will reduce the demand and price of corn.

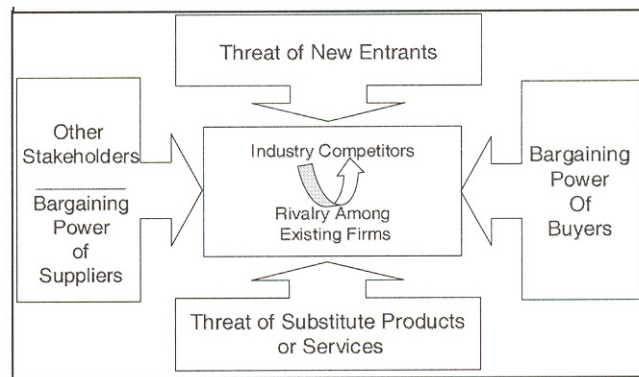
*Bargaining power of suppliers* affects their ability to raise prices. Suppliers are likely to be powerful if they are few in number, each individual purchaser represents only a small amount of the companies sales, there are not good substitutes of the product purchased, and the product or service is unique.

*Bargaining power of buyers* affects the industry through their ability to force down prices, bargain for higher quality or more services, and play competitors against each other. Buyers are likely to have power if a buyer purchases a large part of the sellers product, if alternative suppliers are plentiful because the product is undifferentiated, the buyer earns low profits and is sensitive to cost differences, and the purchased product is unimportant to the final quality or price of a buyer's product.

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<sup>1</sup> M.E. Porter, *Competitive Strategy*, New York: Free Press, 1980, page 3.

**Figure 2. Modified Five Forces Model**



*Rivalry among exiting firms* is the amount of direct competition in an industry. Industries that have intense competition are characterized by competitors that are roughly equal in size, slow rates of industry growth, the production of commodities, high fixed costs, and high exit barriers arising from investments in specialized equipment.

Since the introduction of this five forces model for industry analysis, others have suggested that a sixth force should be included. This is force of other stakeholders (Figure 2). These stakeholders include federal, state, and local governmental units. These units of government can impose various limits on the actions that businesses can take. While government is a force in every industry, other stakeholders also impact various industries. These stakeholders can include creditors, special-interest groups, and local community organizations.

### **Internal Analysis - Resources, Capabilities, and Core Competencies**

The goal of the strengths and weaknesses component of SWOT analysis is to identify those activities conducted in a business that can create a sustainable competitive advantage. It is important to identify those activities in which a business excels relative to other competitors, not just activities that it does equally as well as its competitors. However, it is not enough to just be better than competitors at certain activities. For an activity to be an important strength, it must also be valuable to customers. Unfortunately, objectively identifying strengths and weaknesses for one's own business is very difficult to do.

The focus of an internal analysis of the business is to identify, develop, protect, and deploy resources, capabilities, and core competencies. Resources are inputs into a firm's production process, such as capital equipment, cash, skills of individual employees, and talents of management. Resources are of two types: tangible and intangible. For most agribusinesses, it is fairly easy to recognize tangible resources because they can be seen and counted, and a dollar value can be assigned to them. Tangible resources would include things like storage facilities, trucks and manufacturing facilities. Intangible resources are not so easy to identify. Intangible resources would include technological or mechanical know-how, family or corporate commitment, organizational structure, reputation, etc. These resources, generally, can't be touched or counted and would be difficult to assign a dollar value to. Nonetheless, intangible resources are increasingly becoming the key to the long-term success of businesses both in and out of agriculture. However, just identifying the tangible and intangible resources that your

business has is not enough because resources, by themselves, do not create a sustainable competitive advantage.

A firm's capabilities refer to its capacity to deploy resources that have been purposely integrated to achieve a desired end state. Capabilities determine the way a company makes decisions to achieve objectives. More specifically, they are a part of the organizational structure and control systems, which are how decisions are made and what behavior is rewarded. Capabilities don't necessarily reside in individuals, but more in the way that people interact and cooperate to make decisions for the business. To be successful a business uses resources and capabilities to identify and maintain core competencies.

A core competency is simply an integration of resources and capabilities that help build a competitive advantage. Core competencies are strengths that allow a business to achieve superior efficiency, quality, and innovation. For something to be a core competency it needs to be valuable, rare, costly to imitate, and non-substitutable. Valuable capabilities are those that create value for the business by exploiting opportunities and/or neutralizing threats in the external environment. A rare capability is one that few if any competitors possess.

Costly to imitate capabilities are those that competitors would have a difficult time developing. Some input suppliers or processors have unique or well positioned physical facilities, but in many cases it may be the services and information combined with these facilities that is really hard for competitors to imitate.

