

“FARMING with VISION”

Strategy,
Networking,
Marketing and
Business Planning

Agata Malak-Rawlikowska • Abele Kuipers • Aldona Stalgienė • Bert Smit •
Peter Krištof • Burkhard Schaer • Marija Klopčič



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1. Introduction

Introduction

European agriculture experienced huge changes in last decades. Adaptations to institutional and marketing changes, influenced by EU common agricultural policy, but also by societal wishes like food safety, animal welfare and the environment, require the ability to apply entrepreneurial skills as a key factor for survival. However, **strategic thinking is rarely present in the farming sector**. Agricultural producers focus on operational decisions taken “by the day” and often do not see the need for a long-term vision for their firm. Especially the situation in less favoured regions, often in remote areas with relative small farms, is complex. To build a future in these areas asks for entrepreneurial competencies.

The main purpose of the ISM+ project was to **spread the idea of strategic thinking in agriculture and introduce innovative tools to support farm advisors and farmers in entrepreneurship and the strategic management process**. The target groups of the project were farmers and vocational agricultural students on one hand and agricultural teachers, extension workers and advisors on the other hand.

The project is based on the unique method and tool - **Interactive Strategic Management (ISM)**, which was developed in the Netherlands and introduced in (transferred to) other European Countries like Poland, Slovenia, Lithuania and Austria. The method was used in trainings to instruct farmers, advisors and students how to prepare a successful farm strategy*. In a previous study, it appeared that the majority of a group of interviewed farmers in the participating countries still were production oriented. Farmers with a higher level of self-reported competence, however, appeared to be more innovative and more inclined to change, had higher scores on entrepreneurial features, showed more information-seeking behaviour, tended to be more optimistic about the availability of resources and perceived issues related to regulations, the EU, ICT and the milk market more as an opportunity than as a threat, compared with farmers with lower competence

levels. Additionally, these farmers were more positive about their future and appeared to be more content with their farm results (De Lauwere et al. 2018). This is an indication that improving entrepreneurial competencies may help farmers to deal with the challenges they are facing and keep their farms viable in Central and Eastern European countries but possibly also in other countries with small- and medium sized herds.

The detailed aims of this ISM+ project were to:

- **improve entrepreneurial competencies** of farmers, advisors, teachers, and agricultural students;
- **assess the local agricultural framework conditions** by a context analysis in order to adapt the ISM method and understand the outcomes of the training process;
- **extend the ISM method** to farmers and students in a **variety of agricultural sectors** (dairy, beef, pig, crop production);
- make the training applicable to a **larger language area** in Europe (English, German, Polish, Lithuanian and Slovenian languages);
- make the ISM method more applicable to market oriented development paths by adding the **marketing module**;
- add a **business planning module** for economic assessment of farmer choices;
- introduce the concept of **networking** to stimulate social entrepreneurship.

The project consortium consisted of organizations in the fields of research, education, economics, know-how transfer and agrobusiness. Participation of the agricultural universities (Wageningen, Ljubljana and Warsaw) and the Economic Institute in Vilnius, on the one hand, and professional farmer associations (like in Klagenfurt) and extension services in all countries, on the other hand, assured smooth cooperation, innovative knowledge transfer and interaction between science and practice, which contributed to the achievement of the project objectives.

The project results form a wide education platform for rural entrepreneurship:

- Report from the Context analysis - about the differences in strategic choices of both farmers and stakeholders in different regions of Europe (resulted in two scientific articles (Kuipers et al. 2017, Verhees et al. 2018) and 2 articles in progress to be submitted).

* Book: Supporting farmers in making strategic choices (pages 79-81) https://www.researchgate.net/publication/272823713_Supporting_farmers_in_making_strategic_choices_The_method_and_implementation_of_Interactive_Strategic_Management_in_Lithuania_Poland_and_Slovenia

Table 1.1: Partners and supporting partners

PARTNERS	
Poland:	The Netherlands:
Warsaw University of Life Sciences - SGGW Project coordinator	Wageningen Economic Research (LEI)
Mazovian Agricultural Extension Service	Agro Management Tools
Lithuania:	Slovenia:
The Lithuanian Institute of Agrarian Economics	University of Ljubljana, Biotechnical Faculty
Chamber of Agriculture of the Republic of Lithuania	Slovenian Chamber of Agriculture and Forestry
France:	Austria:
Ecozept Gbr	Carinthian Chamber of Agriculture

- International Farm Management Association (IFMA) publication with description of use of ISM+ tool and other tools all around the world (available at <http://ism.sggw.pl/> or <http://ifma-online.org/>).
- Website “Entrepreneurship with Vision”, devoted to Interactive Strategic Management for farming – serving as a platform for the project results and materials available to the wide public <http://ism.sggw.pl/>
- ISM+ tool with complete training materials (ISM plus handbook and Facilitator guidelines booklet etc.) – is dedicated for trainings of farmers, rural entrepreneurs and advisors to work with farm strategy development.
- Business planning module – it is an excel tool which helps to analyse the current farm economic situation and simulate future economic consequences for different strategy choices of farmers;
- Marketing module – material for training in the area of the marketing strategy of the farm;
- Guidelines for Networking methodology – serves as a guideline for trainers and extension workers in supporting networks in the agricultural sector and in implementing the networking concept in ISM trainings;
- ISM training module guidelines for agricultural students – serves as curriculum for ISM sessions adjusted to agricultural students;
- Book “FARMING WITH VISION – Strategy, Networking, Marketing and Business Planning” – helps to get insight into the ISM method and modules, including some examples from farms in the participating countries.

The project supports the VET system in each of the participating countries and other countries, like Sweden, with the new method of training and training materials, and it is also applicable at the level of agricultural professional schools. Especially the translation and ICT part of the tool was a big challenge to cope with for the project team. Farmers and advisors found the ISM method very interesting and innovative. The project has been inspiring for all persons involved. We hope that our results will be useful for a wide range of beneficiaries from the Agri-Food sector.

Agata Malak-Rawlikowska and Abele Kuipers
Project leaders





Chapter 2

Methodology

Interactive Strategic Management Method – Theory, Application and Sectors included

Relevance of strategic management

The conditions under which farmers are working nowadays are changing rapidly. These changing conditions require a higher level of entrepreneurship for farmers (Beldman et al., 2013). In former days, farmers only needed to be healthy strong people who could work hard during many hours. In recent decennia, entrepreneurship has become an (or probably the most) important aspect of farming and will increasingly be so in the near future. Developments in the market, in the agricultural policy and in society in general urge for higher levels of entrepreneurship (Smit, 2004; see textbox ‘Which developments urge for higher levels of entrepreneurship?’). There is no clear one-way direction available for the future development of farms, farmers must find their own route to follow. Strategic management is a method to deal with all these issues.

Which developments urge for higher levels of entrepreneurship?

- Developments in the market: globalisation, certification, food safety requirements, and so forth;
- Developments in the agricultural policy: reform of the Common Agricultural Policy of the EU, trade treaty negotiations, and so forth;
- and developments in society in general: e.g. growing concern about environment, nature, biodiversity, landscape, animal welfare, natural resources but also crises like the financial crisis that influences market and policy.

Farmers are usually focussed on day-to-day management. Long-term goals get much less attention or not at all. Sessions with strategic management help them to set goals and strategies for the long term, based on a well-funded mission and vision.

Introduction to strategic management

The origin of the field of strategic management dates back to 1960s. The basis of strategic management is the notion that strategy creates an alignment between the enterprise's internal strengths and weaknesses on the one hand and its opportunities and threats in its external environment on the other (Andrews, 1987, in: Kraus and Kauranen, 2009). Strategic management allows a business to be more proactive than reactive in shaping its direction (David, 2001, in: Ondersteijn et al., 2003). Schendel and Hofer (1979, in: Kraus and Kauranen, 2009) identified the following six ‘major tasks’ of strategic management: 1) goal formulation, 2) environmental analysis, 3) formulation, 4) evaluation, 5) implementation and 6) control of strategies. Primary variables of strategic management are noted as the enterprise's resources, processes, strategy and field of industry. Strategic management deals with how enterprises develop sustainable competitive advantages resulting in the creation of value (Ramachandran et al., 2006, in: Kraus et al., 2009). Often, such competitive advantages are temporary by nature. The strategic management model describes the path the decision-maker intends to take from the existing position towards the desired position.

Quinn (1978) recognizes the cognitive and process limits within formal planning. Incrementalism is not ‘muddling’ through. It is a purposeful, effective, proactive management technique for improving and integrating both the analytical and behavioural aspects of strategy formulation. It dictates that one proceeds flexibly and experimentally from broad concepts towards more specific commitments and action points; making the latter concrete as late as possible in order to reduce uncertainty and to benefit the best available information. Thus, strategy emerges from an incremental process of building experiences and expertise that is brought together (Quinn, 1978; Mintzberg, 1987 in: Goldsmith and Gow, 2001).

Main principles of ISM

From 2000 onwards, Wageningen Economic Research has developed the concept of ISM (interactive strategic management), making use of the principles of strategic management as described above. The concept was made practical through the development

of a tool, SMT (Strategic Management Tool; see textbox 'Interactive Strategic Management (ISM) and Strategic Management Tool (SMT)'). The principles of ISM and of the tool were described in Beldman et al. (2013) and Smit et al. (2018).

Interactive Strategic Management (ISM) and Strategic Management Tool (SMT)

In short, ISM is a method and SMT is a tool to bring the principles of the ISM-method into practice. The method helps entrepreneurs:

- to describe, analyse and evaluate 'the three E's' (the **E**ntrepreneur (the farmer), the **E**nterprise (the farm) and the **E**nvironment (the external factors that affect the farm's performance and development options, in short neighbourhood, market and policy);
- to formulate their mission, vision and (both business and private) goals and their preferred strategies;
- to discover which strategies match best with the three E's and to evaluate whether these confirm or contradict the preference of the entrepreneurs;
- to decide the best strategies for their farms and to formulate **SMART** action plans as a concrete implementation of the strategies selected;
- to monitor and evaluate the progress of the implementation of the action plan.

SMT is an online tool in which the entrepreneurs answers the questions referring to the different steps in the ISM-process, as listed above. SMT combines these answers to calculate to which extent each of the optional strategies matches with the three E's of the farmer in charge. It also gives information to which extent a preferred strategy would match the logics of strategy selection (see further on). After completing all the tasks and phases in SMT, the farmer has compiled a full report of the different aspects underpinning his choice of strategy and the resulting action plan, which he can print and share with partners in- and outside the farm.

ISM has three main principles:

- 1) the emphasis on the **E**ntrepreneur;
- 2) interaction with the **E**nvironment; and
- 3) focus on actual progress or actions of the **E**ntrepreneur.

Emphasis on the Entrepreneur

Placing the entrepreneur at the centre means that, instead of an advisor, the farmer himself is responsible for the content of the strategic plan (Figure 2.1). The entrepreneur must therefore write the strategic plan himself; an advisor is only there to guide and stimulate the process. In an ISM training, entrepreneurs are challenged to thoroughly examine their business, the environment and themselves; for example, by analysing the current business performance. Because the ISM-training almost always takes place in a group setting, the entrepreneur can also make use of the expertise and feedback of his colleagues.

The intention is that the entrepreneur intensely experiences the entire process and simultaneously develops the competencies needed for the future of his business. You could say that the approach focuses on empowering the entrepreneur. The literature also discusses the internal locus of control (Fishbein and Ajzen, 1975); the greater this internal locus of control, the more control an entrepreneur has over his own future. A small internal locus of control means that the firm's future is largely in the hands of developments outside the firm, i.e. in his environment, things that happen to him. Research shows that working on strategic choices in groups leads to a larger internal locus of control and therefore greater control over one's own future (Bergevoet, 2003).

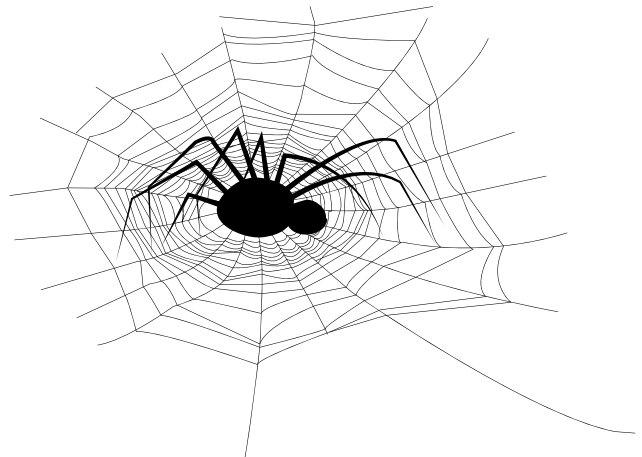


Figure 2.1 The Entrepreneur needs to be the spider in the web

(S)he is the one who sets out his/her mission and vision, and decides about the strategy and the action plan. Despite a great influence of advisors, extension officers, traders, processors, policy makers etc., finally the entrepreneur is the one to decide. ISM both challenges and supports the entrepreneur to take his responsibility for his/her decision making process.

Interaction with the Environment

While the entrepreneur may be central in Interactive Strategic Management, he is by no means isolated. In modern society, agrarian businesses can not be seen as an isolated link in the food chain. Depending on the proposed strategy of the entrepreneur, he must enter into a dialogue with his environment: with his neighbours concerning plans for expansion, for example, or with (new) supply chain partners, colleagues or nature and environmental organisations (Figure 2.2).

The role of an advisor or coach is to challenge the entrepreneur to include developments in his direct environment or in broader society into his strategy and to involve them in his plans. This prevents the tendency some entrepreneurs have of setting themselves apart from the community or from new developments in the market or society in general. Because the entrepreneur is part of the community, he must gain more insights and learn how to deal with situations pro-actively. Strategic decision making is, after all, about more than simply choosing the best technical/economic long-term direction for the business. It is also about legitimising the business (Schans, van der, 2008).

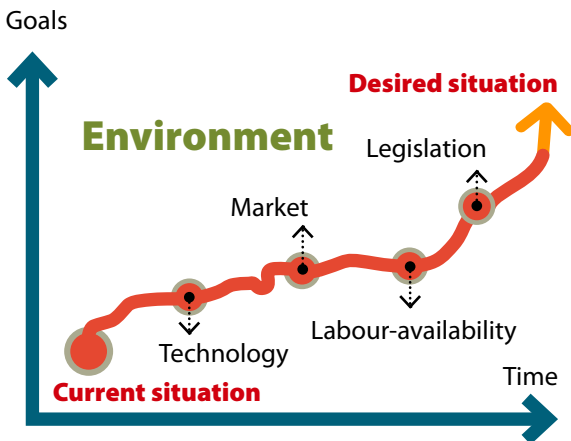


Figure 2.2 How to reach goals?

In his search to reach his goals, an entrepreneur has to take aspects of the external environment into account, like technological and market developments, labour availability and legislation.

Focus on actions of the Entrepreneur

Interactive Strategic Management is intended more to set entrepreneurs in motion than to transfer (theoretical) knowledge (Figure 2.3). The core of the ISM approach is therefore not so much to arrive at a total objective image of the entrepreneur, his business and environment but to generate so much energy and confidence that the entrepreneur can take (solid and well-founded) steps forward. It is about simultaneously thinking and doing. Apart from that, it is necessary that the entrepreneur forms the most realistic image of his possibilities as he can in order to make good plans.



Figure 2.3 Although ISM helps entrepreneurs to reach their goals, symbolically expressed as a tropical beach holiday, it is not intended to make them lazy, but, on the contrary, to stimulate and monitor a pro-active attitude and action in the right direction.

The interactive approach of ISM is pre-eminently suited to bringing ideas into focus (Schans, van der, 2008). Each ISM training ends with a SMART action plan. Wageningen Economic Research has applied the Interactive Strategic Management-method including SMT as a training concept in research, educational and commercial projects since the year 2000. The concept has been applied in both individual and group sessions with students and (future) farmers. They learn how to plan the strategy of their (future or imaginary) farm in a structured and solid way. In 2006, the largest agricultural bank in the Netherlands, Rabobank, adopted the concept in the Rabo Opvolgers Perspectief (Rabo Successors Perspective). In this coaching programme, farmers' sons and daughters who want to take over the farm, are trained according to the ISM-principles (Beldman et al., 2013). Wageningen Economic Research has also some experience with the method outside the Netherlands, e.g. in Poland, Lithuania, Slovenia, Austria and Sweden (partly in the Leonardo da Vinci and Erasmus

ISM-projects. See also Beldman et al., 2013). The training and the web-based SMT-tool have been specifically developed for farmers, which is explained in the following sections. The ISM-process can be very fruitful for the participants, examples of which are presented in this book.

Application of ISM in trainings

Strategic management is important, even for optimal operational and tactical decisions. The strategic choices should be clear in order to optimally fulfil the long-term vision, ambition and goals of the entrepreneur, in this case the farmer, streamlining also the operational and tactical decisions. The best strategies are those in which the three E's (a) the Entrepreneur: the ambitions and skills of the farmer, his family and/or employees; b) the Enterprise: the structure and performance of the farm, and c) the Environment: market and society (Malak-Rawlikowska et al., 2015) perfectly match. This idea is the core of the ISM-training, a 3-day training plus return day program, led by a facilitator. In the training, the farmers analyse their own Enterprise, Entrepreneur and Environment. They fill in the SMT-tool and discuss the results of their analysis with the other farmers in the group and the facilitator. SMT contains two types of questions: a) descriptive questions, in which the farmer expresses his views on the three E's and his goals, mission and ambition in his own words; b) scoring questions, in which the farmer scores to which extent certain characteristics apply on his situation, i.e. the three E's. Apart from giving the farmer insight in the three E's in his specific situation, the tool itself combines the scores of the different factors for each of the three E's to evaluate to which extent the different strategies in the tool match with these E's.

The programme of the training days is as follows (a more detailed overview is given in Beldman et al. (2013), see also Scheme 1):

Day 1: The first day starts with getting acquainted with each other and an introduction to the principles of strategic management in general and the structure and method of the training sessions.

The Enterprise and the Environment are analysed with the tool and through sharing the results with the group;

Day 2: The Entrepreneur is analysed in the same way as the Enterprise and the Environment in day 1. The participants also set their goal strategies and analyse the scores of the tool on the different strategies.

Day 3: A reality check on the strategy selection and the action plan is carried out. The training is completed with a presentation by each farmer about his analysis of the three E's, their strategy selection and the action plan that is based on these. Each presentation is reflected upon by the facilitator and the other participants.

Day	Theme morning	Theme afternoon
1	Analysis of Enterprise	Analysis of Environment
2	Analysis of Entrepreneur	Selection of Strategy
3	GAP-analysis and Action Plan	Presentations

Scheme 1: Overview of the ISM-training.

In between the training days, the participants have to do homework:

- They need to check their 'picture' of the three E's with persons with whom they have close contacts and who are prepared to give proper feedback to the participant. One could think of a son, an advisor, an accountant or an extension officer. The goal of this is, to check the validity of the answers given to the questions on the three E's. These answers are used by SMT to calculate scores on the different strategies. Those scores can only be realistic when the answers are correct. To be able to define the best strategy for himself, the farmer needs to have a correct view on the different factors. It does not help e.g. when a farmer thinks he is a good organiser when that is not true. It will also disturb the GAP-analysis;
- A second important task is to perform an interview with an entrepreneur outside agriculture, e.g. a shopkeeper. The experience is that the participants learn much from such an interview, e.g. that the principles of ISM such as formulating a mission, a vision, goals and a well-matching strategy are also relevant among entrepreneurs in other branches and that the type of decisions to be made is in principle comparable.

The results of this homework are shared and discussed with the other participants in the group meetings.

Figure 2.4 shows an output graph from SMT for a specific farmer with his scores on the strategies that are included in the tool. The green scores represent the extent to which the farmer finds a certain strategy suitable for his situation (expressed in the three

'E's'). The farmer can select three strategies at maximum which he considers as 'goal strategies', strategies that suit him well from a more or less intuitive selection procedure. After this selection, SMT itself calculates the measure to which each of the 11 strategies suits the three 'E's' according to the theory (the yellow dots in the figure). E.g. the farmer with his output in Figure 2.4 considers both specialisation and expansion as his favourite strategies. SMT indeed evaluates expansion as a very suitable strategy (a score of 9 out of 10), but specialisation is evaluated as less suitable (a score of 7). The graph also shows that operational excellence would have been a good choice and that strategies like diversification, downscaling and product leadership are not advisable for this farmer in his context. The evaluation method in SMT is explained in Appendix 2.2.

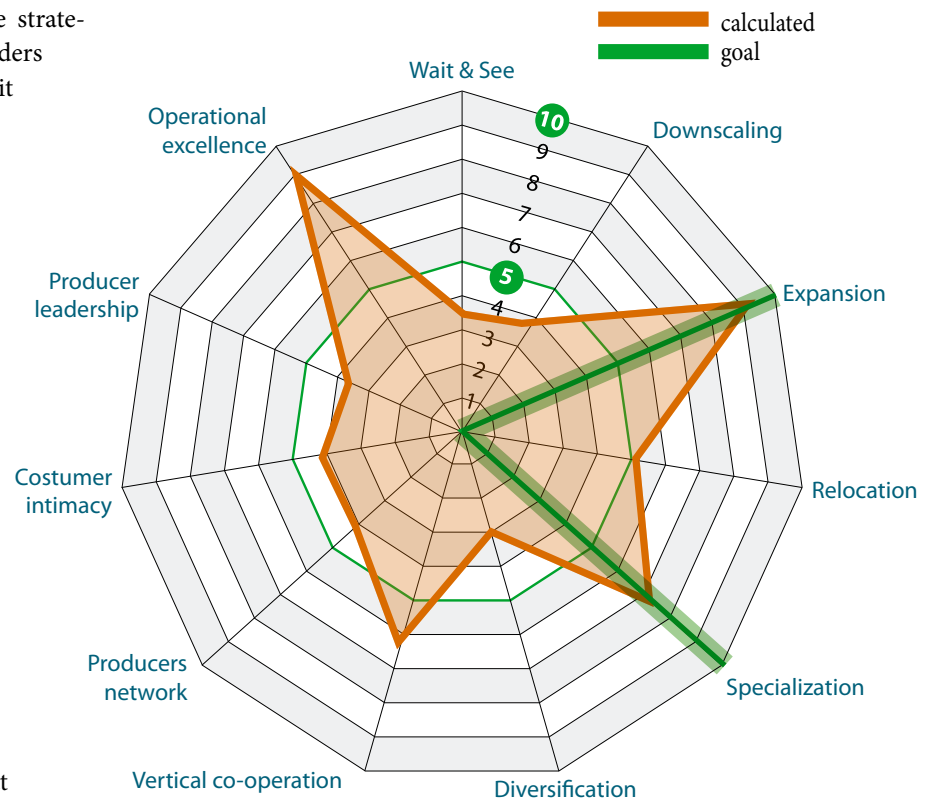


Figure 2.4 Output of SMT for a specific farmer, representing his scores on the different strategies in SMT (see text for further explanation).

Improvement of the concept

Originally, SMT only included farm development strategies, which worked out well for farmers who deliver their products to a large (cooperative or private) processor like a dairy or sugar company. Such farmers are not really involved in the marketing of their products. At most, they can be part of the board of a cooperative, however not discussing in that board their own marketing strategy but the one of the cooperative. However, also more market oriented farmers became interested in taking part in ISM training groups, e.g. owners of horticultural firms or farms with home processing and/or selling of their products on a niche market. These experiences led to the introduction of market development strategies into SMT.

After the Leonardo da Vinci - ISM project, this and a number of other improvements were made to the tool:

- 1. More sectors than dairy were added to the tool.** The tool was made ready for arable farming, horticulture, pig farming, poultry and beekeeping. The ISM-principles for all these sectors are the same, but the activities on the farm and its context are somewhat different. It makes a difference whether a farmer produces milk for the dairy cooperative, arable crops for the international market or honey for home selling. These differences are expressed in the wording of a number of questions (the so-called sector-related questions) on production, farm size, modernity etc., which are different for the various sectors;
- 2. The set of potential strategies was updated.** The old version only contained so-called 'farm development strategies'. The background was the main sales strategy of farmers in most sectors and countries, being sales to a cooperative or company

that takes care of processing (if relevant), sales, marketing and transport of the products to the next parts of the chain, e.g. the supermarket. For such farms, a focus on development strategies is logical, since they do not market their products themselves. However, there are farms (in some sectors and countries more than in others) in which farmers are much more market and consumer oriented. To be able to facilitate such farmers including those who would like to try such strategies out (on paper), three market development strategies were included in the tool: operational excellence, product leadership and customer intimacy. This change has led to 11 strategies in the new version of SMT (see textbox for a full list and Appendix 2.1 for an explanation of the strategies).

Strategy options in SMT

1. Operational Excellence
2. Product leadership
3. Customer intimacy
4. Producers Network
5. Vertical Co-operation (Network integration)
6. Diversification
7. Specialization
8. Relocation
9. Expansion (hectares, organization)
10. Down-scaling
11. 'Wait and See' – (no major change)

3. A GAP-analysis was included in the tool. Like in the old tool, the goal and calculated strategies are presented in a plot. In many cases, there is a difference (the so-called 'gap') between the scores on these two sets for one or more strategies selected. A natural follow-up question for a farmer and the facilitator would be: How is the difference between the two scores explained? That question is not only a matter of curiosity but also has practical relevance. In the case that the gap is mainly a result of the environment, e.g. market or policy factors, then not much can be done to overcome the gap. However, in the case the gap is a result from missing compe-

tences and the farmer insists on focusing on that specific strategy, he could overcome the gap through hiring an employee with those specific competences. Such a solution could make a certain strategy successful, even though the GAP-analysis would not suggest choosing this strategy. An example is that a farmer would decide to focus on direct sales, but his marketing and communication competences are insufficient to make this work. An employee or a business partner (sometimes a son or daughter entering the farm) could be the solution for this, whereas the farmer himself concentrates on making the best use of his own competences, e.g. efficiently producing high quality products on the farm.

The GAP analysis is done in three steps, which is explained in Appendix 2.2 in more detail:

- I. The result of the calculated and goal strategies is checked for a potential gap between both. Such a gap shows that SMT indicates that a certain strategy does not match with the three E's, but the participant thinks that strategy as optimal or vice versa;
- II. The underlying radar plots are studied in order to explain the gap between calculated and goals strategies: the enterprise, the environment and entrepreneur. The goal is to show the participant why the calculated score for a certain strategy is higher or lower than he expected;
- III. The GAP-analysis shows the factors that the entrepreneur has to work on to follow his goal strategy if he wants to maintain that strategy despite the analysis. In some cases, it can be a solution to hire personnel to compensate low scores on certain competences of the participant, which would make a certain strategy feasible after all. The above changes in the ISM tool were in the present ERASMUS+ ISM+ project translated, tested and adapted to the languages and local environments in Poland, Lithuania, Slovenia and Austria. This was a major job to do.



Chapter 3

Practice



Interactive Strategic Management sessions – Experiences with application with farmers

Poland



Pig farm:

Katarzyna i Maciej Kałuża

Poland

Austria



Organic Dairy farm:

Olga & Markus Voglauer

Austria

Lithuania



Organic Beef farm:

**Remidas Jungevičius,
Tautvydas Jungevičius**

Lithuania

Slovenia



Beekeeping:

Magdič Tanja

Slovenia

Case 1: Pig Farm Katarzyna i Maciej Kałuża

Family members:	Katarzyna and Maciej, 2 kids, father
Farm characteristics:	
The family (number of family members / family members working at the farm)	5/3
Number of employees (excluding the family members)	0
Number of livestock:	18 sows in the closed cycle
Agricultural Land – Total (ha): own + rented	65 ha
Crops:	Rapeseed, cereals: wheat, rye, triticale
Production yield:	Rather high yields
Other specialties	Small scale processing of pork

Main activities, which generates incomes, are:

- Pig breeding and production of cereals and rapeseed

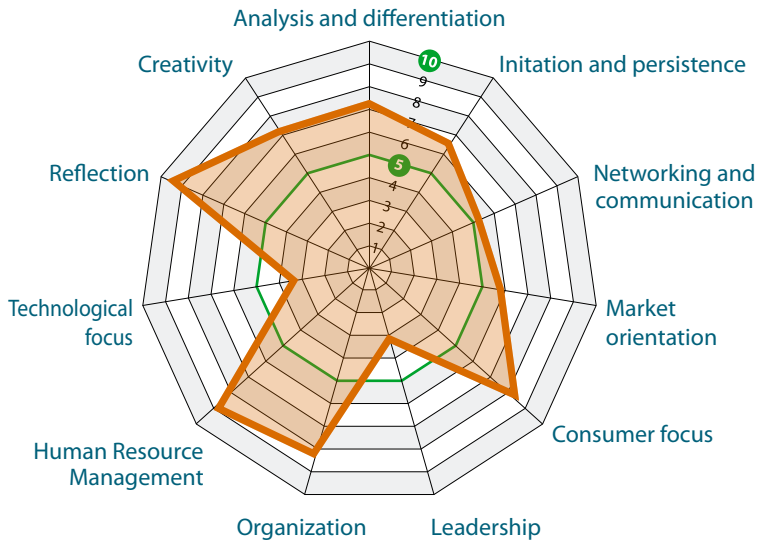
Other activities, which generate farm incomes, are:

- Processing of pork and production of meats (sausages, ham, and others)

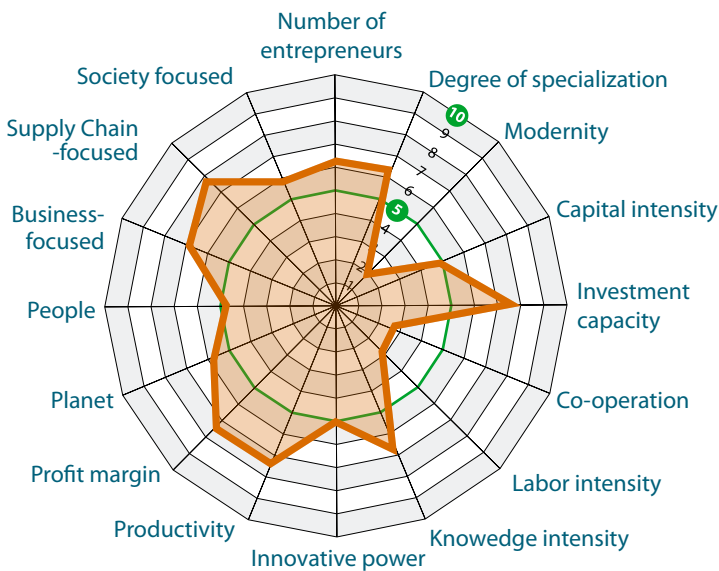
The main developments during last 10 years

- Purchase of a sprayer
- Purchase of manure spreader
- Purchase of grain dressing machines
- Increasing the area (purchase of 6 ha, lease - 13 ha)
- Purchase of a tractor





Spider web of the farmer competencies



Spider web of the Enterprise

Farmer competencies:

- She is ambitious, hardworking, energetic, active

Her strong points are:

- She likes challenges,
- She is well organised,
- She learns fast of the new things,
- She can easily find a new knowledge and use it in practice

Her weak points are:

- She is rather closed person,
- She is impatient,
- She is quickly get discouraged



Enterprise

Strong points:

- high yields,
- low operating costs of machines,
- machines in good technical condition,
- low indebtedness,
- constant improvement of knowledge and looking for development opportunities,
- age of farmer

Weak points:

- location,
- poor quality of land,
- old buildings requiring modernization,
- health problems of family members

Farm results:

- yields at a fairly high level

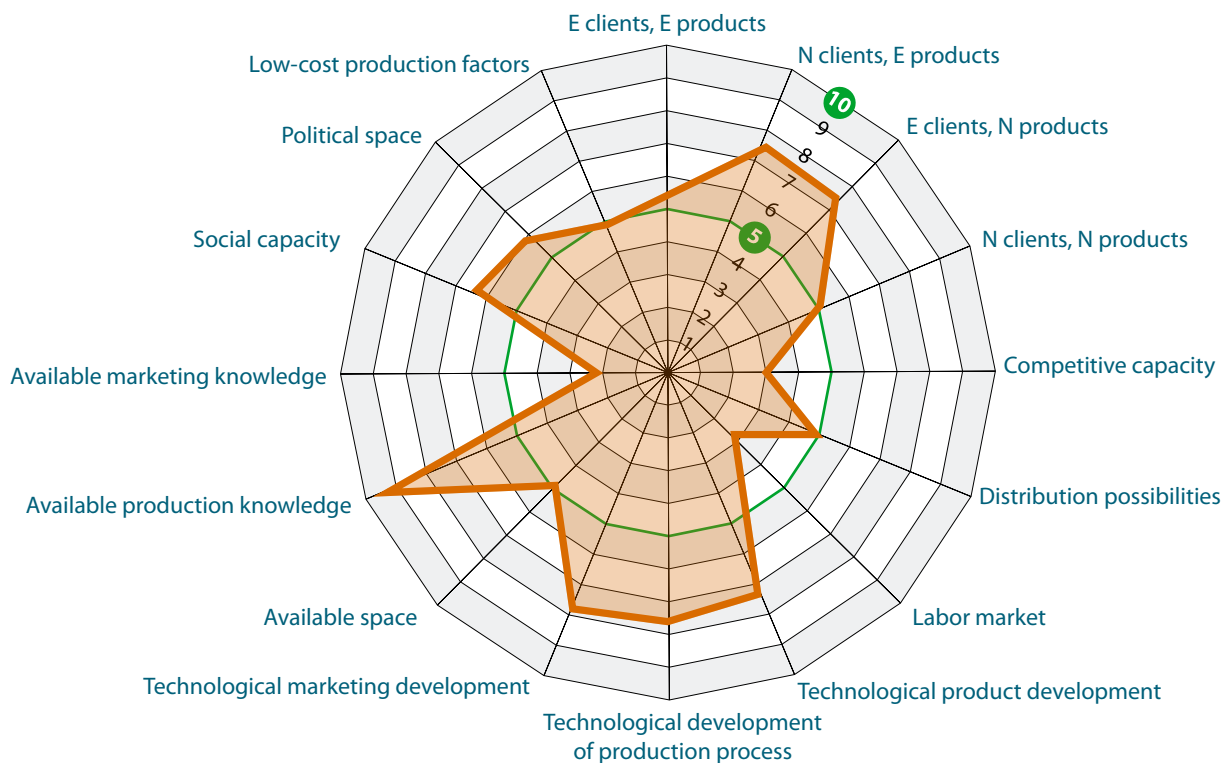
ENVIRONMENT AND ITS IMPACT ON THE FARM

Localisation (characteristics):

- The farm is located about 20 km from nearest town
- No large communication routes
- Cultivated fields are located in a large distance (the farthest 20 km) from the farm buildings
- The village is small
- Lack of close neighbours

Main environmental (external) factors which influence the farm:

- Changing regulations (especially regarding direct selling),
- Weather,
- Prices of agricultural produce,
- ASF (african swine fever epidemic)



Spider web of the farm environment

Marketing

Forms/ways of marketing for your agricultural products / services:

- Fairs of local/ traditional food products
- Leaflets, brochures about products
- Degustation at the farm stand
- Whispering-marketing
- In the future: web-page of the farm

What kind of marketing channels do you want / will be serving in the future:

- Direct selling of meats to consumers (at farmers market, local fairs, direct deliveries to consumers, selling at the farm)
- Selling to the intermediary (wholesaler)

Farming goals

The Farm Vision

- Increasing the farm area (buying agricultural land)
- Development of meats production
- Change of production direction into processing of pork

Personal goals

- Continuous deepening of my knowledge regarding production and processing techniques, methods of environment protection, etc.
- Expanding the market for meat products

Farm in 10 years – Vision (dream)

How will your farm look like over 10 years?

- We will build a small home processing plant and will be selling our meats to consumers
- We will increase the farm area to 100 ha.
- We will modernize existing buildings and build a new garage for machines.
- The farmyard will be hardened.

Critical Success Factors – in relation to farming goals

1. Weather
2. Prices of agricultural produce
3. Health status of family members
4. Changes in the law
5. Enlarging the family

Possible Strategies for the farm:

1. Processing of pork (production of meat products)
2. Diversification into crop production

Networking

What is your professional network (with whom you cooperate in the professional work):

- Farm advisor
- Purchasers of cereals, rapeseed and pork (wholesaler/intermediary)
- Input suppliers
- Extension centre - trainings

With whom do you cooperate outside your sector - what is your network outside of your professional work:

- My colleagues/ friends

My chosen strategy:

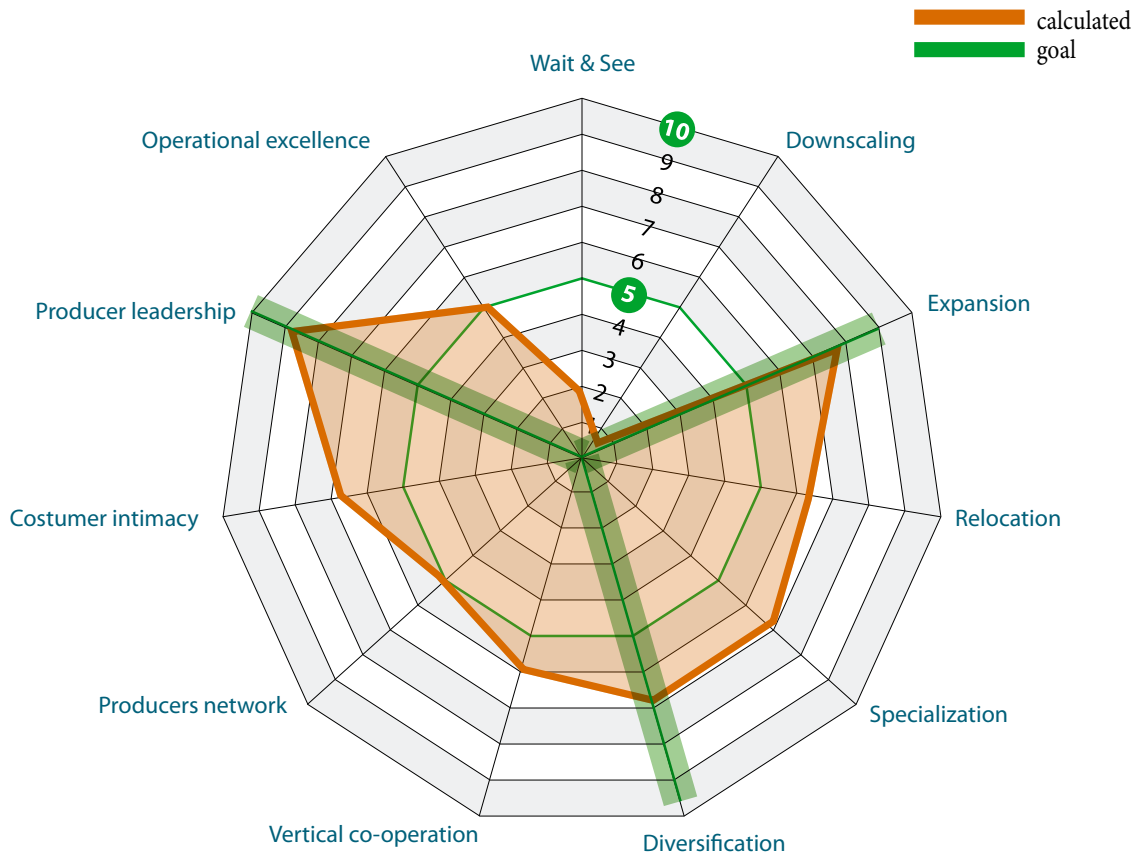
1. Processing of pork / production of meat products

Reasons:

- In society, the trend to buy high-quality food is growing stronger
- In this trend, I see a chance to increase farm income and become independent from the prices of agricultural produce and weather
- Revenues that are independent of weather conditions and turbulence in the markets

Why does this strategy fit with: your goals and ambitions; the strengths and weaknesses of your farm; the developments in the environment?

- I like challenges and continuous development. I like to cook and create new dishes.



Spider web of the strategy calculated and chosen by farmer

The Advantages and Weaknesses of chosen strategies

Strategy 1: Processing of pork	
Advantages:	Weaknesses:
<ul style="list-style-type: none"> Increasing the farm income Opportunity to develop the farm with added value products Positive impact on consumers' health 	<ul style="list-style-type: none"> It is labour intensive production Necessity to adapt the room for production Purchase of production machines

Strategy 2: Diversification into crop production	
Advantages:	Weaknesses:
<ul style="list-style-type: none"> Increasing farm income 	<ul style="list-style-type: none"> Increased labour intensity The need to look for new sales markets Increasing knowledge about all new products/ productions

Necessary activities

Strategy 1: Processing of pork

- Adapting the place for the processing of meat products
- Purchase of the necessary equipment
- Finding new sales markets
- Introduction of new products

Strategy 2: Diversification into crop production

- Deepening knowledge of the cultivation of new plant species
- Purchase of seed material
- Construction of storage rooms for agricultural produce

Action plan for chosen strategy

When?	What?	What support do you need?	Critical success factors
This year (2018)	Adapt the room for the production of meats	An experienced butcher Sales advisor (to find a new sales markets)	Finding new sales markets Funds for the purchase of equipment

In case we are not able to realize the preferred strategies, the reserve scenario can be:

- If African Swine Fever epidemic makes impossible to sell our meat products, we will stay with crop production only!