Finally, for a capability to be a core competency it must have no close substitutes that could be used to gain the same competitive advantage. One example is the trust-based working relationship that some managers may have with their employees or in some cases with buyers or processors. Trust-based relationships take time to develop, are many times hard for competitors to recognize, and have very few, if any, close substitutes for gaining the same advantage.

If a business doesn't have a unique (rare, costly to imitate and non-substitutable) resource to build a core competency, it must have capabilities that competitors do not have. For instance, the basic resources to deliver and apply chemicals are readily available. But to be extremely efficient and responsive to environmental and adjoining landowner/neighbor concerns requires specialized knowledge and skills that are not commonplace. For a company to have a core competency, it must have, at a minimum, either a unique and valuable resource and the capabilities to use it, or a unique capability to manage common resources.

Core competencies are the key to developing a successful business strategy – a competitive advantage. However, relatively few capabilities meet the stringent requirements of sustainable competitive advantage - one that can be maintained over time. It is hard to develop and protect more than a few core competencies. In fact, most research conducted in this area suggests that firms should identify and concentrate on only three or four core competencies.

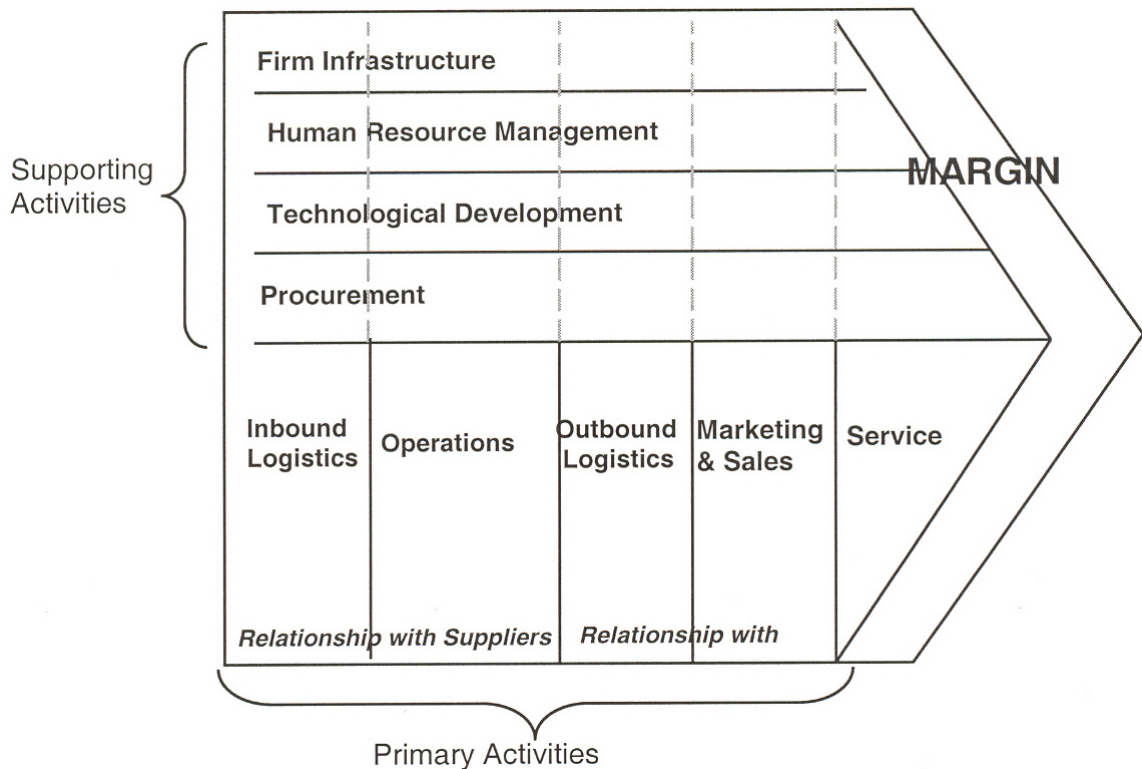
### **The Value Plate**

So, how do business managers begin the process of identifying their company's core competencies? One tool that is useful for identifying the resources and activities of the business

and contemplating these activities' potential for sustainable competitive advantage is the value plate.