Case 2: Organic Beef Farm Remidas & Tautvydas Jungevicius

Family members:	Remidas & Tautvydas
Farm characteristics:	
The family (number of family members / family members working at the farm)	2
Number of employees (excluding the family members)	7
Number of livestock :	~400
• Dairy cows	~400
• Fattening Bulls	~400
• Other animals	7
Agricultural Land – Total (ha):	~600 ha
- own + rented :	~400 ha + ~200
Crops:	~200 ha
Production yield:	low
Other specialties	/

Main activities, which generates incomes, are:

- Organic beef cattle breeding.
 - the main product is the organic fattened cattle for meat,
 - the second product - breeding cattle for further replacement

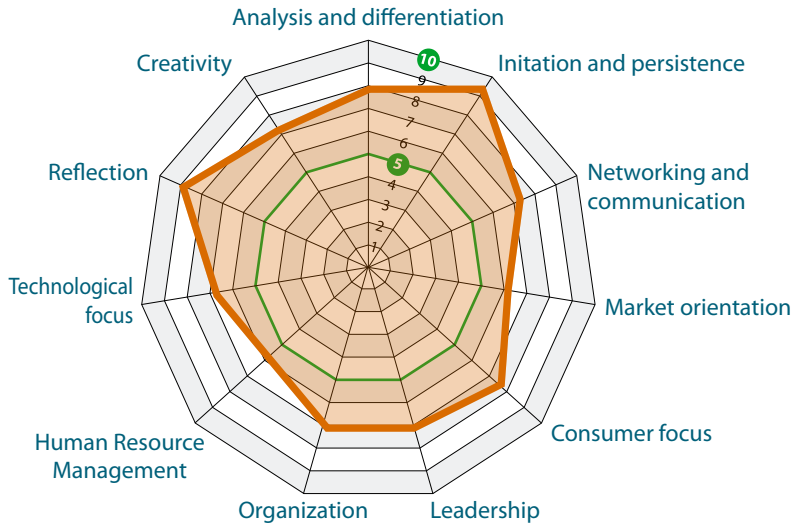
Other activities, which generate farm incomes, are:

- Also provide services to other farms:
 - land cultivation and feed preparation;
 - consultancy services;
 - sell crops grown on the farm.

The main developments during last 10 years

- Extended cattle breeding herd;
- A cattle fattening farm was founded;
- Invested in cattle housing, infrastructure;
- More quality meadows were created;
- Less favorable fields turned into pasture lands.





Spider web of the farmer competencies

Farmer competencies:

- He is ambitious, hardworking

His strong points are:

- Analytical thinking
- Stubbornness

His weak points are:

- Marketing skills
- Advertising / promotion skills



Enterprise

Strong points:

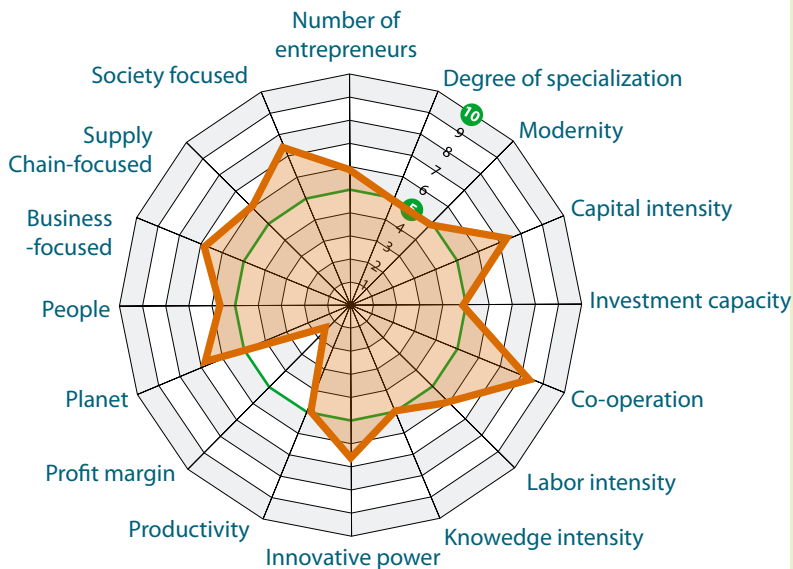
- Innovative and modern farm
- We create stable and high quality product
- Good luck to cooperate

Weak points:

- Human factor
- Opportunities to improvise

Farm results:

- 80% cows calving after mating;
- 50-60% of calves weaning;
- 0.841 kg / day feeder in fattening farm;
- 220 kg weight of calves weaning from 7-8 months of age



Spider web of the Enterprise

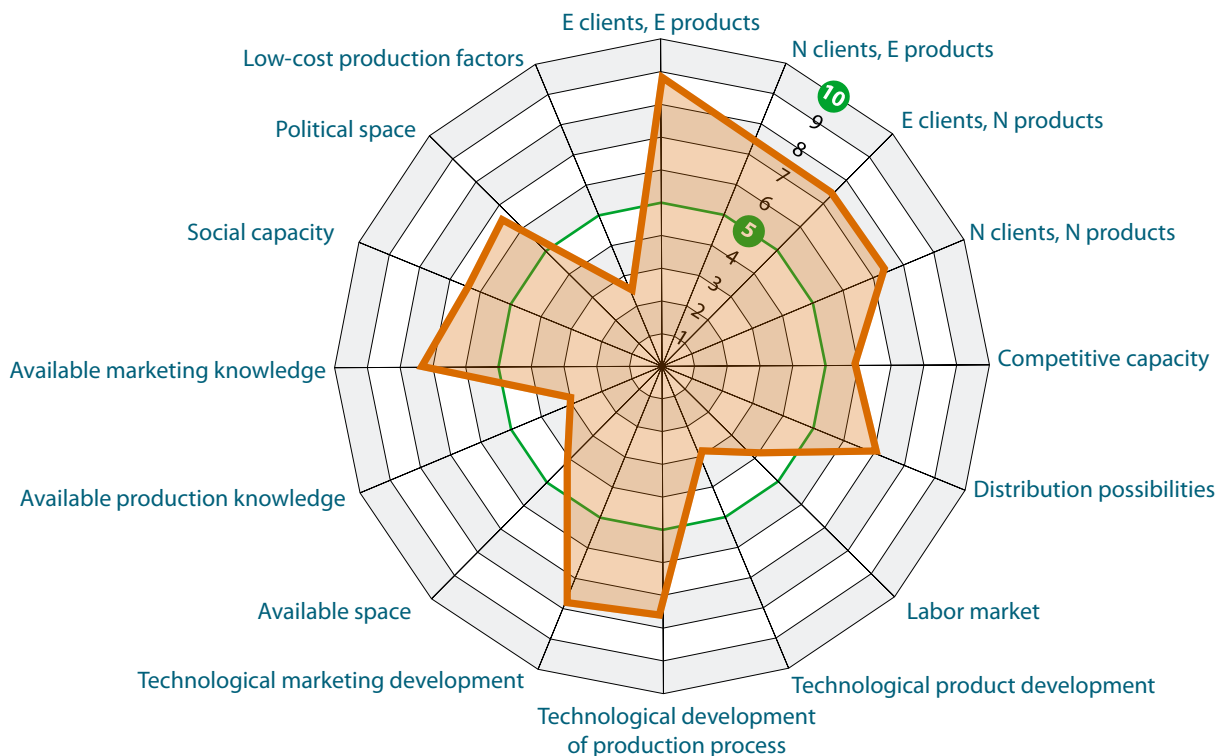
ENVIRONMENT AND ITS IMPACT ON THE FARM

Localisation (characteristics):

- The district centre is located about 10 km from the farm;
- Fattening farm is near a small settlement;
- The cultivated areas geographically are quite scattered..

Main environmental (external) factors which influence the farm:

- Location of working plots;
- Competition among farmers for cultivated areas and workers;
- Geographical location of the farm



Spider web of the farm environment

Marketing

Forms/ways of marketing for your agricultural products / services:

- Direct selling (small part);
- In the future:
 - Webpage of cooperative;
 - Product label for export;
 - Product label for national market.

What kind of marketing channels do you want / will be serving in the future:

- Internet:
 - Farm web shop
 - Cooperative
- Selling to the intermediary abroad (wholesaler)
- Selling abroad with own cooperative label

Farming goals

The Farm Vision
<ul style="list-style-type: none"> • 600 ha • 250 suckler cows • 180 fattening cattle • 250,000 euros per year

Farm in 10 years – Vision (dream)

How will your farm look like over 10 years?

- The farm model will be completed;
- The model will be replicated in other regions;
- Farm produce production to ensure a larger market share and farms will be able to achieve better economic results.

Critical Success Factors – in relation to farming goals

1. Availability of agricultural land;
2. Number of cattle;
3. Achieved profitability;
4. Number of working farm models (successful farm duplicates)

Possible Strategies for the farm:

1. Operational excellence

2. Specialization

3. Producers Network

Networking

What is your professional network (with whom you cooperate in the professional work):

- Cooperate with 10 beef farmers:
 - share machinery, tractors;
 - help each other with works;
 - change land plots
 - purchase inputs, sell production.
- Agricultural researchers;
- Veterinary specialists and researchers;
- Agricultural universities.

With whom do you cooperate outside your sector - what is your network outside of your professional work:

- Lawyers,
- Business advisors

Personal goals
<ul style="list-style-type: none"> • Create a healthy and self-employed business that will become the basis for myself and other family members

My chosen strategy:

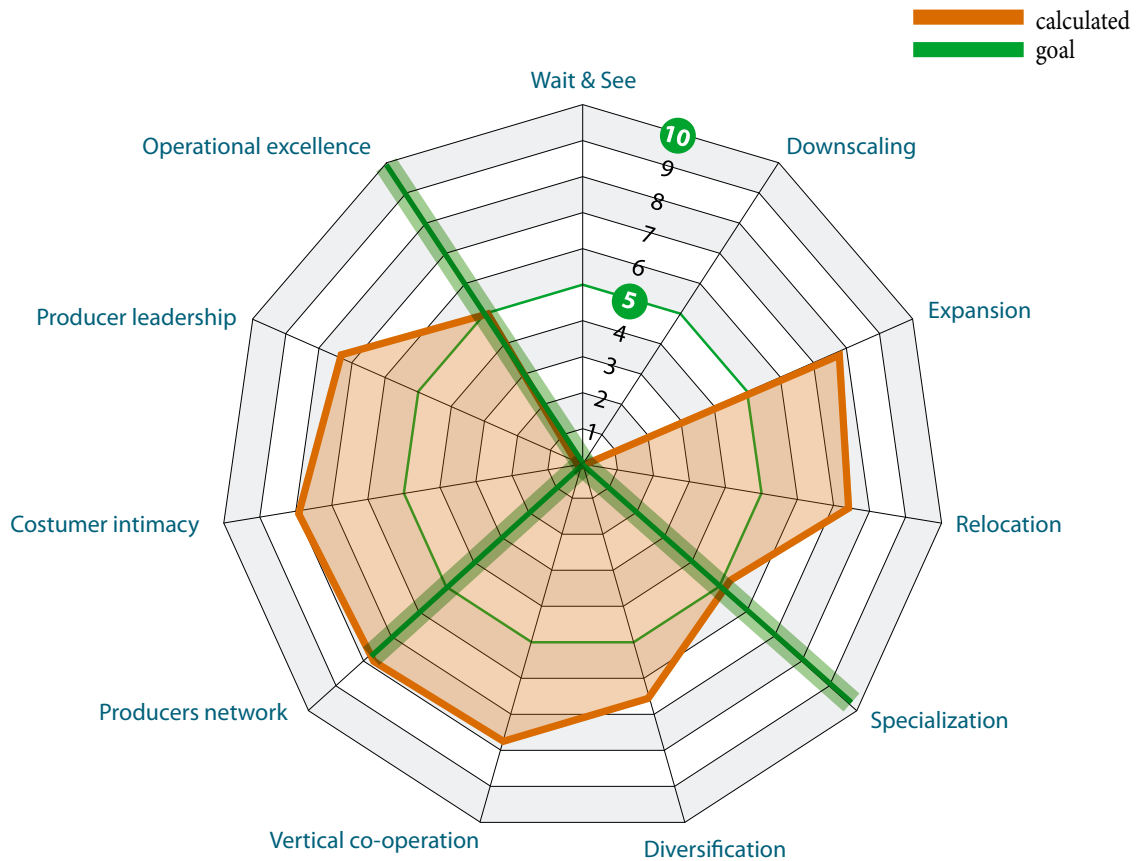
1. Operational excellence

Reasons:

- We strive to produce a quality product that we can create the highest added value.
- We strive to create a model where we develop a quality product and we can copy the model in other areas.

Why does this strategy fit with:

- **your goals and ambitions:** the goal is to create more value added and achieve higher profitability.
- **the strengths and weaknesses of your farm:** strengths are zealotness and the availability of information, analytical skills that will allow us to analyze farm's outcomes.
- **the developments in the environment?** The farm does not plan much to expand, we plan to polish and systematize the model, which we will later expand in other regions.



Spider web of the strategy calculated and chosen by farmer

The Advantages and Weaknesses of chosen strategies

Strategy 1: Operational excellence		Strategy 2: Specialization	
Advantages:	Weaknesses:	Advantages:	Weaknesses:
<ul style="list-style-type: none"> Analytical skills; Education; Availability of information 	<ul style="list-style-type: none"> Much attention is paid to control variables; Management knowledge. 	<ul style="list-style-type: none"> Agility; The desire to improve and implement innovations. 	<ul style="list-style-type: none"> Lack of knowledge; Experience; The reliability of the consultants.

Necessary activities

Strategy 1: Operational excellence
<ul style="list-style-type: none"> • Calculations, analysis and systematization. • Strategy risks are the reliability of the information you find.

Strategy 2: Specialization
<ul style="list-style-type: none"> • Additional investment in storage, cattle herd. The value of the investment: €400,000. • Emerging risks - disease and market fluctuations

Action plan for chosen strategy

When?	What?	What support do you need?	Critical success factors
As soon as possible	Choose the activity that we will improve, make an analysis of the current situation, create possible models for implementing change	Partner, team, accountant, consultant	Produced output using the same resources, farm profitability and other qualitative indicators

In case we are not able to realize the preferred strategies, the reserve scenario can be:

- If we would fail to implement the desired strategies, the backup scenario could be: Specialization Strategy

Case 3: Organic Dairy farm Voglauer Zablatnik

Ecological farm Kumer - Bio-kmetija 'pri Kumru' – Bio-Heumilchhof Kumer

Family members:	Olga & Markus Voglauer – 7 members
Farm characteristics:	
The family (number of family members / family members working at the farm)	7 members 3 working at the farm
Number of employees (excluding the family members)	1
Number of livestock :	26
• Dairy cows	17
• Other animals	5 calves 3 heifers 1 breeding bull
Agricultural Land – Total (ha):	24 ha
- own + rented :	13 ha own + 9 ha rented

Main activities, which generates incomes, are:

- Direct selling of milk-products produced from cattle, that we feed just with hay and fresh grass (called 'Hay-milk in Austria')

Other activities, which generate farm incomes, are:

- Selling milk to the dairy
- Forestry
- Educational offer for schools and kindergarten on the farm

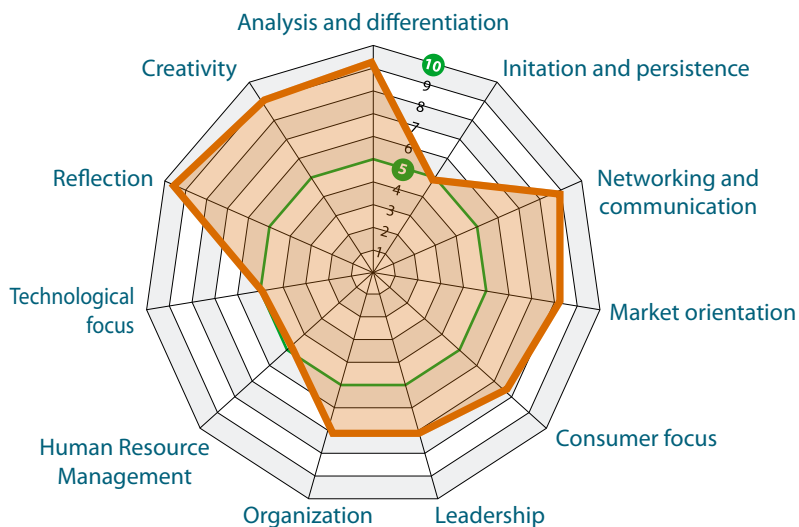
The main developments during last 10 years

- Transformation from feeding silage to feeding hay in the winter and grassland pasture feeding from April till November
- Implementation of direct selling of our dairy products to upscale customers
- Construction of a hay-drying-plant
- Construction of a new processing area for our dairy-production
- Creation of 2,5 full jobs on the farm – no need to get income from outside



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Spider web of the farmer competencies

Farmer competencies:

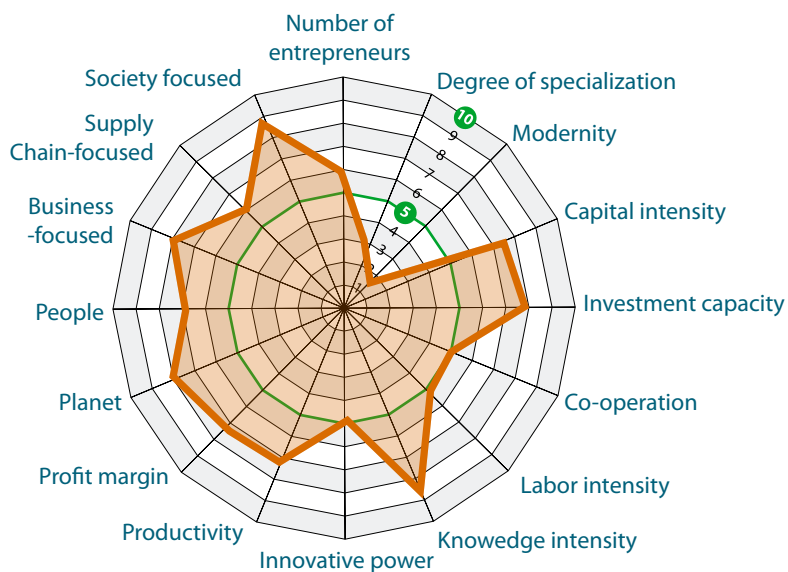
- she is open minded, self confident, a networker, creative,
- she likes to explore new things / projects

Her strong points are:

- good organised,
- a very strong family,
- like to work hard for our projects,
- like to work in networks and teams

Her weak points are:

- she often wants to much things in the same time



Spider web of the Enterprise

Enterprise

Strong points:

- good specialized,
- a strong customer network,
- strong marketing

Weak points:

- Labour-intensive – difficult to get appropriate staff

Farm results:

- high capital intensity



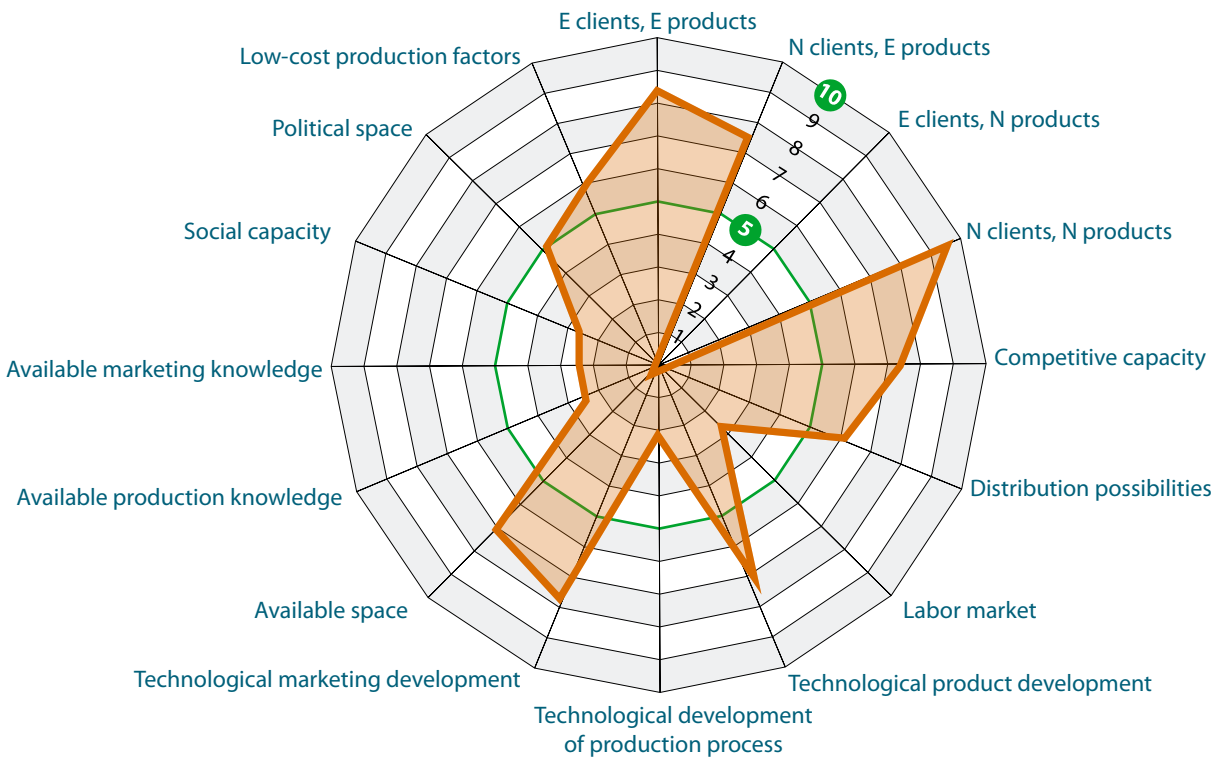
ENVIRONMENT AND ITS IMPACT ON THE FARM

Localisation (characteristics):

- Located near to 2 bigger towns
- Located in the middle of our village
- Educated staff is difficult to find

Main environmental (external) factors which influence the farm:

- Change in village development (urbanisation)
- Climate
- Agricultural structure in our region is decreasing



Spider web of the farm environment

Marketing

Forms/ways of marketing for your agricultural products / services:

- Social media
- Info-letters to costumers
- Face-to face marketing.

What kind of marketing channels do you want / will be serving in the future:

- We will much more focus on social media and selling via web.

Farming goals

The Farm Vision

- To be the local supplier of high quality dairy products for upscale gastronomy and healthy aware customers.
- To ensure 3 full jobs on the farm.
- To ensure economic independency.

Personal goals

- To ensure work-life balance and have enough time for family and friends.

Farm in 10 years – Vision (dream)

How will your farm look like over 10 years?

- Enlargement of direct-selling to 5 more hotels in the upscale gastronomy
- Pastures will be enlarged from 9 ha now to 18 ha
- We will cooperate with another farm
- One of our children will join our farm.

Critical Success Factors – in relation to farming goals

1. Health of farm-leaders and family members
2. Human resources
3. Climate changing
4. Diseases of cows
5. Decreasing of awareness for local food and dairy products



Networking

What is your professional network (with whom you cooperate in the professional work):

- Farmers
- Cooks & upscale gastronomy
- Agricultural, economical, financial, assurance consultants

With whom do you cooperate outside your sector - what is your network outside of your professional work:

- Cultural initiatives
- Political groups
- Distant relatives

Possible Strategies for the farm:

1. Customer intimacy
2. Network of producers

My chosen strategy:

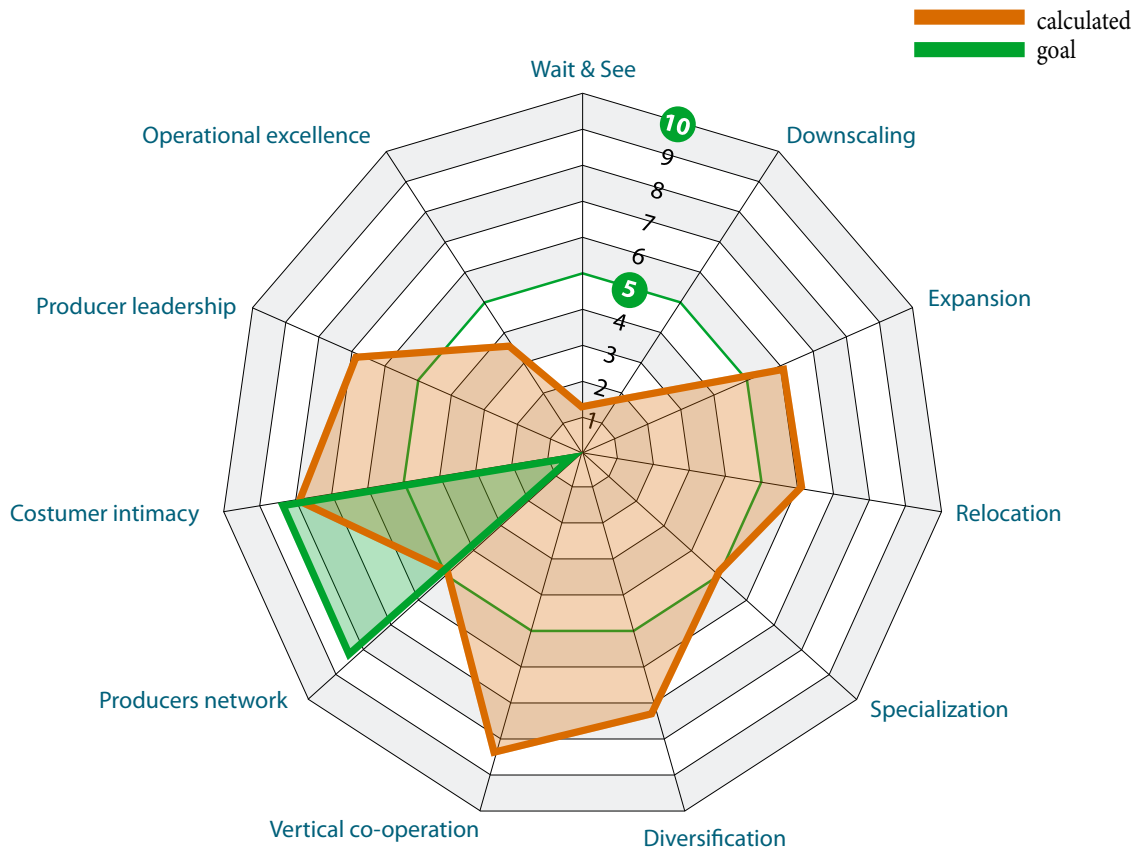
1. Network of producers

Reasons:

- We see lot of potential in a new network of producers regarding cooperation in agri-technical issues and dairy-production.
- We will have more time to introduce new products and to serve new costumers.
- We want to reduce intensity of work on our farm and out-source some fields of agri-production.

Why does this strategy fit with:

- We would increase work-life balance;
- Our work-process in agri-production would be more efficient;
- The cooperation would decrease costs for technical supply and our agri-production



Spider web of the strategy calculated and chosen by farmer

The Advantages and Weaknesses of chosen strategies

Strategy 1: Customer intimacy	
Advantages:	Weaknesses:
<ul style="list-style-type: none"> We are already tough in cooperation with costumers. 	<ul style="list-style-type: none"> The potential for improving our working process is not very high.

Strategy 2: Network of producers	
Advantages:	Weaknesses:
<ul style="list-style-type: none"> A new chance for changing working processes on the farm – get more time for new projects. 	<ul style="list-style-type: none"> Difficult to find new partners

Necessary activities

Strategy 1: Customer intimacy

- Intensify collaboration with cooks and gastronomy for developing new products – perfect for high cuisine
- Intensify marketing activities
- To employ 1 new person

Strategy 2: Network of producers

- To find a partner that fits to our farm-philosophy
- To specify the co-operation fields
- To get information about the legal and tax obligations

Action plan for chosen strategy

When?	What?	What support do you need?	Critical success factors
2019 and 2020	Find a fitting partner for agri-production and make a collaboration contract	Tax and Legal consulting; Using the “Maschinen-ring” Network in Carinthia	To find a fitting partner for our farm

In case we are not able to realize the preferred strategies, the reserve scenario can be:

- We have to employ a worker for supporting us in agricultural production.
- Work-processes remain as they are.



Case 4: Beekeeping Magdič Tanja

Family members:	Father Darko, Mother Danica, daughters Tanja & Simona
Farm characteristics:	
The family (number of family members / family members working at the farm)	4
Number of bee houses	4
Number of bee families	70
Production yield:	1.000 kg honey
Other specialties	Beekeeping tourism Production of pollen Propolis production Breeding bee families

Main activities, which generates incomes, are:

- Production of bee products: honey, pollen, propolis (or bee glue)

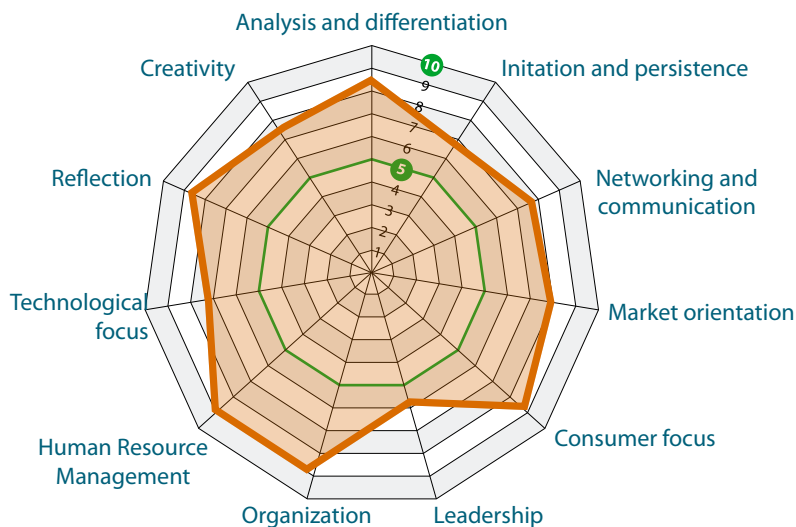
Other activities, which generate farm incomes, are:

- Breeding bees
- Api-tourism - display / presentation of beekeeping
- Processing bee products: mixtures, honey with additives: dried fruits, nuts, purple coneflower, ...

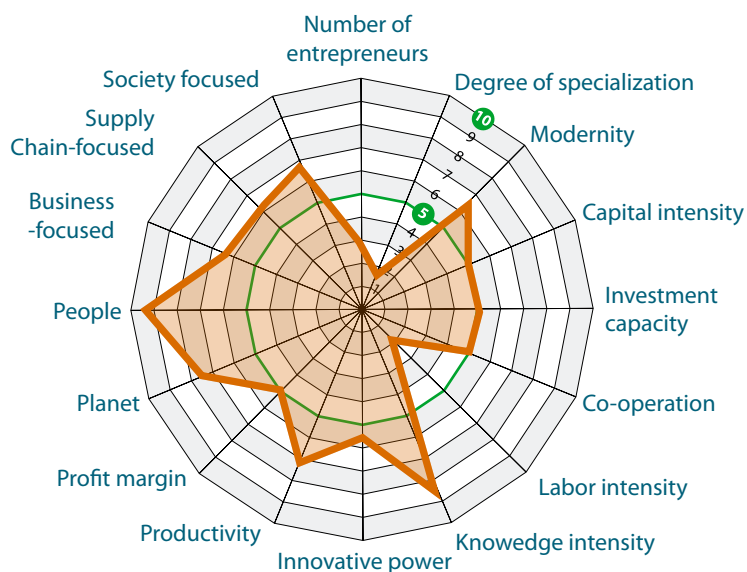
The main developments during last 10 years

- The increase of beekeeping activities on the farm
- Buying of transportable bee house
- Acquired awards for honey
- Inclusion in the quality scheme 'Slovenian honey'
- The project of painting painted beehive panels
- Upgrading with beekeeping tourism





Spider web of the farmer competencies



Spider web of the Enterprise

Ambitions:

- expansion of beekeeping,
- extension of activities with supplementary activities on the farm,
- integration

Skills:

- knowledge of the market,
- improvement of knowledge,
- experience with transports of bees to nectar pasture,
- knowledge in the field of rearing of queen bee;
- experience in api-tourism,
- organizational skills

Her strong points are:

- knowledge of foreign languages (English, German, Italian, Japanese);
- involvement in a quality scheme 'Slovenian honey'



Enterprise

Strong points:

- high yields
- low operating costs of machines,
- machines in good technical condition
- low indebtedness
- improvement of knowledge and looking for development opportunities
- age

Weak points:

- location,
- poor quality of land,
- old buildings requiring modernization,
- health problems of family members

Farm results:

- yields at a fairly high level

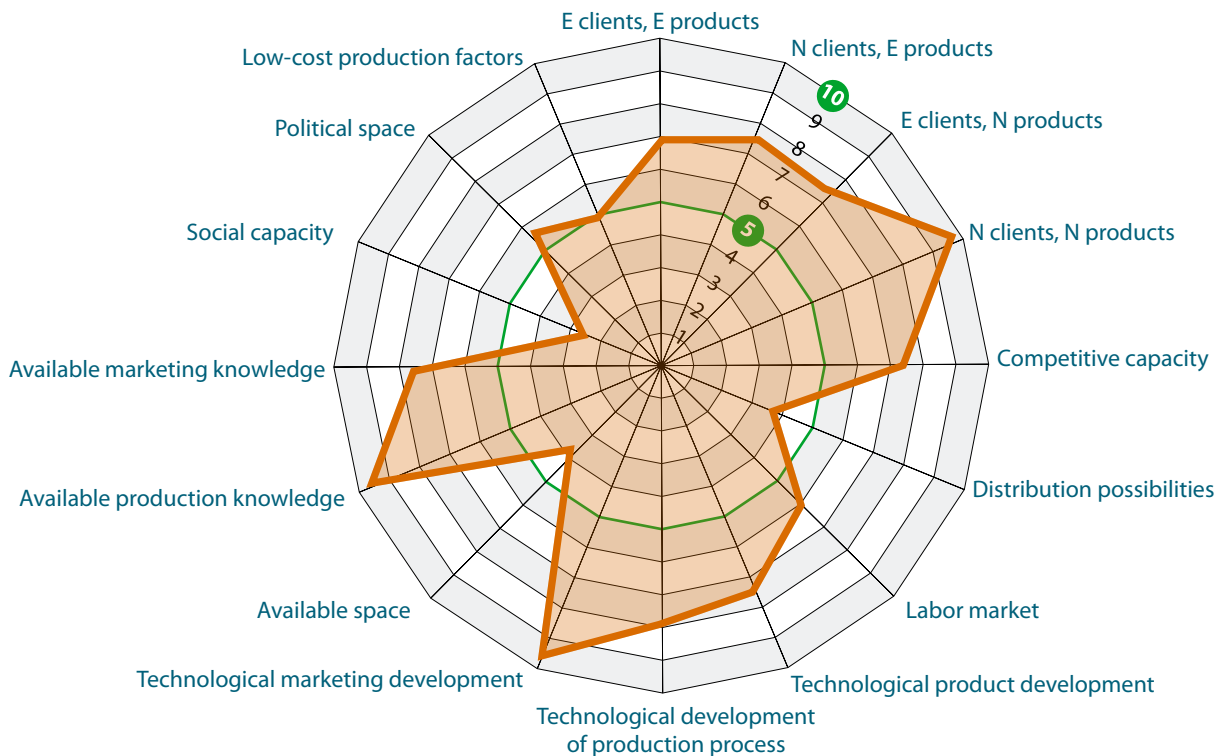
ENVIRONMENT AND ITS IMPACT ON THE FARM

Localisation (characteristics):

- The bee-houses are located on three locations: Park of hospital in Begunje, Mountain Jelovica, Lesce
- Location of pasture for bees: stationary of bee-houses in Jelovica & Begunje, 2 mobile bee-houses;
- Beekeeping activities are 500 m from city Radovljica and touristic city Bled

Main environmental (external) factors which influence the farm:

- Weather situation,
- changing regulations (especially regarding direct selling),
- prices of honey and bees-products
- dependence on nature



Spider web of the farm environment

Marketing

Forms/ways of marketing for your agricultural products / services:

- Gifts program;
- Sales to tourists;
- Selling directly at home;
- Participating on different local events;
- Business program;
- Inclusion in the quality scheme 'Slovenian honey'

What kind of marketing channels do you want / will be serving in the future:

- Online marketing;
- Development of gifts packaging,
- Protocol gifts,
- Souvenirs
- Innovative approaches - the development of new products

Farming goals

The Farm Vision

- to become recognizable in the local area,
- with a high proportion of foreign, especially Japanese visitors,
- with a reputation for high-quality services and unforgettable beekeeping experiences

Personal goals

- Establishment of Api-Therapy Centre in apiary on mountain Jelovica
- employment of one family member for full-time work
- Transition to ecological / organic beekeeping

Farm in 10 years – Vision (dream)

How will your farm look like over 10 years?

- 150 bee families
- Achieving significant income from basic and complementary activities
- Additionally employment of one family member
- High added value of honey, honey and other bees products
- Obtaining a certificate for organic beekeeping
- Extension with medicinal herbs activities
- A recognizable Api-Therapy centre
- Garden of honey plants: especially herbs
- A recognizable brand – 'high quality organic honey, honey and bees products'

Critical Success Factors – in relation to farming goals

1. Health status of members of beekeeping
2. Adverse weather conditions: poor pasture conditions in nature (low returns of nectar)
3. Legislation - non-recognition of Api-Therapy in Slovenia
4. Untimely obtaining approvals for the opening of the Api-Therapy Centre
5. High costs of transition to organic beekeeping

Networking

What is your professional network (with whom you cooperate in the professional work):

- Experts and advisers of Slovenian Beekeepers' Association
- Slovenian beekeepers
- Buyer, purchaser, consumer, customers of honey, honey and bees products;

With whom do you cooperate outside your sector - what is your network outside of your professional work:

- My colleagues/ friends

Possible Strategies for the farm:

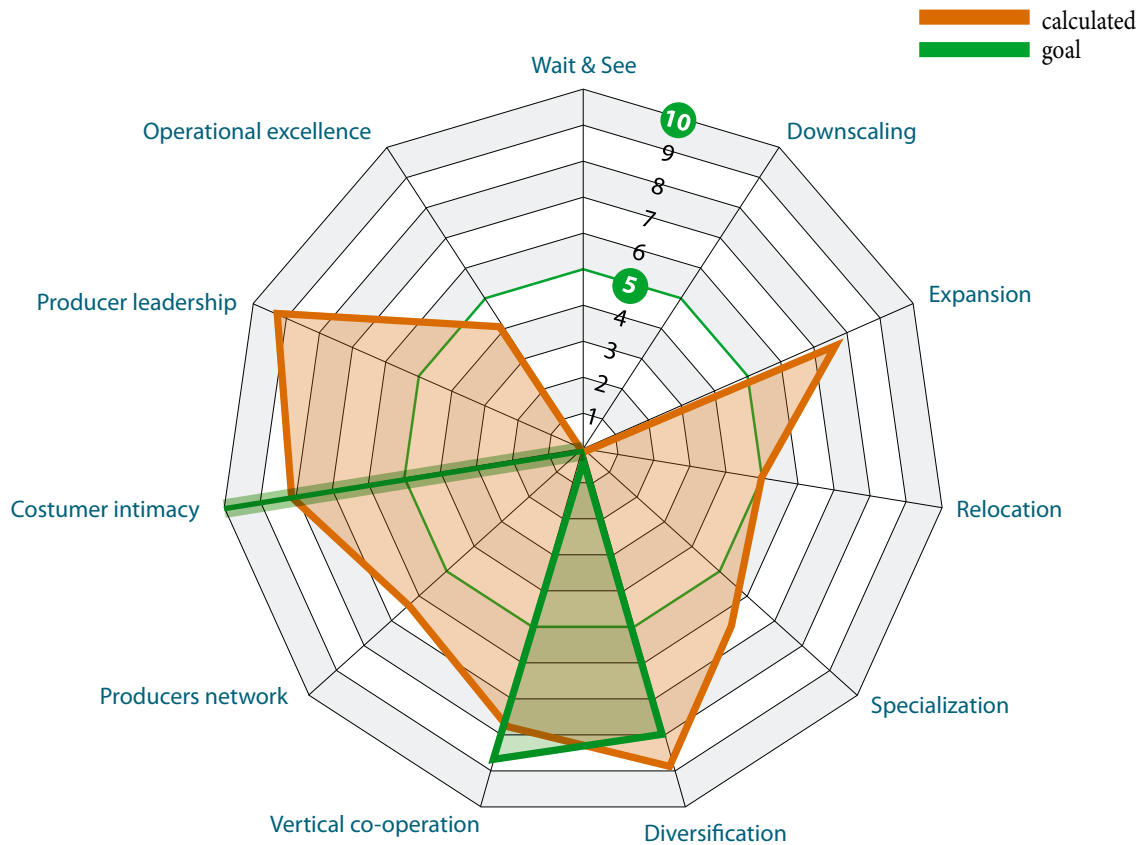
1. Renovation of the "farm shop" into the space for receiving visitors and arrangement of the sales area and the apiary to the Api-Therapy Bee house
2. Increase of beekeeping - the number of bee families and the arrangement of the nectar herbal garden (tea production) and the transition to organic beekeeping

My chosen strategy:

1. Renovation of the "farm shop" into the space for receiving visitors and arrangement of the sales area and the apiary to the Api-Therapy Bee house

Reasons:

- Opportunity for capacity utilization and additional earnings
- Acquisition of customers, space for reception of visitors and presentation of beekeeping even in case of bad weather