Figure 3 depicts the value activities that any firm might perform in the product or service development and delivery process. The value plate, or value chain, is a concept developed by Michael Porter to provide a framework for identifying the activities the firm conducts to create value. The size of the external boundaries of the plate represents the total value the firm creates for its buyers. The individual boxes within the boundaries represent the individual activities performed and the cost of performing those activities. To the extent that the cost of performing the activities does not exceed the value created for the buyers, the firm receives a margin. In a visual sense, one might think of the size of the individual activity box as the cost associated with that activity, while the size of the boundaries of the value plate is the total value created. One wants the size of the individual box to be as small as possible, while having the overall value plate be as large as possible. When using the value plate as a mechanism for identifying the firm's strengths and weaknesses, it must be compared to competitors' value plates. Those activities that are a strength for a firm businesses are those that it can perform in a manner that is superior to competitors' performances, or those that the competitors simply cannot perform. Those activities that the firm does at the lowest cost relative to the value created, vis-à-vis their competitors, give it a better chance of achieving a sustainable competitive advantage. Although not all agribusinesses will include all of the activities depicted by this value plate, it is a useful way to think about the activities currently performed and the activities that can be added to create more value.

**Figure 3. The Value Plate**





## Primary Activities

The bottom half of the value plate represents the set of primary activities the firm undertakes in producing a good or service. These activities consist of supplier relationships (inbound logistics and operations) and buyer relationships (outbound logistics, marketing and sales, and service). Let's briefly examine each of the different types of primary activities.

### Supplier Relationships

Moving from left to right on the value plate, the first two primary activities normally include a set of relationships with suppliers, referred to as "upstream value activities." These upstream activities can serve as a source of sustainable competitive advantage when special relationships are created with suppliers that either reduce the cost of providing value to the customer or reduce the costs of creating value.

*Inbound logistics* activities are concerned with the way in which physical inputs are received and stored. These activities can be important to our production or service processes when the quality of the input is critical to the value we are trying to create. Inbound logistics activities include sourcing and transporting grain and other ingredients for the feedmill, steel and other components for the manufacturing process, livestock for the packing plant, etc.

*Operations* activities are activities that are most commonly thought about in the production or service process – they are the physical activities carried out in the production of the product or service. The way in which these operations are conducted and/or sequenced may prove to be the key to the firm's sustainable competitive advantage. This may become increasingly important as end-users become more concerned about source verification, quality control and identity preservation. For example organic production/processing/distribution is one area where the types and timing of operations can provide a key strategic advantage in the quality of the final product.

### Buyer Relationships

The next three primary activities include a set of relationships with buyers known as "downstream value activities." These activities serve as a source of sustainable competitive advantage when used to create a special relationship with the buyer that benefits the buyer either through additional value in the product or reduction in the buyer's costs of using the product.

*Outbound logistics* activities focus on the collection, handling, storage, and delivery of the completed product or service. The firm may create value in this activity by undertaking activities that assure quality or purity of the finished product, helping buyers manage inventories by storing the product until needed, or creating relationships with intermediaries such as wholesalers or retailers to store and deliver the product to the buyer.

*Marketing and Sales* activities focus on building the relationship with the buyer to understand what the buyer values and to help the buyer understand what the value is that your firm creates. These activities can be a key source of competitive advantage for the firm and may consist of, for example, appropriate pricing to provide both volume and quantity needed by the buyer. It may be a set of integrated pricing, promotion, and delivery strategies that are unique and customized to each buyer. These activities might also include the set of pricing strategies used to reduce risk the customer's risk in the market.

*Service* activities are often tightly linked with marketing and sales, and involve providing services the buyer would value along with the product. These services might include product characteristic explanations, product quality assurance, and product warranties. These additional services can, in some cases, be the only thing that differentiates a firm's products from its competitors – thus giving them a competitive advantage. In agriculture, a strategic competitive advantage might come from the adoption of a set of documented identity preservation practices that are provided to the buyer, reassuring them that extra procedures were followed to maintain the quality and safety of the specific product.

### **Supporting Activities**

The top half of the value plate is the set of support activities the firm undertakes in producing a good or service. These activities consist of the firm infrastructure, human resource management, technology development, and procurement. Each of these functions is necessary for successfully completing the primary activities depicted in the lower half of Figure 3. The idea is to identify the support activities conducted by the firm and determine the cost of those activities relative to the value they create either directly or through the product or service that they support. Supporting activities can often be the true source of a firm's competitive advantage, yet they are often ignored when management thinks about its resources and capabilities because much of the performance in these areas is associated with intangible assets. Let's briefly define each of the support activities of the value plate.

*Firm infrastructure* consists of the functions of top management and includes the activities of strategic planning, systems integration, regulatory oversight, and other functions that cut across the business as a whole to create a defined entity. This function is extremely important in making sure the business stays focused on the goals and objectives, and that activities, core to the success of the firm's strategy, are carried out in a superior fashion.