Spider web of the strategy calculated and chosen by farmer

The Advantages and Weaknesses of chosen strategies

Strategy 1: Api-Therapy Bee house	
Advantages:	Weaknesses:
<ul style="list-style-type: none"> Better utilization of an existing facility; no risk due to weather conditions Acquisition of a new segment of customers The ability to market products with higher added value 	<ul style="list-style-type: none"> Legislation - non-recognition of Api-Therapy in Slovenia Lack of knowledge Not knowing of these activities The need for new knowledge

Strategy 2: Increase of beekeeping	
Advantages:	Weaknesses:
<ul style="list-style-type: none"> Expanding the offer The utilization of knowledge and experiences Marketing knowledge Transition to Organic Beekeeping Greater added value 	<ul style="list-style-type: none"> The influence of weather: climate change Increase the scope of work Increasing of costs

Necessary activities

Strategy 1: Api-Therapy Bee house
<ul style="list-style-type: none"> • Renovation of the apiary • Purchase of equipment • Looking for EU investment subsidies • Hire a bank loan / credit • Obtaining an authorization to pursue an activity

Strategy 2: Increase of beekeeping
<ul style="list-style-type: none"> • Preparation of a strategic & business plan • Intensive rearing of bee families • Acquisition of EU investment funds • Development of new products

Action plan for chosen strategy

When?	What?	What support do you need?	Critical success factors
2018 and 2019	Obtaining a building permission Application for EU investment subsidies Acquiring a Bank loan / credit Implementation and purchase of equipment	Expert assistance from Api-therapy specialist	Legislation Obtaining an authorization to pursue an activity

In case we are not able to realize the preferred strategies, the reserve scenario can be:

- Continuing existing production
- Finding new earning opportunities - e.g. renting accommodation capacities of a buildings – bee-houses



Chapter 4

Practice Student Cases



Interactive Strategic Management training sessions – Application with students

Poland



Beata Stryjewska
(student of agriculture)

Lithuania



Modestas Balčaitis
(student)

Slovenia



Organic farm Bogata
(Ana Nascivera, student of Animal Science)

Case 1: Dairy farm

Beata Stryjewska

(student of agriculture)

Family members:	Beata Stryjewska and her family
Farm characteristics:	
The family (number of family members / family members working at the farm)	4/2 (father & Beata)
Number of employees (excluding the family members)	0
Number of livestock :	110 cattle
• Dairy cows	60
Agricultural Land – Total (ha):	90 ha
- own + rented :	80 ha own + 10 ha rented
Crops:	Rye, oats, triticale, maize, permanent grasslands
Production yield:	Rather good yields
Other specialties	/

Main activities, which generates incomes, are:

- Milk production from dairy cows

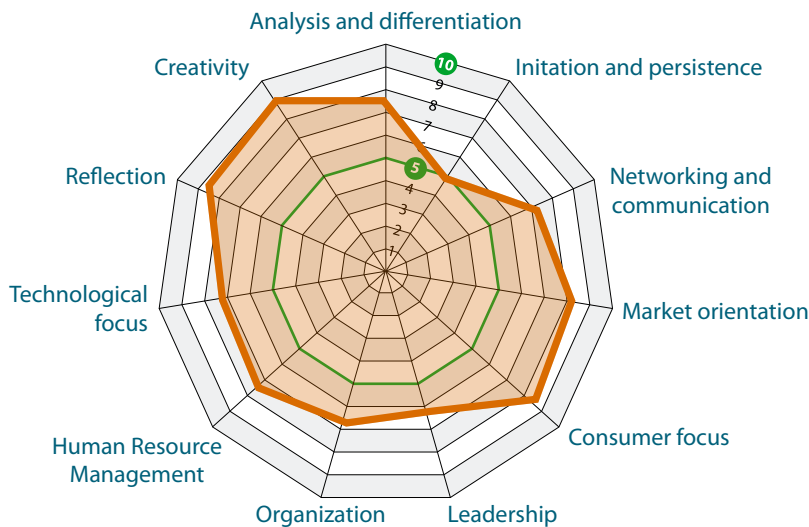
Other activities, which generate farm incomes, are:

- Sales of young cattle (fattening bulls);
- Harvesting services with own machinery (grain harvester)
- Sales of grains;

The main developments during last 10 years

- Purchase of land
- Enlarging the herd size,
- Modernization of buildings for livestock - for young stock, calves and fattening bulls,
- Purchase of machines





Spider web of the farmer competencies

Ambitions:

- expansion of beekeeping
- extension of activities with supplementary activities on the farm
- integration

Skills:

- she is student of agriculture
- she runs a farm with her dad

Her strong points are:

- she calculates and think about the future
- she is communicative and creative
- determination

Her weak points are:

- distraction
- impatience

Enterprise

Strong points:

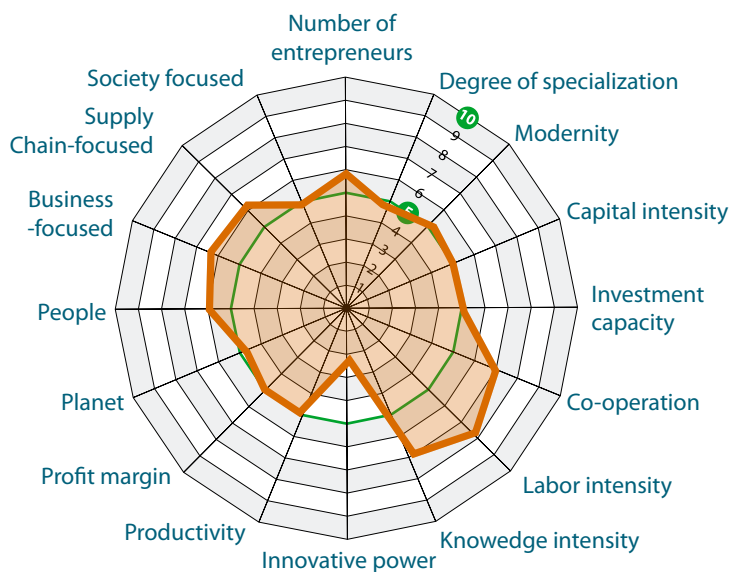
- good machinery park
- location - a lot of own land in the area of the farm center
- good efficiency
- no debt

Weak points:

- rather weak quality of land
- problems with the labour availability
- still too low mechanisation level of production processes
- high labour intensity

Farm results:

- yields at a fairly high level



Spider web of the Enterprise

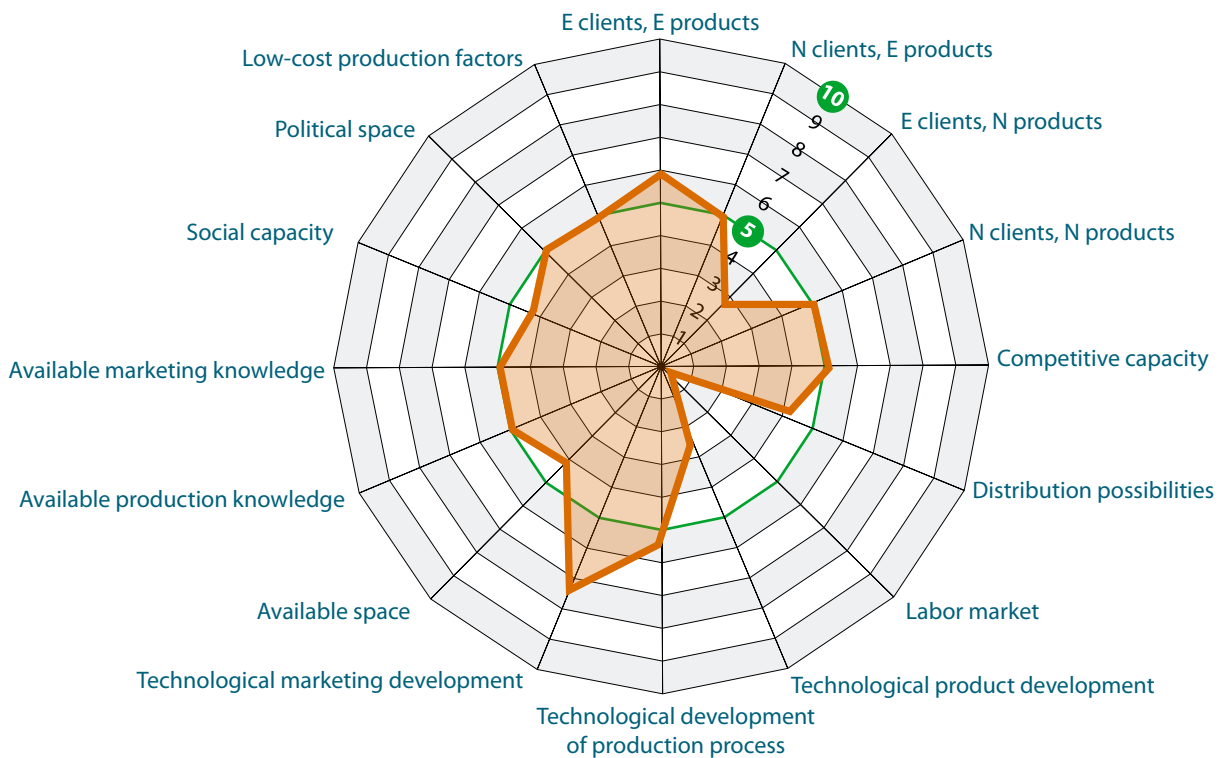
ENVIRONMENT AND ITS IMPACT ON THE FARM

Localisation (characteristics):

- A small village with dispersed buildings,
- Good communication route,
- A lot of own land in the area of the farm center
- 18 km to the county town
- LFA area

Main environmental (external) factors which influence the farm:

- Market (in)stability
- Seasons;
- Weather and meteorological factors



Spider web of the farm environment

Marketing

Forms/ways of marketing for your agricultural products / services:

- Sale of milk to milk processing
- Sale of bulls to slaughterhouse

What kind of marketing channels do you want / will be serving in the future:

- The same – sales of milk to milk processor and sales of animals to slaughterhouse;

Networking

What is your professional network (with whom you cooperate in the professional work):

- Farm advisors
- Dairy plant
- Input suppliers
- Colleagues – farmers
- Extension centre - trainings

With whom do you cooperate outside your sector - what is your network outside of your professional work:

- My colleagues/ friends

Farming goals

The Farm Vision
<ul style="list-style-type: none"> • A modern, developed farm with very good performance and responsible employees

Personal goals
<ul style="list-style-type: none"> • Construction of a storage building; • Modernization of existing buildings • Finding a responsible employee

Farm in 10 years – Vision (dream)

How will your farm look like over 10 years?

- The farm is fully automated, producing products of the highest quality

Critical Success Factors – in relation to farming goals

1. Health of family members
2. Health of animals in our herd
3. Loan availability
4. Availability of subsidies

Possible Strategies for the farm:

1. Specialization in milk production, increasing stocking and efficiency
2. Specialization exclusively in plant production

My chosen strategy:

1. Specialization in milk production, increasing stocking and efficiency

Reasons:

- My choice went to specialization in milk production because this strategy is the most suitable for achieving my ambitions and goals.
- This strategy is the most suitable for achieving my ambitions and goals

Why does this strategy fit with:

- Traditions on my farm are related to milk production and the production results achieved so far are satisfactory.



Spider web of the strategy calculated and chosen by farmer

The Advantages and Weaknesses of chosen strategies

Strategy 1: Specialization in milk production, increasing stocking and efficiency		Strategy 2: Specialization exclusively in plant production	
Advantages:	Weaknesses:	Advantages:	Weaknesses:
<ul style="list-style-type: none"> Stable farm income Continuation of family traditions 	<ul style="list-style-type: none"> It is labour intensive production Uncertainty on the market, High risk of diseases in dairy cows 	<ul style="list-style-type: none"> Lower labour input Seasonality of labour requirement More free time 	<ul style="list-style-type: none"> Not regular incomes Strong dependence on the weather conditions

Necessary activities

Strategy 1: Specialization in milk production, increasing stocking and efficiency

- Modernization of livestock buildings and machine park

Strategy 2: Specialization exclusively in plant production

- Purchase of new machines,
- Modernization of the machine park,
- Construction of agricultural crop warehouse,
- Purchase of land

Action plan for chosen strategy

When?	What?	What support do you need?	Critical success factors
Next few years	New storage building; Buying feed wagon; Modernization of buildings, Enlargement of the herd	Financial support; EU subsidies	Funds – availability of credit or subsidies

In case we are not able to realize the preferred strategies, the reserve scenario can be:

- We will continue in the same way as till now.

Case 2: **Crop production** **farm Modestas** **Balčaitis**

(student)

Family members:	Modestas and family members
Farm characteristics:	
The family (number of family members / family members working at the farm)	4/2
Number of employees (excluding the family members)	0
Number of livestock :	0
Agricultural Land – Total (ha):	535 ha
- own + rented :	250 ha own + 285 ha rented
Crops:	Wheat, barley, peas, rapeseed
Production yield:	3 – 8 t/ha
Other specialties	Transport logistics, wood pulling

Main activities, which generates incomes, are:

- Crop production

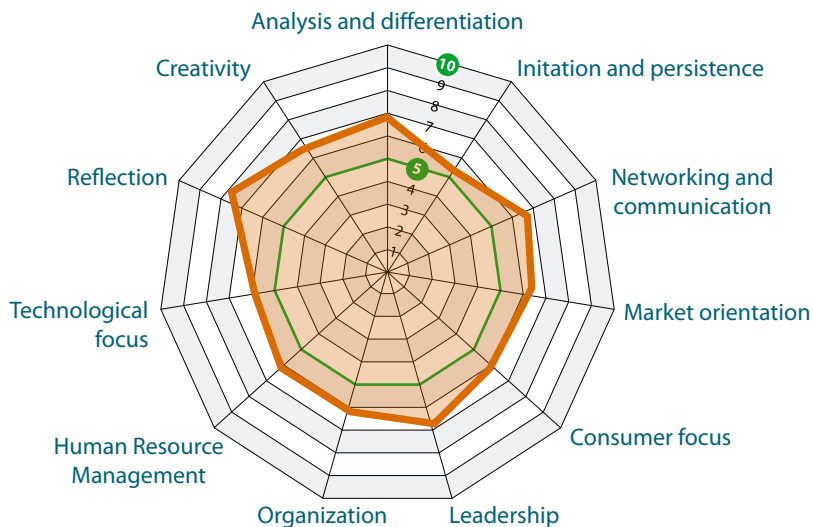
Other activities, which generate farm incomes, are:

- Transport logistics
- Forestry

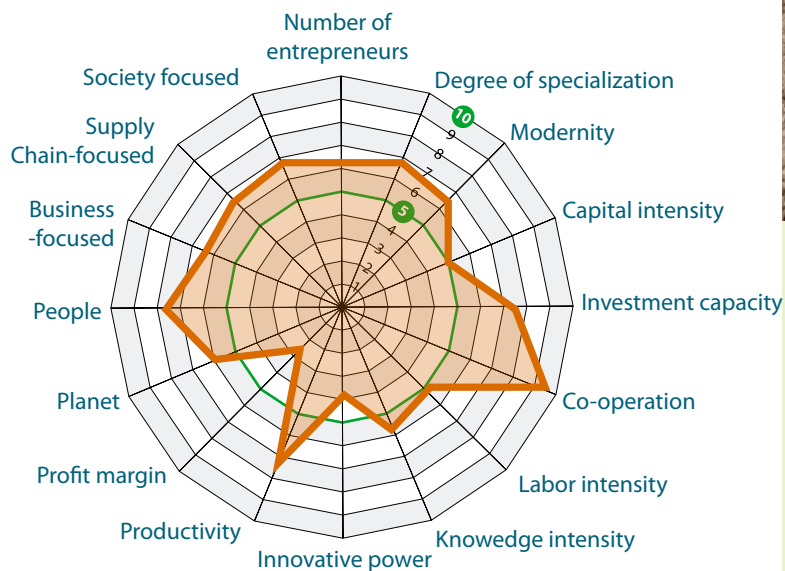
The main developments during last 10 years

- New western agricultural machinery was bought
- Previously worked with less efficient
- Built grain dryer





Spider web of the farmer competencies



Spider web of the Enterprise

Ambitions:

- he likes to be a leader, self-critical, honest and thorough personality

Her strong points are:

- honesty,
- diligence,
- responsibility

Her weak points are:

- communication with foreigners



Enterprise

Strong points:

- Productivity
- Cooperation
- Investment capacity

Weak points:

- Innovative power
- Profit margin
- Capital intensity

Farm results:

- The desired farm size
- Updated technical park

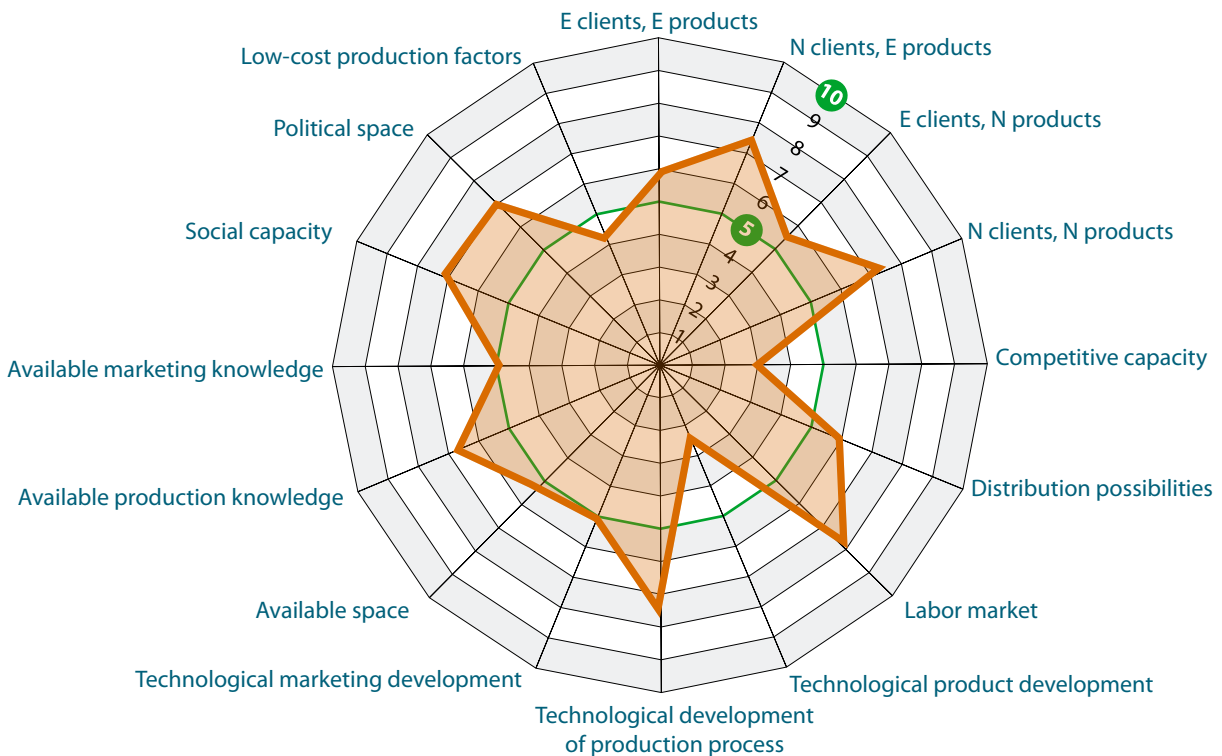
ENVIRONMENT AND ITS IMPACT ON THE FARM

Localisation (characteristics):

- The farm is located 1 km from Raseiniai.
- Near the main road, well-developed infrastructure.
- Grain purchasing companies in 10-15 km distance.

Main environmental (external) factors which influence the farm:

- Changing climate (rainy summers, warm winters)



Spider web of the farm environment

Marketing

Forms/ways of marketing for your agricultural products / services:

- Selling to the wholesaler
- Long term clients
- Whispering-marketing

What kind of marketing channels do you want / will be serving in the future:

- Wholesalers

Networking

What is your professional network (with whom you cooperate in the professional work):

- We are the members of cooperative (20 members in total) for such activities:
 - Selling;
 - Inputs supply
 - Trainings
 - Agronomics consultations

With whom do you cooperate outside your sector - what is your network outside of your professional work:

- Lawyers
- Business advisors

Farming goals

The Farm Vision

- Reach 800 ha of agricultural land
- Start a grain purchase service

Personal goals

- To improve knowledge of agronomy
- To give strong farm to the future generations

Farm in 10 years – Vision (dream)

How will your farm look like over 10 years?

- Separate transport and forestry service from the farm (new companies)
- Farm - 800 ha of agricultural land
- Purchase service of grain

Critical Success Factors – in relation to farming goals

1. Production costs
2. Consumption of pesticides and fertilizers
3. Availability of agricultural land area

Possible Strategies for the farm:

1. Operational excellence
2. Producers network
3. Expansion

My chosen strategy:

1. Operational excellence

Reasons:

- Reduce the costs of production
- Give quality to the products and certified them as the National Quality Products
- To seek economic benefits
- To invest in technology and quality
- To produce using less money

Why does this strategy fit with:

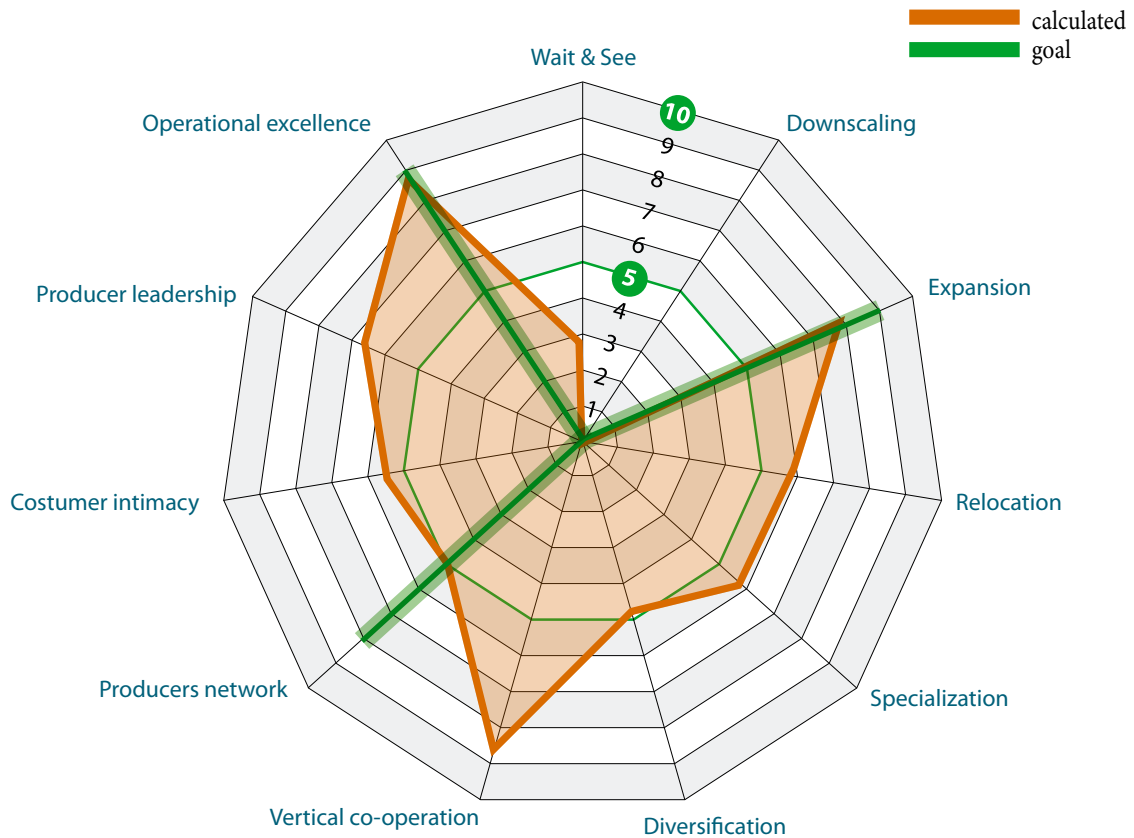
- This strategy would reduce the costs of production

The strengths and weaknesses of your farm:

- crop production accounts for 70% of turnover, and the rest is other incomes

The developments in the environment:

- Lower fertilizer consumption - less risk of getting nitrates into drinking water and destroying nature



Spider web of the strategy calculated and chosen by farmer

The Advantages and Weaknesses of chosen strategies

Strategy 1: Operational excellence	
Advantages:	Weaknesses:
<ul style="list-style-type: none"> Better use of resources (fertilizers). 	<ul style="list-style-type: none"> Survival of winter crops.

Strategy 2: Producers network	
Advantages:	Weaknesses:
<ul style="list-style-type: none"> Cheaper purchase of inputs 	<ul style="list-style-type: none"> Decisions are made by majority vote.

Necessary activities

Strategy 1: Specialization in milk production, increasing stocking and efficiency

- Modernization of livestock buildings and machine park

Strategy 2: Specialization exclusively in plant production

- Purchase of new machines
- Modernization of the machine park
- Construction of agricultural crop warehouse
- Purchase of land

Action plan for chosen strategy

When?	What?	What support do you need?	Critical success factors
As soon as possible	Find the product (variable rate application equipment) itself, or adapt it to my current technique, to ask the seller about the benefits	Financial support from bank and emotional support from relatives	Decrease in fertilizer consumption

In case we are not able to realize the preferred strategies, the reserve scenario can be:

- Transport logistics
- Forestry

Case 3: Organic farm Bogata

(Ana Nascivera, student of Animal Science)



Family members:	4
Number of livestock :	137 cattle
• Dairy cows	96
• No of calves (till 6 months)	17
• No of young stock (6-12 months)	7
• No of heifers (1-2 years)	17
Agricultural Land – Total (ha):	103 ha
Production yield:	627.000 kg milk

Main activities, which generates incomes, are:

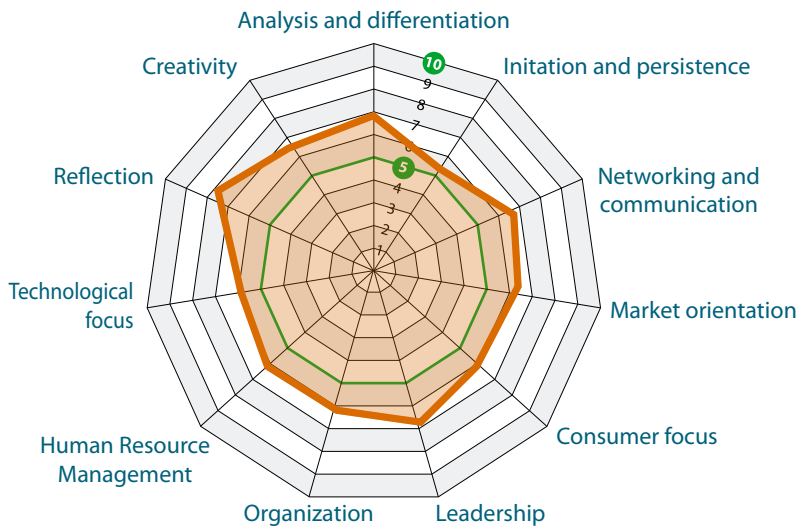
- Production of organic milk

Other activities, which generate farm incomes, are:

- Selling of young stock (calves till 6 months)

The main developments during last 10 years

- Reconstruction of the milking parlour
- Purchase of new machines:
 - TMR Mixer (Total Mix Ration) feed wagon BVL 12
 - Tractor JD 6220 SE
 - Forage trailer Bergman 28 S
 - Mowing machine Krone 320
- Renovation of existing buildings
- Arranging the space for visitors



Spider web of the farmer competencies

Her strong points are:

- Creativity
- Focusing on the needs of the consumer, the market
- Endurance
- Organization skills
- Leadership skills

Her weak points are:

- Communication skills



Enterprise

Strong points:

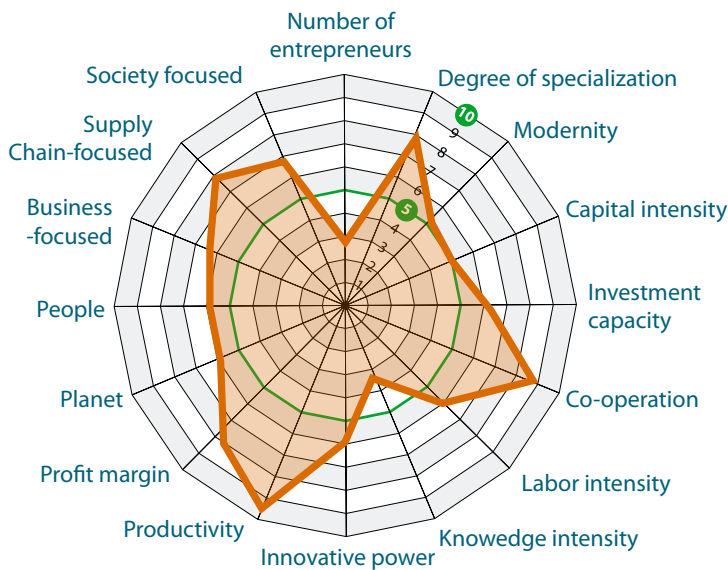
- Good quality milk
- Organic way of farming

Weak points:

- Fragmentation of agricultural land
- Distance to big cities
- Hilly/Mountain farm

Farm results:

- Yields at a fairly moderate level



Spider web of the Enterprise

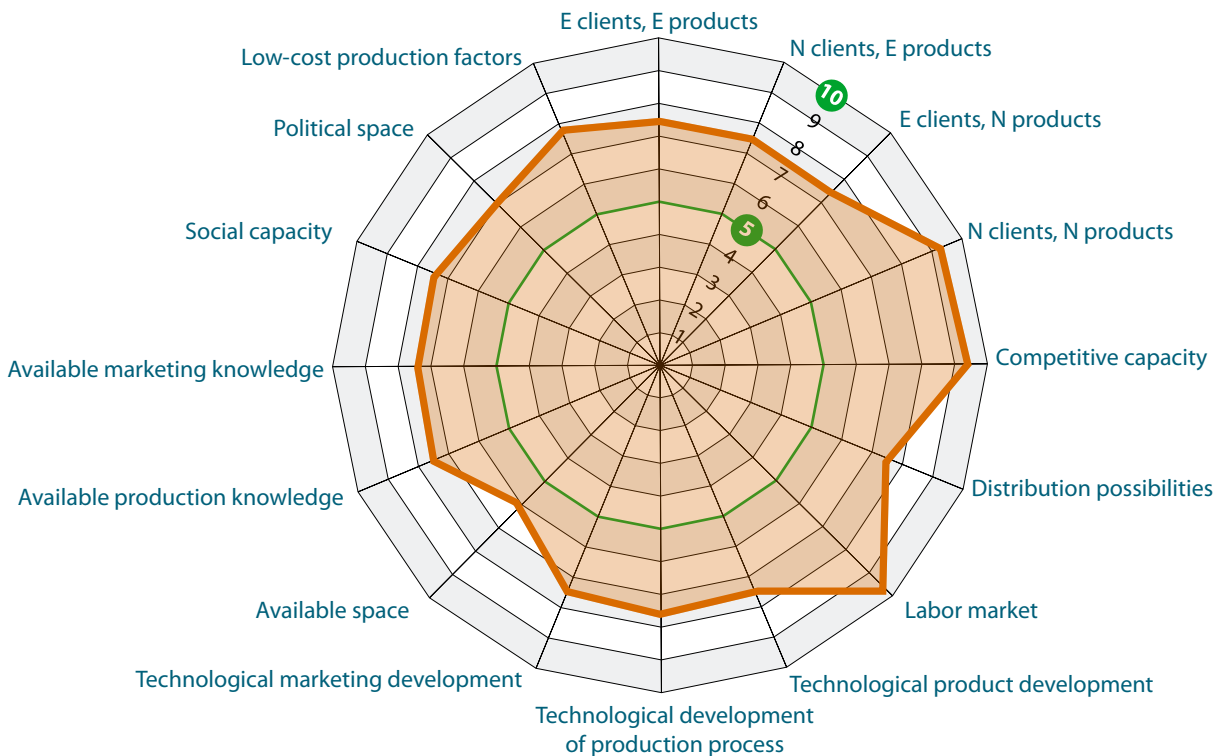
ENVIRONMENT AND ITS IMPACT ON THE FARM

Localisation (characteristics):

- The farm is located 0.5 km from nearest town Bovec
- Fragmentation of agricultural land: 18 land pieces

Main environmental (external) factors which influence the farm:

- Legislation
- Consumers – interest for organic dairy products



Spider web of the farm environment

Marketing

Forms/ways of marketing for your agricultural products / services:

- Selling of Organic milk to Dairy plant Planika Kobarid
- Selling of calves direct on the farm
- Culling cows to the slaughterhouse

What kind of marketing channels do you want / will be serving in the future:

- Direct marketing of milk and dairy products to the consumers on the farm (visitors)

Networking

What is your professional network (with whom you cooperate in the professional work):

- Dairy plant Planika Kobarid
- Extension service – advisers
- Suppliers of concentrate
- Veterinarians
- Other farmers

With whom do you cooperate outside your sector - what is your network outside of your professional work:

- My colleagues/ friends

Farming goals

The Farm Vision

- Improve the productivity of the farm
- Extend the farm's scope and farm size
- Create more new market-relevant products
- Expand the customer base to foreign markets

Personal goals

- To preserve the existing quality of milk production
- increase milk yield per cow and per herd
- improve the longevity of dairy cows

Farm in 10 years – Vision (dream)

How will your farm look like over 10 years?

- 150 dairy cows
- more agricultural land
- top milk yield per cow
- long lifetime and high life production of dairy cows
- rearing organic calves for sale
- organic milk production

Critical Success Factors – in relation to farming goals

1. Economic status
2. Not enough agricultural land to buy / to rent
3. Low purchasing power of consumers (for organic milk and dairy products)
4. Outbreak of diseases in the herd of cows

Possible Strategies for the farm:

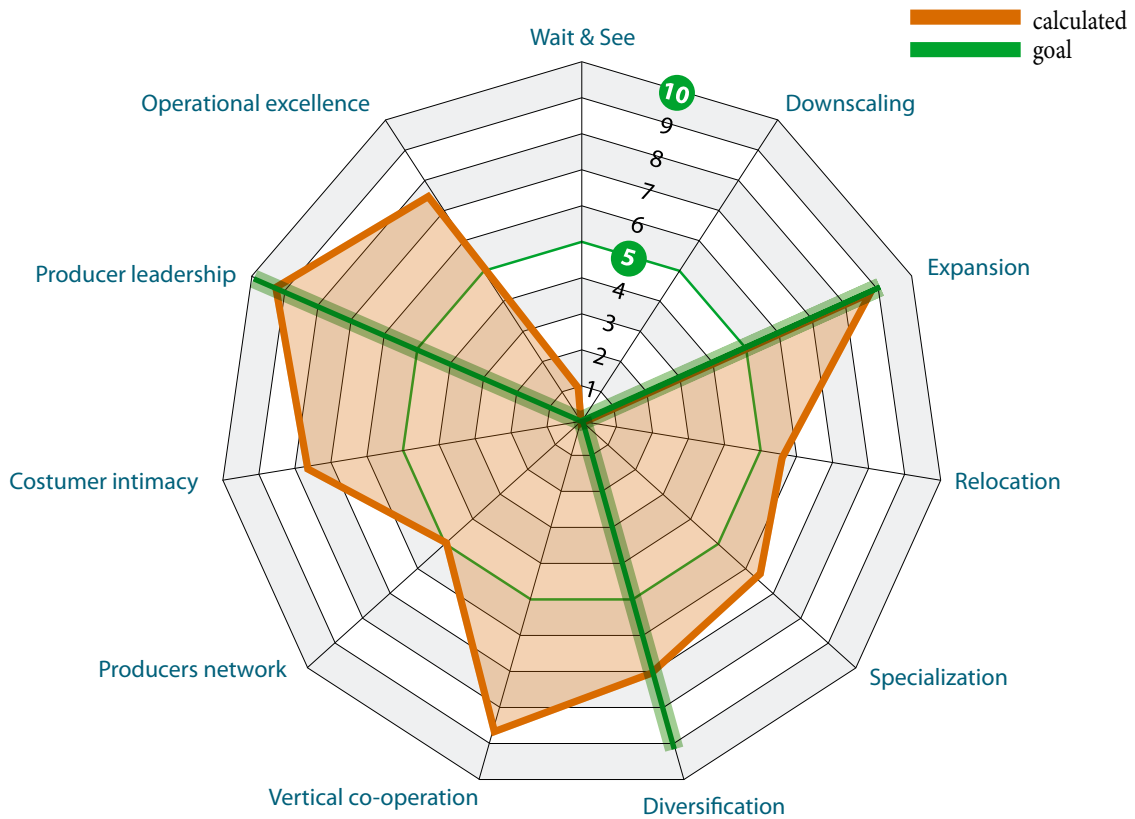
1. Increase farm production and farm size
2. Diversification: farm tourism and marketing of organic dairy products directly on the farm
3. Networking - transfer of knowledge into practice: workshops and on-farm training for children and adults

My chosen strategy:

1. Increase farm production and farm size

Reasons:

- The market for organic milk and organic dairy products is growing - there is an increasing demand



Spider web of the strategy calculated and chosen by farmer

The Advantages and Weaknesses of chosen strategies

Strategy 1: Increase farm production and farm size	
Advantages:	Weaknesses:
<ul style="list-style-type: none"> Economic results We expect higher prices for organic milk, which will result in higher incomes Knowledge, higher added value, new working place for family members 	<ul style="list-style-type: none"> High investment Buying additional agricultural land, Increasing the herd size, Enlargement the stables Indebtedness in the case of new investments for milk production Greater intensity of work

Strategy 2: Diversification: farm tourism and marketing of organic dairy products directly on the farm	
Advantages:	Weaknesses:
<ul style="list-style-type: none"> Economic results Selling of organic dairy products Farm tourism with rooms for visitors Direct sale of organic milk and dairy products on the farm Source of income through farm tourism 	<ul style="list-style-type: none"> High investment for accommodation for tourist and farm shop Great debts Lack of advertising Lack of visibility

Necessary activities

Strategy 1: Increase farm production and farm size

- Modernization of livestock buildings and machine park

Strategy 2: Diversification: farm tourism and marketing of organic dairy products directly on the farm

- Purchase of new machines
- Modernization of the machine park
- Construction of agricultural crop warehouse
- Purchase of land

Action plan for chosen strategy

When?	What?	What support do you need?	Critical success factors
Within 10 years	With the help of EU funds	Financial Assistance of experts and professional people	Economic status Lack of agricultural land to buy / to rent Low purchasing power of consumers

In case we are not able to realize the preferred strategies, the reserve scenario can be:

- Maintain the existing production on the same scale and wait for better conditions for the realization of the desired strategies



Experiences with Strategic Management Trainings for students from Slovenia, Poland and Lithuania

Based on the experiences with training of students, who planned to become future farm successors, the following conclusions can be made:

- It was observed that students/young farmers have higher computer skills and are more efficient in work with the Internet ISM tool. They were also working with the tool at home, improving the content of their reports after each training day. The training day with students took less time than training with farmers, there was more time for discussion.
- Similarly, to the farmers' training, the facilitator has a key role in the process. He/she must be able to stimulate student-farmers to think realistically rather than idealistically about their future plans and to show them how to prepare a valuable farm analysis.
- Students were less certain about their future strategy, usually the farmers already had some development path in mind, which they expressed at the training, whereas the students tended to create the strategy at the training. There were a lot of cases when students choose the „wait and see“ strategy as the main one. Students also found many more critical success factors for their business and focused on less labour intensive strategies.
- During the training days, one student from Slovenia, who does not come from a farm, even developed a “dream” farm in New Zealand, a country he would like to go to realise his dream. But, on the opposite, the other students were very much attached to their roots. We must realise that, in all countries where the trainings were performed, farmers and also other land owners are extremely attached to their land and region. This is part of the culture.
- Students more often chose labour-extensive production for the future in order to have more time for themselves.
- Students had difficulties with questions about networking related to farming (feed suppliers, cooperatives, dairy plants, etc.), because students are in this stage of their life as a student involved in other networks, like school environment, friends, hobbies, sports, etc.
- Regarding farming goals, such as size of farm, investments, new techniques, the students tended to be over courageous, i.e. too ambitious and not realistic. Their future dream farm is often far outside reality.
- Regarding availability of knowledge and credit, the students were more optimistic than the farmers.
- Regarding opportunities and threats, the students saw more opportunities than their parent farmers. They are very much in favour of new techniques, ICT and the market place. For instance, students look for new marketing lines. They have sometimes very innovative ideas. Students needed to be asked all the time about the reality of their plans and assumptions.



Chapter 5

Marketing - practical application in agriculture

This chapter explains what marketing is, where it comes from, and in which way it can be applied in selling agricultural products.



Marketing - practical application in agriculture

5.1

What is “marketing”?

Marketing, in the first sense of the meaning, is nothing else than “putting products on the market”. In this sense, nothing is new since humans are doing trade and “selling”, “commercialising” “valorise” are synonyms of this simple understanding of “marketing”.

But “marketing” in the meaning that we use here is much larger: it encompasses all the activities of an enterprise which is acting on the market: producing, processing, distributing, selling and communicating about it. We say: ***“Marketing is a management approach that touches the enterprise as a whole”***. Or in other words: ***“Marketing means: running a company from a market point of view”***.