*Human resources* activities deal with recruiting, hiring, training, developing, and retaining the firm's employees. This support activity can be critical to the firm's success, particularly when the primary activities require particular skill sets or incentive structures to achieve the desired product or service.

*Technology development* activities are concerned with the way the firm develops, evaluates, and uses technology in the production process. For many firms, this may include investments in research and development, such as on-farm test plots to improve production processes or product characteristics. For other firms, this activity will focus on the way the firm evaluates and uses technologies developed by others to help reduce operating costs and/or acquire premiums in the market place.

*Procurement* activities focus on the processes that a firm uses for purchasing all of the necessary inputs for the primary activities. This activity may involve bidding processes, Internet purchases, purchasing groups, hiring buyers, negotiating contracts, etc. Ultimately, the firm uses a series of different procurement processes to assure a proper balance between cost and quality in the development of its primary products or services.

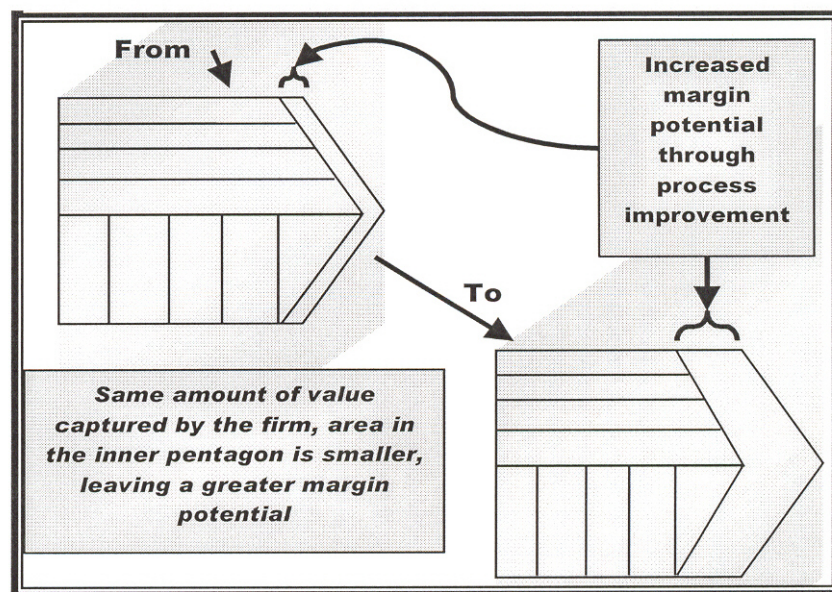
## Margin

*Margin* is the desired result of performing the value-creating activities. The basic idea of the value plate is that the customer is willing to pay a certain amount for the value the firm creates. The value the customer is willing to pay is represented by the size of the overall plate. The size of the individual activity boxes represents the cost of performing those particular activities. Thus, the smaller the size of the individual activity boxes relative to the value the customer is willing to pay, the greater the *margin* will be for the business.

There are two traditional methods for improving margins: improving productivity and creating more value. Figure 4 illustrates the concept of improving margin potential by improving productivity. The focus in this approach is on reducing the costs associated with performing the value-creating activities while maintaining the same overall value to the customer. The result of the improved productivity is a larger margin area.

Margins can be increased even if additional costs are incurred in some activities if benefits are obtained in others. For example, training employees to develop a more skilled work force may result in an increase in human resources costs. But workers that are more skilled reduces downtime and managerial oversight and thus the cost of operations activities. The size of the human resources box in the value plate would increase, but the size of the operations activity box would decrease. As long as the reduction in the operations activities box is larger than the increase in the human resources box, the result will be an increase in potential margin.