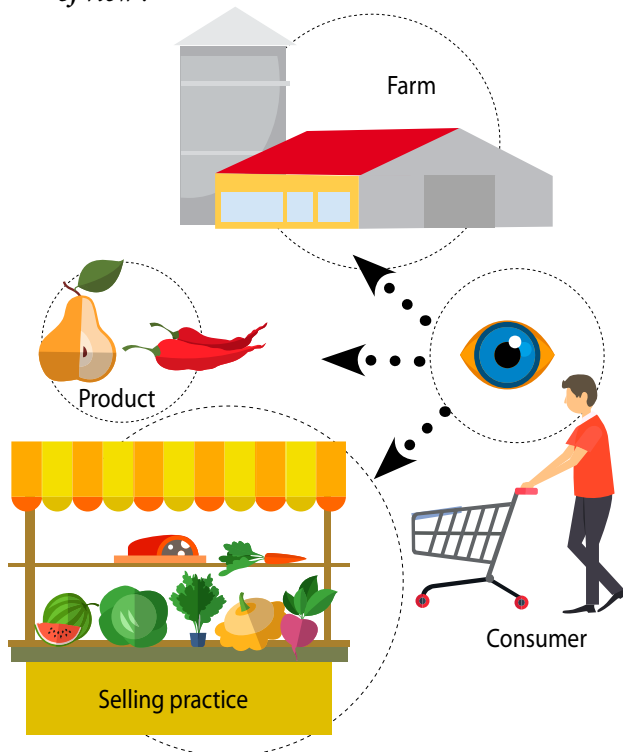


Figure 5.1: Marketing - a view from the market perspective

5.2

Where does marketing come from?

Actually, marketing comes from agriculture, surprising though it sounds! To understand its origin, we have to go back into history, into the 1930ies in the Midwest of the USA. At this period, agriculture in the Midwest was hit by a severe crisis that threw tens of thousands of small farmers into poverty and on the road. Nobel Prize winner John Steinbeck's famous novel “Grapes of Wrath” describes this dramatic situation.

The disaster was soon analysed by scientists from the Midwest agriculture universities. Starting their research, they were merely thinking that the problems of farmers come from poor equipment, poor machinery, lacking farming skills in producing and processing. But to their surprise they quickly learned that Midwest farmers were well-equipped with modern machines, and highly skilled. The only explanation for the biggest farming crisis that had ever hit the USA was: poor understanding of what was happening on the market. The scientists concluded: to avoid similar crisis in the future, before producing, check the market opportunities and adapt to them. In other words:

“Every farming (and in a larger sense: every business) activity must be justified by the market”.

This formula condenses what modern marketing is about.

Marketing comes from the 1930-ies and the Mid-West of the USA



Figure 5.2: Marketing origins

It is evident, why this principle, even though it was derived from observing agriculture, was hard to apply in agriculture itself. Agriculture is a business that evolves in long biological circles. Crops don't grow as fast as markets change. Imagine apple trees: you plant them today and you put the apples on the market only 5 or even 10 years later. Another reason why marketing is less efficient in agriculture is the strong influence of natural factors like climate or pests that strongly impact on production quality and quantity. Consequently, it was at first in other industries that the new and modern marketing idea was spreading: cars, household equipment, the textiles, where it proved to be very efficient from the 1940ies onwards. It was only in the 1960ies that marketing was applied in the food and agriculture business.

5.3

The marketing concept: from market analysis to operational marketing

Modern marketing is often presented as a concept that encompasses all the activities linked to putting a product on the market. The first step in this concept is the “**market analysis**”. During this activity, facts about the situation and the perspectives of the target market are gathered and ana-

lysed. The results of this analysis are condensed in the **marketing objectives**, which always have to be quantified and dated in an explicit way (in order to be controllable). The following activity “**strategy**” is designing the overall approach, e.g. in terms of market segment or geographical positioning (selective, pioneer, follower, exclusive, local, international ...).

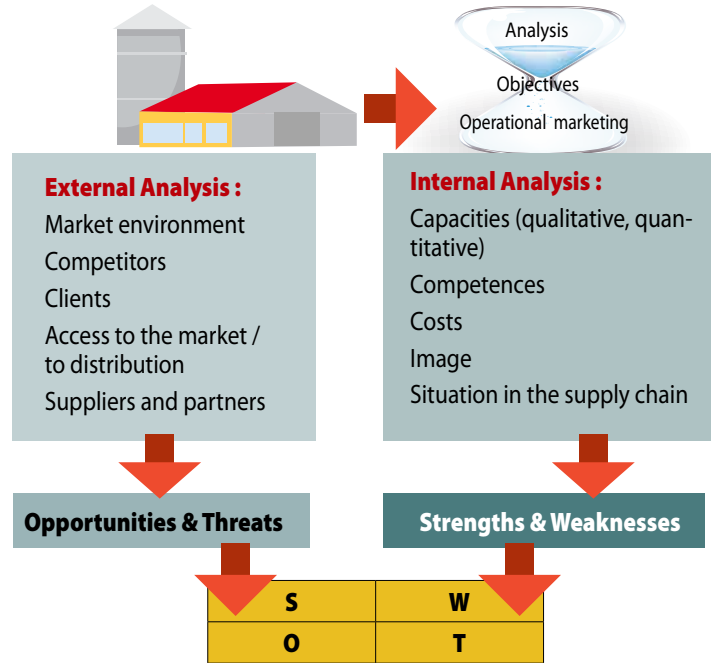


Figure 5.4: Analysis



Figure 5.5: External analysis: example questions to be asked



Figure 5.3: Marketing Concept Step-by-Step

The final part of the conception - **operational marketing** - re-groups the action that is taken: it defines the policies with regard to product, place (distribution), promotion (communication) and price.

So, marketing is much more than just putting products on the market. As well, marketing is much more than just “promotion, publicity and advertising”, contrary to what the common use of the term implies. Promotion, publicity and advertising are for sure the most visible part of marketing, but it is only the “tip of the iceberg” (or the tail of the dog), the consequence of analysis and strategy.



Figure 5.6: Internal analysis: example questions to be asked

5.4

Practical marketing for farmers

As soon as you have, as a farmer, direct impact on selling your products either to business partners (B2B) or to consumers (B2C) you can efficiently apply the marketing approach. If, on the contrary, your farm is merely supplying raw material to other processing or selling units (like it is often the case in integrated supply chains, in vegetable, milk or cereal production), you can not apply marketing. (and you don't need to – your upstream partners do it for you).

The following explanations and recommendations are designed for **farmers who are selling in direct contact with their clients and foremost for farmers in short-chain direct selling to consumers.**

Practical marketing has four domains: **PRODUCT, PLACE, PROMOTION and PRICE** (the “4 P”). It is the result of a marketing conception with market analysis, objectives and strategy fixing.

Setting objectives:

Before planning all actions of the operational marketing regarding **Products, Place, Promotion and Prices**, a clear marketing-objectives have to be described. The properly set marketing objective has to describe two elements: measurable level of

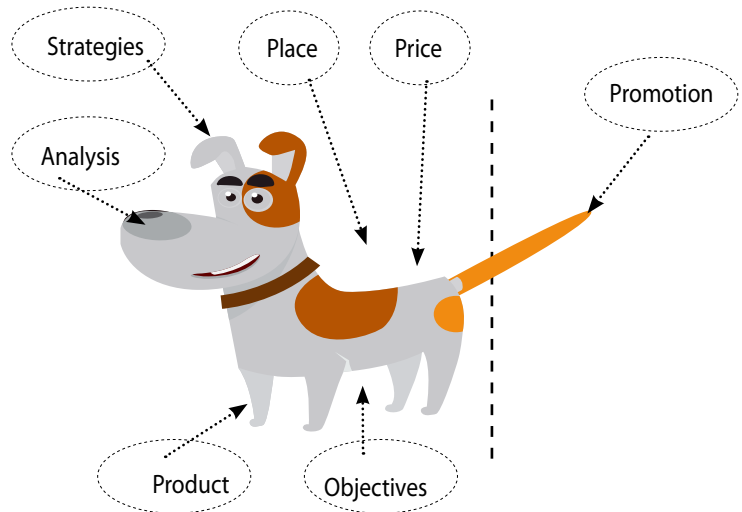


Figure 5.7: Marketing is not only Promotion!

achievement and the timeline.

A marketing-objective has to describe two elements:
Measurable level of achievement
Timeline

Wrong:

„We want to increase our turnover.“



Objectives - relatively easy to assess

- profit
- market share
- turnover
- quantity of sales
- number of point of sale



Right:

„We plan to increase our turnover by
5 % within the next year.“



Objectives – harder to assess

- image
- target group
- degree of popularity
- achieve customer satisfaction
- customer/supplier relationship
- market position

Figure 5.8: Marketing objectives

Criteria	Objective	How to measure
Profit	to increase profit by 2% per year	Book-keeping
Turnover	to increase by 5% per year	Book-keeping
Quantity of sales	To reach 100 000 kg/year of milk sales in 3 years and 30% being processed at the farm.	Sales reports, processing reports.
Degree of Popularity	Number of clients will increase by 20% in 3 years	Number of orders, number of clients, number of regular clients
Customer satisfaction	20% more good evaluations in social media, internet.	Number of “Likes” on Facebook, number of positive remarks, opinions. Questionnaire in Internet?

Table 1. Examples of marketing objectives

Product:

Regarding the **Product**, it is crucial to render it unique, by the different benefits that it provides. Products have primary benefits, such as nutriment content, but as well emotional benefits, like the authenticity and more personal message that come along with it and allow a distinction on the market. The primary benefit is the core benefit, factually based (what the product is meant for). The additional benefits are as well factually based but can be shaped in different ways by the manufacturers/producers. The capacity of impression/appeal is emotionally based (which are the emotions the customer links with the product? (subjective). Benefits must be defined in order to plan the marketing strategy properly. You can show them on a label, or next to your product, or on the shelf where the product is placed.

Primary benefit: healthy, proteins, fresh



Figure 5.9: Illustration of primary, additional and emotional benefits of the Olgas Farm Products

Place:

As far as the place is concerned, it is all about: optimizing the situation where the buyer encounters the product. The shelf, the shop, the buying situation: all has to fit to make out of this encounter a success, which means: the consumer grasps the product and takes it home.

Is the place where I sell ...

- easy to find?
- easy to reach?
- easy parking? For cars and bicycles?
- nice to look at?

The shop ...

- is easy to enter?
- is pleasant to stay in?
- is nicely equipped?
- has clear opening hours?

Is the product ...

- in the right shelf?
- at the right height?
- easy to take?
- easy to pack (bulk products)?

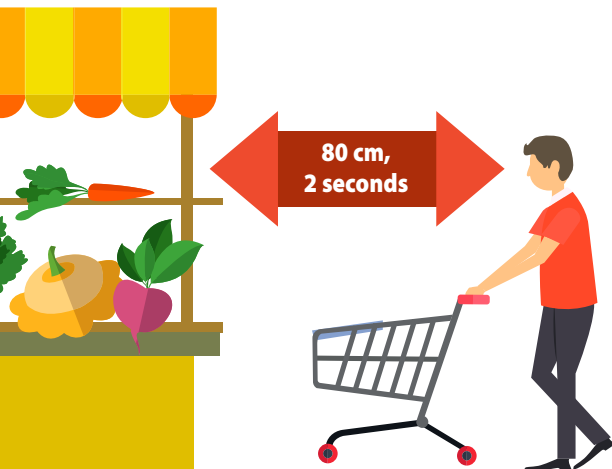


Figure 5.10: The place where the products are sold is very important! Be at the right place...

Distribution policy: Which distribution opportunities do I have?

Table 2: Different distribution channels are possible

	Advantages	Disadvantages
Direct marketing	<ul style="list-style-type: none"> • Better communication opportunities with the end-consumer • Full control of the chain (prices) 	<ul style="list-style-type: none"> • Mass distribution is not possible • Big effort, time-consuming, labour intensive.
Indirect marketing	<ul style="list-style-type: none"> • Mass distribution possible • Little distribution effort • Easy 	<ul style="list-style-type: none"> • Loss of the close contact to the end-consumer (anonymity) • Risk of being replaceable / exchangeable • Lower prices

Promotion:

The **promotion**, in direct and short supply chain selling, is very much about local and personal communication. You don't need TV spots. Put your money on local newspaper and into neighbourhood - communication. Keep the communication close to the products.



Figure 5.11: Examples of advertising media

You can use simple communication methods to promote your product. Try to follow a simple rule “**Benefit – Reason why**”, showing the consumer why he/she needs your product and what will be an advantage of buying it. More complex method of building attention is called AIDA, which means **A**ttention, **I**nterest, **D**esire, **A**ction. You can also build a communication with your clients in this way! Some examples can be found below.



Organic apples

Benefit: „Your family will enjoy organic apples taste and we help you to live healthier.“

Reason why: „Fresh Organic apples are without pesticides and have a special fruity taste.“



Beef

Benefit: „High quality beef from happy animals.“

Reason why: „The animals are out on pasture the whole year through “



Olga's Hey-Milk Yoghurts

Benefit: „Your family will enjoy exceptional taste of our healthy yogurts.“

Reason why: „Our cows' feed is based only on a hey from local, clean meadows, which gives a unique taste to our milk“

Figure 5.12: Examples of “Benefit-reason why” communication principle

Figure 5.13: Examples of “AIDA” communication scheme



Price:

Finally the **price**: prices are saying a lot about your market positioning and consequently, they should not be average. An average price just signifies an average, exchangeable, indistinct position of the product. Within some limits, try always to go for the higher price. It indicates automatically that your product is special, and “worth it”. In **authentic direct selling**, **don't be afraid of high prices and use low prices only for special occasions**.

A low price can indicate trust or quality problems

A low price never inspires “high” quality”

A medium price hinders distinct positioning (medium price = medium product)

Consider margin per product and rotation rate!

In direct selling, don't be afraid of high prices

Figure 5.14: The “right” price for added value products in direct selling



Prices can be readable and unreadable. **In direct selling, the “9 and double-99” prices (0,99, 1,49, 1,99 etc.) are useless.** It is difficult to raise prices over the optical limits.

1,50 € is
readable

1,42 € is
NOT readable

➔ Most consumers will not see the difference between 1,42€ and 1,50 €

➔ **Price raise will not affect sales**



“Painless rise of margin”

1,90 € is
readable

1,67 € is
NOT readable

➔ Most consumers will not see the difference between 1,90 € and 1,67 €

➔ **Reducing the price from 1,90 to 1,67 € will not sell more products!**



“Useless loss of margin”

Figure 5.15: The optical price effects in direct selling

5.5

A marketing story of a farm Kraina Czarnego Bzu of Teresa and Andrzej Lubeccy, Poland

Teresa Lubecka and her husband Andrzej manage a farm Kraina Czarnego Bzu in Mariańska Puszcza (forest) Region about 70 km from Warsaw in Poland. The farm has a 30 years history, but 3 years ago, in 2015 the owners planted elderberry trees and try to preserve a treasures of its nature in food products: juices, syrups, tea and cookies. Lubeccy use old receipts and use them in the production process, collected from old inhabitants of the region, also from monks. Besides high quality and organic production, they emphasize the tradition and history behind the products and their regional identity.

Place: Teresa and Andrzej Lubeccy sell their products in many different direct channels. Some part of their produce is sold through the internet via webpage or Facebook page, and on local events and fests. A large share of production they also sell on a farmers market Biobazar. It is a traditional farmers market located in a large city, in the historic premises of an old factory. It offers certified, high value-added organic products which find their specific customers, with different motivations and expectations. As the main advantages and motives of selling at BioBazar Teresa Lubecka emphasised better prices, direct contact with clients, and security of their sales – they sell everything what they bring to the market and sales are very regular – every week. She said: “I started to sell my products on Biobazar a year ago. I have an organic production from 5 years (elderberry, vegetables and fruits) and last year we had a serious problem with spring frost. Most of our trees were frozen, so we got very small yield this year. Therefore, we started to look for some outlet for our products, which could give us better price and where we can sell it with higher added value”. They also invite the customers to the neighbours who have agro-tourism farms. It is a way to promote the region. She said that selling on Biobazar improves the visibility and reputation of the farm.

Product: Kraina Czarnego Bzu of Teresa and Andrzej Lubeccy offer different products from elderberry. They produce juices, syrups, tea from elderberry flowers, cookies and other innovative products like jellies or elderberry “champagne”. All products are made by them personally. The most important product features are that they are of a very good quality and unique taste as in “old times”. Lubeccy use old receipts in the production process, collected from old inhabitants of the region, also from monks. They emphasised also the tradition and history behind the products and regional identity. Every product has a label with an information and farm logo. The primary benefits (like healthiness, tastiness, nutrient values), secondary benefits (organic production, old recipes, traditional taste) and emotional benefits (regional identity of Mariańska Puszcza, family Lubeccy, tradition) are included on the label and all leaflets. Products are nicely and usefully packed.

Promotion: the promotion tools used by the producer are adjusted to the type of product (unique, added value), channel of sales (mostly direct selling) and scale of production. First of all, Lubeccy use visual information around their products – banners (near the stand, near their farm), leaflets, short half-page info-sheets at each product, marketing slogans (as on the picture). They also offer degustation, both at their farms (connected with a farm visit and storytelling) but also at the place where they sell (farmers markets, local hotels, events). For the regular clients they offer discounts, and for new clients they often give small



Communication messages „when flu prevails, elderberry saves us!”

Direct conversation with client is very important!!!

Leaflets about the farm and products - are close to the product, additional poster on the back wall

Cups for degustation of lilac-flower tea and juices

Figure 5.16: Teresa & Andrzej Lubeccy selling at Biobazar in Warsaw

take away packages to taste the products at home. Teresa Lubecka emphasized a direct conversation with the customer, as the most important promotion tool. She said “Very important is a direct contact with clients, with whom we may discuss about our products, its values, recipes and additionally to promote our region Puszcza Mariańska”. For wider communication they use webpage and Facebook page. From time to time they are described in local newspapers or participate in the local events, to share their knowledge and promote the farm and region.

Prices: Lubeccy know that their products have unique value, are hand made with love and tradition, therefore are being sold for higher prices, than the regular products. The production is very labour-intensive and they have a small scale. Incomes from sales have to cover their costs and give reasonable income for the whole year. Teresa Lubecka said that “prices are higher but our clients pay for a unique product of very good quality”. She


also emphasized that they offer discounts for regular clients and a lot of degustation, which encourage consumers to buy their products. The prices are always readable – in “whole” numbers. It makes easy for consumer to recognize when there is a discount. They remember prices well.

Plans for the future

Kraina Czarnej Bzu of Teresa and Andrzej Lubeccy plan to further develop their production as well as an offer of products. They plan to increase production by drying elderberry flowers and fruits, and they would like to introduce the new recipes, and more kinds of products. They would like to be active and promote treasures of the local Mariańska Puszcza region.

Chapter 6

Networking module description and exercises



The networking methodology was applied to the ISM process. Guidelines how to use the networking methods and “tricks” were prepared to support this innovative communication and intervention principle in the ISM trainings. Guidelines are devoted to trainers of the ISM method but also to the extension advisors who work with farmers groups in building networks. Some methods could also be used in any kind of trainings and student classes, as a kind of “icebreakers”.

6.1 Networking starting tricks

At start of meeting (for instance ISM meeting):

- Ask participants at individual base about a dream they have (had) or about the work / job they wished when being still in school at a young age
- Ask participants to line up according to the distance they live from the meeting place or some other criteria

Common use is to ask in beginning of ISM training (1st day) to tell about a job the farmer dreamed about as youngster; for variation, you may also ask to line up ...

6.2 Looking for relevant people

Who can have profit from your idea, work, and thoughts?

What is your challenge or problem to be solved?
Look for a potential suited person.



Goal: Try to make contact in 1 minute!!!



6.3 Speed Networking

Goal: Look for experts and supporters to assist

Instrument: Short meetings of 2 people (bi lateral)

- Set topic of interest
- 3 minutes to tell about yourself (about expertise, opinion about topic, etc.)
- 3 minutes for the other person to tell
- 3 minutes to discuss and look for added value for each other

Optional:

- Write down short your new idea, contact and/or agreement
- Explain observed added value of short meeting to the group of participants (3 minutes)
- Create a new round of short meetings with new couples and do the same.

Exercise: Project team members discuss in couples a topic (topic assigned by project coordinator); they report to the participants group the added value (or not) of this speed networking conversation. Possible topics: What are critical success factors with application of ISM? How do you experience your own role in this? Imbedding: at team project meeting.



6.4 Speed Networking

Goal: Interventions are meant to overcome certain barriers, to stimulate out of the box thinking and to create new ideas applicable to the own situation. It also is meant to introduce discussions which otherwise not easily take place.