**Figure 4. Increasing Margins by Improving Productivity**

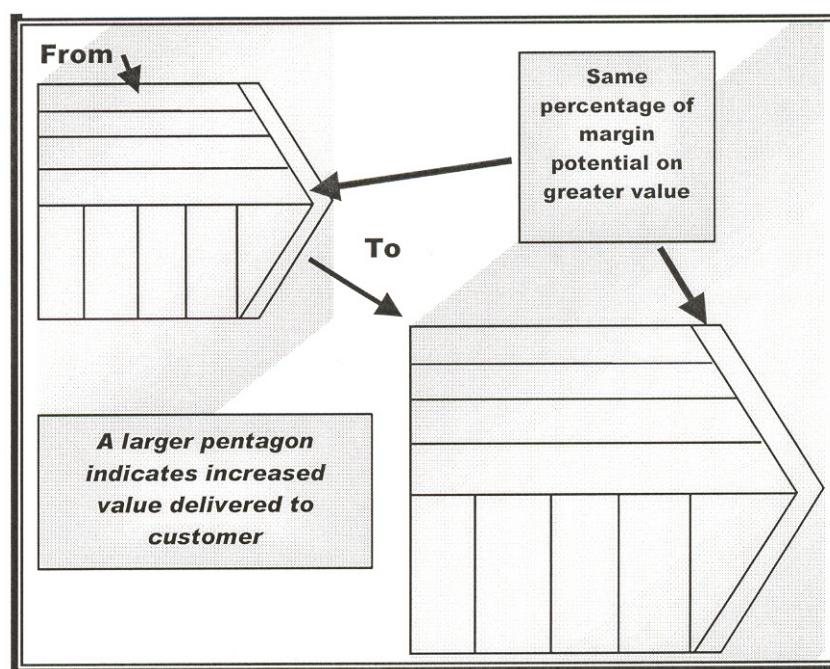


The typical way to create value and generate a margin is to accomplish the activities at the lowest cost – to have the lowest application cost per acre or price per ton of feed, or acquire seed and chemical inputs at the best prices. But in some cases more margin is generated by carrying out activities that actually increase total cost, if those activities create additional value for upstream or downstream partners that exceeds the incremental cost of value creation. For example, grain processors may not want to invest in inventory or storage and handling facilities

and will compensate the originator/first handler to do so. Even though the originator is incurring additional costs, he/she is creating more value for the buyer (a bigger value plate) and there is additional margin if the additional value created exceeds the costs.

Figure 5 illustrates the concept of increasing the value delivered to the customer and the additional margin generated. Here the size of the overall value plate is being increased. Along with the increase in the overall value comes an increase in the cost of performing the activities to create that value. Thus, the margin potential may remain the same as a percentage of the product or service's value, but it is worth more. As long as the increased cost associated with creating more value is less than the additional value created, there will be potential additional margin.

**Figure 5. Increasing Margin Potential by Increasing Customer Value**



While the first approach to improving margins was concerned with reducing the costs associated with delivering the current value, the focus of this approach is on creating additional value for the customer. This can be a substantially different mind set for some agribusiness managers. This approach requires a keen understanding of who the customers are and what exactly they value. Once the customers' needs are understood, this approach would focus on delivering that value efficiently, not on making sure costs for individual activities were lower than competitors' costs. With increased interest in recent years in specialty products, quality attributes, and identity preservation and segregation, opportunities to create more value for downstream partners and capture additional margin in the process are increased.

### **Strategic Positioning Options**

Agribusiness managers must strive to match their core competencies with the changing complexion of the marketplace. A number of alternative strategic options are possible. Figure 6 summarizes these positioning options as: 1) operational excellence/cost leadership, 2) product or

process innovation, and 3) customer intimacy. Note in Figure 6 that these positions emanate from a common center point; this doesn't imply that one should try to implement all three options simultaneously. Strategists in fact agree that to be successful, one must choose a positioning option – not get stuck in the middle. So a firm must decide what the fundamental underlying focus of the business will be – operational excellence/cost control, customer relationships and customer intimacy or innovation in bringing new products and services to market.

But it is too simplistic to emphasize only one strategic positioning option and ignore the others. In reality, none of the options can be completely ignored – for example if one is attempting to emphasize customer intimacy, which is likely to result in higher costs to deepen and strengthen the customer relationship, it is still necessary to meet a cost threshold to be competitive with other suppliers and maintain adequate profit margins. All three options should be considered in the development of a strategy, and the threshold must be met in all areas for long-term success and survivability, but only one of these options should be the focus of the passion of the managers and the dominant positioning option of the business.

**Figure 6. Strategic Positioning Options**

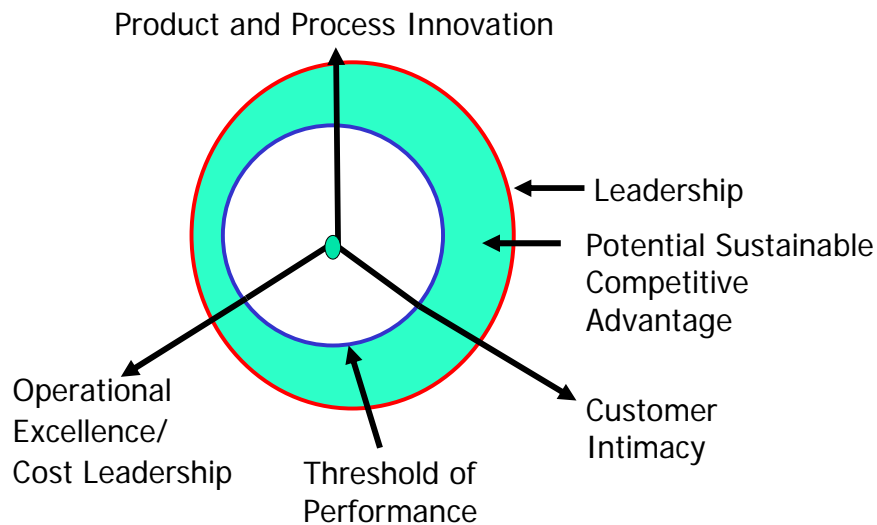


Figure 6 thus has two circles, the outer circle representing a leadership position and the inner circle a minimum threshold. But also notice that these circles are not exactly concentric – the inner circle is offset to the left compared to the outer circle. What does this imply? The difference or space between the two circles indicates the sustainability of the competitive advantage – the argument is that the competitive advantage of product/process innovation and customer intimacy can be maintained for a longer period of time than for operational excellence/cost leadership. The rationale for this argument is that it is easier for competitors to identify and adopt practices and procedures that will mimic or replicate a firm's low cost technology or cost controls, but it is much more difficult to determine and mimic what is being

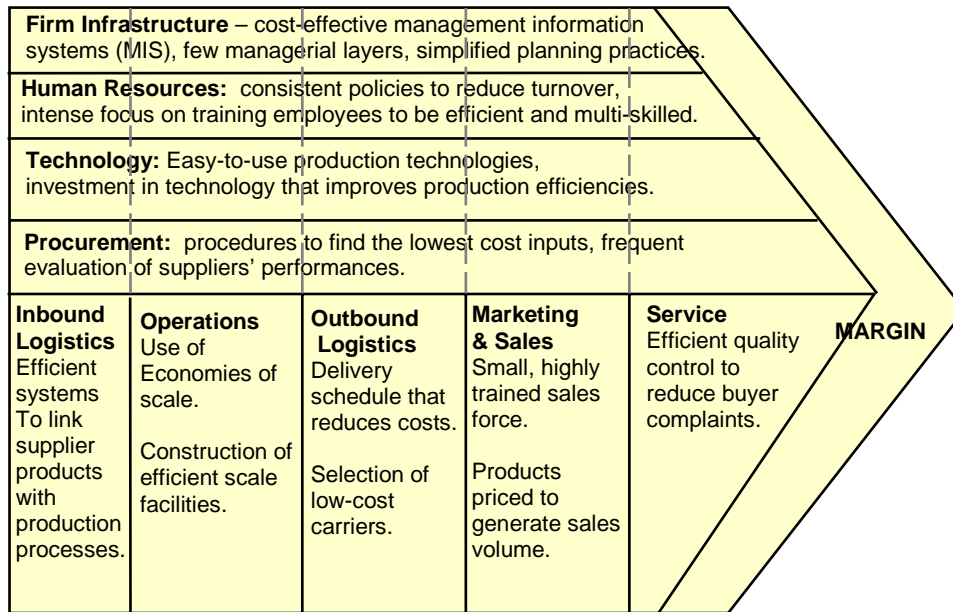
done to enhance customer intimacy or innovate in terms of products and processes including relationships with suppliers.

### **Operational Excellence/Cost Leadership**

Low-cost leader businesses offer standard products and services to broad markets at the lowest competitive prices. Indeed, price is the main theme in their marketing efforts, though some couple this with exceptional basic services as well. The broad market pursued by these businesses allows them to spread the cost of their investments over large volume, thus reducing the investment per unit. This low-cost position supports their aggressive pricing policy. They acquire technology from a wide variety of sources and in general do not invest in basic research and development. Cost-minimizing firms are quick to emulate the successful offering of innovator firms. These firms are involved in the manufacturing or distribution of generic commodity products in many cases.

The value plate concepts can be used as a mechanism for assessing the activities of a successful operational excellence/cost leadership strategy. Figure 7 illustrates some examples of specific actions that would be part of the primary and support activities to implement a low-cost strategy. For example, in procurement, finding the lowest cost inputs and frequently evaluating and benchmarking supplier's performance against competitors would be actions to implement a low-cost strategy. With respect to inbound and outbound logistics, efficient just-in-time delivery concepts that reduce the downtime or wait time at the supplier docks and yet reduce inventory holding costs, would be another example of actions that would be implemented as part of a operational excellence/low cost strategy. The value plate provides a vehicle for managers to access the potential of different actions that might be implemented as part of this positioning strategy and to determine whether those actions have the potential to provide a competitive advantage compared to other suppliers who are in the same business, produce the same product, and supply the same customers.

**Figure 7. A Value Plate for Operational Excellence/Cost Leadership Strategy**



The potential success of the operational excellence/low-cost leadership positioning strategy in terms of an effective response to the external threats and opportunities can be evaluated using The Five Forces Model. Thus, to effectively implement such a strategy:

- Managers must be able to operate with low prices better than their *rival* competitors;
- They should be able to sustain or mitigate the price pressure that results from *buyer power* better than their competitors;
- They need to be able to absorb or not be subjected to price pressures and bargaining *power of suppliers*;
- They must be able to thwart or off-set the threat of *new entrants* by barriers including continuous improvement in efficiency to lower cost; and
- They must use various techniques to deepen customer relationships and thwart customers switching to *substitute products or suppliers*.

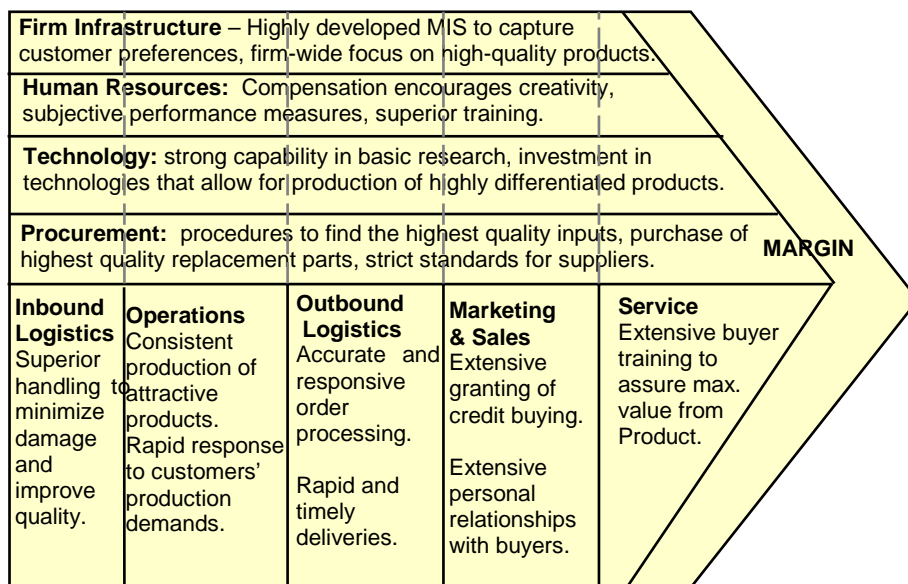
If it is difficult or impossible for a business to include as part of their low-cost positioning strategy responses to the rivalry, power of buyers, power of suppliers, threat of new entrants, and substitutes challenges or forces, then it will be very difficult to sustain a competitive advantage using an operational excellence/low-cost leader positioning strategy.

### **Product/Process Innovation**

The business manager that focuses on innovation offers a steady stream of new products and services typically to broadly defined markets that are national or international. Their product offerings are at above average market prices because of the extra value delivered by the differentiations innovations. By pursuing a broad market, the firms are able to spread the costs of this innovation over larger volume, helping keep down costs per unit of sales.

Again, the Value Plate and Five Forces models can be used to help assess the potential of a successful innovation strategy. Figure 8 illustrates the actions that might be part of the value creation process for a business using an innovation strategy in terms of both primary and support activities. For example, an innovation strategy might include procurement processes that are more focused on quality and strict standards for suppliers than on low price. As to technology, activities to access the latest and best research and development, and new product innovations would be part of the strategy. A successful innovation strategy would include extensive personal relationships with suppliers, rather than the transactional relationship common with the operational excellence/low-cost strategy. More explicit quality criteria and maintaining that quality would be critical components of the inbound logistics, operations, and outbound logistics dimensions of a successful innovation strategy. The expectation is that this would result in increased costs, but those costs would be more than compensated for by the additional revenues that result from selling a differentiated product.

**Figure 8. Value Plate for a Product/Process Innovation Strategy**



As to the success of a innovation strategy in responding to external or market forces, it would be important to be able to:

- Mitigate *rivalry* by developing customer loyalty that reduces price sensitivity;
- Reduce the *power of buyers* by providing a unique product or service so that buyers do not have good alternatives;
- Mitigate *supplier power* by having the capacity to pass on input price increases or have adequate volume to negotiate lower input prices;
- Mitigate the threat of *new entrants* by being a dominate player in the market with loyal customers and superior product and service; and
- Reduce the potential of *substitutes* through continuous innovation and improvement in both product and process.

Again, the ability to be more successful in responding to these external forces of rivalry, power of buyers, power of suppliers, threat of new entrants, and substitutes increases the potential of a successful innovation strategy.



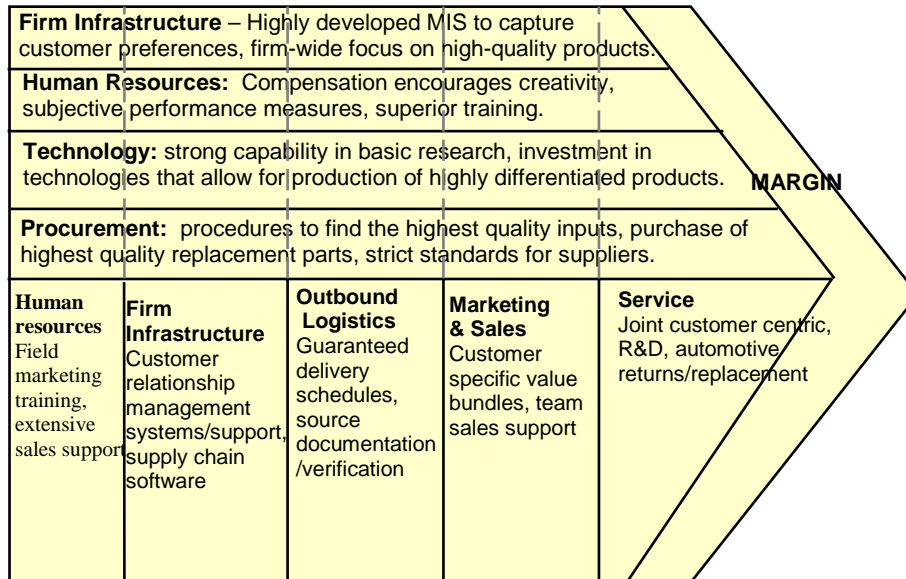
## Customer Intimacy

Customer intimate firms focus on developing highly tailored solutions for a specific set of customers. The focus on a specific set of customers limits the appeal of the offering to a relatively small market, but has the advantage that the solutions are so well tailored to this customer group that competitors are effectively locked out of the market. The customer here could be a processor/first handler or it could be an end-user. High levels of service and considerable effort at building relationships characterize this strategy. These close, collaborative relationships can be based on high levels of coordination, shared assets, participation in joint programs, and close communication links. Or the competitive advantage may be due to the control they exert over the supply chain through ownership of key assets or information. Solutions to customer problems are sourced widely, making supplier relationships a key to successful execution of the customer intimacy positioning approach. This strategic positioning option has become common in the animal agriculture sector and is likely to become more common in the crop sector in the future.

Figure 9 shows the kind of activities that would be part of the value plate for a customer intimacy strategy. Note the focus on very specific customer targeted outbound logistics, marketing and sales and service activities as well as in firm infrastructure and human resource activities to support this strategy. As to responding to the external opportunities and threats, it is essential for the manager to:

- Mitigate *rivalry* by developing and constantly deepening unique relationships with individual customers.
- Reduce the *power of buyers* by involving them in joint R&D and other activities to increase their switching costs.
- Mitigate *supplier power* through joint ventures and strategy alliances, and by becoming one of their key accounts or key customers.
- Reduce the threat of *new entrants* by focusing on and dominating niches that are not large enough to attract competitors
- Reduce the potential of *substitutes* by constantly searching for and introducing new products and services tailored specifically to the targeted customers.

**Figure 9. Value Plate for a Customer Intimacy Strategy**



**Final Comment**

Thinking strategically will become increasingly important for successful agribusinesses of the future. The strategic thinking process leverages an understanding of the strengths and weaknesses of the business – leading to an identification of the core competencies and capabilities – to respond to the opportunities and threats provided by the external environment. Only by understanding internal capacities and the external environment can the successful manager analyze the strategic positioning options available to the business. Choosing a strategic position of operational excellence/low-cost leader, product/process innovation or customer intimacy based on this analysis provides the manager with a fundamental direction for the business that can shape its ability to create value for its customers. And that is what the successful agribusiness of tomorrow will be – a business that understands customers and determines how to create value for those customers through products and services that creates a long-term sustainable competitive advantage through an operational excellence/low cost, product/process innovation or customer intimacy strategy.