Instruments:

- Invite inspiring people with promising stories
- Invite a high achiever to confront the participants
- Introduce participants to inspiring examples
- Ask participants on individual base to interview an outsider, like a business man, a high achiever or a creative person, and report about this
- Arrange informal discussions; the key is to getting people to meet and connect

Attention points:

- Avoid negotiations; discussions with persons in function, especially if they represent an organization in the discussion, rarely energize and inspire
- Complainers are best excluded in this process; they drain energy and contribute nothing in return

Exercise a. As homework, participants in ISM training perform each an interview with an entrepreneur or high achiever and report / tell about this; part of first day homework in a 3 day training session; individual reporting/presentation at 2nd training day

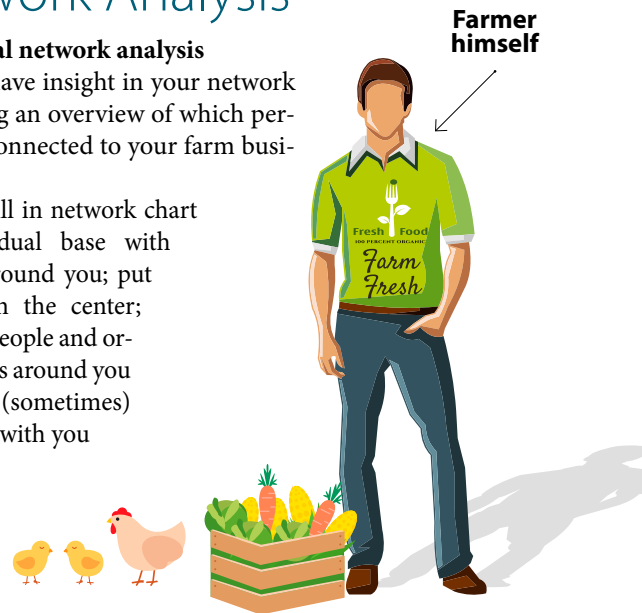
Exercise b. A high achiever will be invited at the ISM extra day - 4th day- (or in a special evening program) to tell his/her story; all training groups can attend together to save costs related to inviting such a person and hiring an accommodation; program can be combined with demonstration of budget module and marketing module

6.5 Network Analysis

A. Internal network analysis

Goal: to have insight in your network by creating an overview of which persons are connected to your farm business

Action: Fill in network chart on individual base with persons around you; put yourself in the center; draw the people and organizations around you who are (sometimes) in contact with you



Exercise: Fill in network chart individually. Next, look at the networks charts of the other participants; each participant can explain shortly about his own network; the facilitator can check/ask if frequency or importance of each network partner or both are taken into account when positioning those in the 3 circles;

Lesson: Possibly you can learn from the network of your colleagues

Imbedding: already part of ISM program at 2nd? day

B. External Network Analysis (see Appendix 6.1)

This will be applied, for instance, in combination with "Working out an idea" under point 6.6 below.

6.6 Working out Idea with Spiral of Development /Innovation (see Appendix 6.2)

This is a tool for facilitators in gaining insight in the decision process; to be discussed at team project meeting.

It can be applied as last part of Return meeting to group farmers together on a similar goal.

Exercise: Two (or three) suitable idea/plans are derived from the outcomes of the ISM training days; during the return meeting, the participants who like this idea will be sitting together to discuss shortly further steps to develop the idea, draw an external network chart, look at cooperation, and conclude (session of 45 minutes).

6.7 Do's and don'ts for Networking



Do's

- Be open, honest and curious
- Do consider a longer time horizon
- Appreciate tips, even if these are not useful for you; maybe you can make somebody else in the network happy with them
- Listen carefully
- Networking is mutual
- Be aware of your personal network and prepare a meeting carefully (which questions to ask)
- Take care of your social capital (people of importance for you)
- Approach people who you don't know
- Know your elevator pitch
- Have fun

Don'ts

- Do not talk too long about yourself; examine what the other person can mean for you
- Be not too ambitious; networking is a take and give game
- Do not gossip; the reaction to this will one day hit back on you
- Don't be negative
- Don't use jargon



Chapter 7

Business Planning Module - Description and Exercises



Rationale

The economics of every activity, also in agriculture, most generally concerns all phenomena and dependencies on which the effects of activity depend, above all, economic results. The results achieved are the result of decisions made by the producer, who can support the decision-making process and estimate the expected results by applying various forms of the economic calculation. The economic calculation is used for the purpose of economic analysis, and its basic application is to support the process of making business decisions. Simple economic calculation tools include agricultural calculations that help the farmer find answers to three basic questions:

What to produce? How much to produce? How to produce?..... in order to achieve satisfactory production and economic results in specific farm conditions.

In general terms, the decisions what to produce on an agricultural farm most often have a historical character - they were taken a long time ago, often even by their predecessors from previous generations. Such decisions have in general determined the direction of production (specialization) of farms.

As was proved by our ISM trainings in current and previous projects, switching the farm to a completely different production direction is carried out relatively rarely. If the specialization of the farm has been properly chosen, for example adapted to natural conditions (eg cattle on a farm with a large share of permanent grassland) or to the market (eg growing vegetables or fruit in the vicinity of larger agglomerations), generally another direction of production could be expensive and would not always be successful. The limitation in radical changes in the structure of production on the farm is also the accumulated equipment (specific machines, livestock buildings). It is also worth taking into account the acquired knowledge and experience of the farmer in conducting a specific type of production, as well as existing contacts useful in the sale of farm products.

More often, farmers make adjustments in the production structure without radical changes in farm specialization, increasing only the size of one production activity in relation to the other. For example, a farmer can reduce the area under winter wheat crops to increase the area of rape cultivation. The motive for such changes are usually expectations of higher prices or rising demand on the market. An important factor in the changes in the production structure in recent years in the EU are changes in market trends (eg decrease in demand for potatoes), concentration processes in animal production (resignation of many farms from keeping small herds of animals, increase in the number of animals in large herds), impact of agricultural policy (abolishment of milk quotas, liberalization of the common agricultural policy, etc.) In all the above-mentioned situations farmers decide what to produce. The economic calculations based on the business-planning tools and other instruments may support the decision-making process.

The developed within the ISM+ project, MsExcel based **BP-tool** allows calculating the economic result of the farm in the current (basic) state (farm gross margins, net profit, cash flows and cash balance) basing on the actual structure of crop and animal production. It allows also to simulate the possible changes depending on the strategy choice of the farmer.

The scenario analysis gives information about the future farm gross margins, net profit, cash flows and cash balance, after realization of a certain strategy. It balances also the feeds for animals. It gives the possibility of quick change of parameters (allows to test different variants of the strategy and to check sensitivity of results of changes of some key parameters – like prices, variable costs, fixed costs, financing sources, subsidies etc).

How to perform the Business Planing (BP) analysis

1. First of all the farmer has to define the basic situation of the farm. In the first sheet, the user is supposed to complete the tables with real values from the farm. In the orange table for plant production, selects plants from the list, specify the area, and then selects the crop type from the list. In the table with animals the user has to choose from the list of species and give the number of animals in the appropriate place.

Structure of land	ha
Arable Land - own	10
Arable Land - rented	5
Permanent grasslands - Owned	20
Permanent grassland - Rented	5
Unused land	0
TOTAL	40
Number of hired Labour-hours (h)	
Family members working at the farm (AWU)	

	EUR
Leasing price of Arable Land (per ha)	200
Leasing price of Permanent grasslands (per ha)	150
Price of labour (per h)	12
Price of FUEL (per unit)	1.5

In this sheet, the user is supposed to complete the tables with real values from the farm. In the orange table for plant production, select a plant from the list, specify the area, and then select the crop type from the list. In the table with animals you have to choose from the list of species and give the number of animals in the appropriate place

	CROP PRODUCTION		
	Species	CROP AREA	Type of PRODUCTION
1	winter wheat	7	Regular
2	maize for silage	10	Regular
3	potatoes	3	Regular
4	grass for grean	10	Regular
5	grass for hay	10	Regular
	TOTAL	40	

ANIMAL PRODUCTION		
Species	Type	Current number of animals
CATTLE	Dairy cow	5
CATTLE	Suckler cow	10
CATTLE	Bull fattening	10
PIGS	Sow with farrens	10
	TOTAL	35

Picture 1. Basic situation of the farm in BP tool

2. The second step is counting the depreciation of the farm.

Indirect costs - the costs, which can't be clearly assigned to the particular production activities. They divide for: general production costs and general enterprise costs (for instance accountancy, fixed assets depreciation, transport, costs of management board).

A typical example of a fixed/indirect cost of the farm is the **depreciation of fixed assets** - for example, machines, equipment, buildings, and in fruit production also plantations of trees or fruits.

When purchasing a fixed asset (similarly building a building), as part of the investment process, we incur one-off expenses, often in significant amounts. Entering this type of expenses at once into the production costs of the year in which these expenses took place is not justified because one of the basic features of fixed assets is that they are used for many years. Therefore, the value of the investment, or expenses for the purchase of fixed assets, is spread over the anticipated or con-

	DEPRECIATION CALCULATION							
	BUILDINGS	Year of purchase/building	Replacement Value	Depreciation Period	Remained time of using	Yearly Depreciation Value	Current Value	Surface (area) of buildings for animals
1	Obora	2000	150000	30	12	5000	55000	300
2					0			
3					0			
4					0			
5								
10								
					TOTAL	5000,0	55000,0	300,0

	MACHINERY	Year of purchase/building	Replacement Value	Depreciation Period	Remained time of using	Yearly Depreciation Value	Current Value
1	Przyczepa	2005	15000	15	2	1000	1000
2					0		
3					0		
4					0		
5							
					TOTAL	1000	1000

Picture 2. Calculation of the depreciation in BP tool

tractual period of their use. This part of the value of the fixed asset, which falls into each year of its operation is referred to as “depreciation” - entered into the cost of production becomes “depreciation cost”:

Depreciation = Purchase value of a fixed asset divided by **Number of years of service**

or

Depreciation = Purchase value of a fixed asset * Depreciation rate (depreciation rate = 1 divided by **number of years of operation**)

Each of the 3 tables in BP tool works in the same way. After the year of production, replacement value and depreciation time, the remaining values will automatically be added. For the buildings used for animals it can be added a surface (it will be used in the further calculation).

3. Third step: CROP and ANIMAL PRODUCTION DATA for Gross Margin

A special type of calculation on a farm is a Gross Margin which we calculate for individual production activities (wheat, apples, potatoes, milk, pig livestock, etc.) according to the general formula:

Gross margin = Production value minus direct costs.

This formula applies to commodity activities whose products may be intended for sale and there is a market price for them. In the case of activities whose products are not widely traded (eg, roughage, such as hay, silage produced and used on the farm) and generally there is no market price for them, instead of gross margin we simply calculate direct production costs.

Direct costs - the costs which can be clearly assigned to the particular production activities. They include (in agriculture) for instance: seeds costs; fertilizers; plant protection; labour and machinery used for particular production; special materials and

CROP PRODUCTION DATA									
1	Winter wheat	Regular	7	ha				Whole area under this crop	
2		Unit	Quantity	Quantity	Unit price	Unit price	Value	Quantity	Value
3	Main product		50.0		45.0		2250.0	350.0	15750.0
4	Byproducts/direct payments		45.0		11.0		495.0	315.0	3465.0
5	Seeds required								
6	Own		0.0		0.0		0.0	0.0	0.0
7	Purchased		2.5		176.4		441.0	17.5	3087.0
8	Fertilization								
9	N		140.0		3.6		498.4	980.0	3488.8
10	P		70.0		3.8		266.7	490.0	1866.9
11	K		80.0		2.6		210.4	560.0	1472.8
12	Plant Protection Products		1.0		798.1		798.1	7.0	5586.9
13	Cultivation services		1.0		493.7		493.7	7.0	3456.0
14	Harvesting service		1.0		0.0		0.0	7.0	0.0
15	Hired labour - hours		0.0		12.0		0.0	0.0	0.0
16	Fuel - quantity		127.0		4.5		571.5	889.0	4000.5
17					0.00				
18					0.00				
19			Main product %		Byproducts/direct payments %		Main (dt/ha)	By prod (dt/ha)	Total (dt)
20	Roughage fresh - own production		0%		0%		0	0	0
21	Roughage - silage - own production		0%		0%		0	0	0
22	Roughage - dried - own production		0%		0%		0	0	0
23	concentrated feed - own grains		0%		0%		0	0	0
24	concentrated feed - protein crops		0%		0%		0	0	0

ANIMAL PRODUCTION DATA									
1	CATTLE	Dairy Cow	5	Per HEAD				For whole HERD	
2		Unit	Quantity	Quantity	Unit price	Unit price	Value	Quantity	Value
3	Required Space	m ²	30		1		30	150	150
4	INCOME from SALES of ANIMALS	EUR	500		1		500	2500	2500
5	INCOME from SALES of PRODUCTS	EUR	7500		1		7500	37500	37500
6	Purchase of animals for breeding	EUR	1000		1		1000	5000	5000
7	Green fodder - own production	100 kg	250		1		250	1250	
8	Silage - own production	100 kg	160		1		160	800	
9	Dried Fodder - own production	100 kg	0		1		0	0	
10	Concentrated feed - own grains	100 kg	20		1		20	100	
11	concentrated feed - protein crops	100 kg	5		1		5	25	
12	Roughage - purchase	100 kg	10		1		10	50	50
13	Concentrated feed - purchased grains	100 kg	0		1		0	0	0
14	Concent. feed - protein crops purchase	100 kg	0		1		0	0	0
15	Specialist feeds	100 kg	50		1		50	250	250
16	Feed additives	100 kg	2		1		2	10	10
17	Veterinary care	EUR	100		1		100	500	500
18	Herd Recording/Control	EUR	50		1		50	250	250
19	Other services	EUR	20		1		20	100	100
20	Other materials	EUR	50		1		50	250	250

Picture 3. Calculation of Gross Margins for Crop and Animal Production in BP tool

machinery, animal feed, veterinary services, medicines, insemination.

The third sheet CROP PRODUCTION and the fourth sheet ANIMAL PRODUCTION allows

to calculate the Gross Margins for each of the plants which are grown at the farm and animal species which are kept. In order to do that the user can base on the given averages or insert his/her own production costs into the tables.

4. The fourth step: CALCULATING FARM PROFIT

The most general formula for calculating farm profit is:

Farm profit = Revenues (incomes) minus Costs,

which we can also save as:

Farm profit = Revenues (incomes) minus Direct costs minus indirect costs

Because we subtract direct costs from revenues, when calculating the Gross Margin, therefore in

our case the farm profit is calculated in the following way:

Farm profit = Gross Margin minus Indirect costs

Gross Margin in this formula is in fact the sum of incomes from various activities (crops and animals). If you increase the value of the Gross Margin from a single crop, or replace crop with low Gross Margin, another activity that generates a larger Gross Margin, it is enough to state that the agricultural income from the farm will improve. We do not have to allocate indirect costs between activities for this purpose, because they are relatively constant, regardless of the changes we make in the structure or intensity of production.

By adding off farm incomes and off farm costs we calculate the **Personal Profit of the Farm**

CROP PRODUCTION	Value [EUR]	Adjustment
Main product	15750	
Byproducts/direct payments	3465	
Seeds required		
Own	0	
Purchased	9837	
Fertilization		
N	11949.3	
P	8106.9	
K	6228.8	
Plant Protection Products	5586.91	
Cultivation services	7656.04	
Harvesting service	2000	
Hired labour costs	1200	
FEED PRODUCTION	Value [EUR]	
Roughage fresh - own production	24000	
Roughage - silage - own production	60000	
Roughage - dried - own production	0	
concentrated feed - own grains	0	
concentrated feed - protein crops	0	

INCOMES CROP PRODUCTION	19215.00
COSTS DIRECT CROP PRODUCTION	54314.95
GROSS MARGIN CROP PRODUCTION	-35099.95

Indirect costs	Value [EUR]	Adjustment
Depreciation of Machinery and Equipment	1000	
Depreciation of Buildings	5000	
Depreciation of Transport means	6667	
Indirect hired labour costs	240	
Fuel costs	14126	
Other services	2561	
Other fuel costs (coal, wood, gas)	15000	
Energy (electricity) costs	15000	
TAXES	4000	
CONSERVATION OF Machinery	2000	
CONSERVATION of buildings	1000	
Insurances of machinery and transport means	3500	
Insurances of buildings	1000	
Other insurances	4500	
INTREST from LOANS (CREDIT)	2500	
OTHER COSTS	400	
Water	5000	
TOTAL	83493	

ANIMAL PRODUCTION	Value EUR]	Adjustment
INCOME from SALES of ANIMALS	186500	
INCOME from SALES of PRODUCTS	37500	
Purchase of animals for breeding	11000	
Roughage - purchase	150	
Concentrated feed - purchased grains	80	
Concentrated feed - protein crops purchase	24	
Specialist feeds	250	
Feed additives	50	
Veterinary care	2400	
Herd Recording/Control	450	
Other services	300	
Other materials	550	

INCOMES ANIMAL PRODUCTION	224000
COSTS DIRECT ANIMAL PRODUCTION	15254
GROSS MARGIN ANIMAL PRODUCTION	208746

PROFIT CALCULATION	
INCOMES	243215.00
COSTS INDIRECT/FIXED	83493.37
COSTS DIRECT	69568.95
FARM PROFIT	90152.68
OFF-FARM Revenues	6000
OFF-FARM Costs	1000
PERSONAL PROFIT	95152.68

This sheet is a summary of all agricultural activities. Tables have the option of adjustment. To correct a specific value, enter the new value in the red field. The given value will be included in the calculation. If the user wants to resign from the value correction, delete the entered value and the data will return to the previous state. If there are yellow fields next to the table, you must manually fill in the cells with values.

Picture 4. Calculation of Farm Profit in BP tool

5. The fifth step: CALCULATION OF CASH FLOWS

Every activity, this also applies to private life, is related to the cash movement. We spend money, we receive money as payment for the work done or products sold. So one can say that the money "flows" through the farm. That is why the name:

cash flow statement, which consists in the fact that we compile (balance) all deposits and withdrawals, both in cash and using bank accounts.

It is obvious that you cannot spend more money than at the moment. The balance of cash flows (the difference between inflows and withdrawals) may be zero in the worst case. However, in the planning process, the analysis of cash flows is of fundamental

importance. It answers the question: can the money obtained from the activity cover the planned expenses related to running the farm? If not, you may need to take out a loan or change your spending plans.

At the farm we balance all proceeds and expenses of money from four activities:

Operating activity - includes inflows and outflows from the basic activity of a farm, i.e. plant and animal production and service activities (eg services provided by farm equipment).

The **Investment activity** of the holding includes inflows and expenses related to the purchase / construction and sale of fixed assets, eg concerning the sale / purchase of a tractor, construction of a barn or subsidies for investment.

The **financial activity** of the holding covers all loans and loans taken for the purpose of the farm and the repayment of such loans with interest.

Private money flows - includes all payments and withdrawals related to the personal life of the farmer and his family. Payments and withdrawals as part of this activity may refer to earning out-of-farm income, pension and retirement benefits, separate non-agricultural activities, family maintenance, home maintenance, etc.

For simplicity reasons we added the Private money balance into the final cash balance.

Cash balance at the farm at the end of a given period (e.g. year) is calculated as follows:

BALANCE OF TOTAL CASH IN THE FARM = Cash held at the beginning of the period + operating balance + investment activity balance + balance on financial activity + private balance.

OPERATIONAL ACTIVITY	
CASH INCOMES	249215.00
INCOMES CROP PRODUCTION	19215.00
INCOMES ANIMAL PRODUCTION	224000
OFF-FARM Revenues	6000
CASH EXPENDITURES	138895.66
Operational expenditures	137895.66
OFF-FARM Costs	1000
CASH BALANCE	110319.34

FINANCIAL ACTIVITY	
CASH INCOMES	5000.00
New loans (only if was taken this year)	5000.00
CASH EXPENDITURES	4500.00
Credit paid installments	2000.00
INTEREST from LOANS (CREDIT)	2500
CASH BALANCE	500.00

INVESTMENT ACTIVITY	
CASH INCOMES	0.00
Sales of land	
Sales of buildings	
Sales of machinery	
Investment subsidies	
CASH EXPENDITURES	0.00
Investment in land	
Investment in buildings	
Investment in machinery	
CASH BALANCE	0.00

CASH BALANCE	
Cash at the beggining of the year	0.00
OPERATIONAL ACTIVITY	110319.34
INVESTMENT ACTIVITY	0.00
FINANCIAL ACTIVITY	500.00
Private money balance	5000
Cash at the end of the year	110819.34

Picture 5. Calculation cash flows in BP tool

Interpretation of the Farm Profit vs. Cash Flows

It happens that in a given year farm profit is assessed as high, and the farmer lacks money "on hand" because the cash flows are negative. Such a situation may occur if the farmer has made significant investment expenditures, repays the loan, if he needs more money for household expenses. This does not mean in the situation described that production is not "profitable". The next year, the balance of cash flows may be significantly improved - if there is no more investment expenditure, if the farmer sells inventories of products collected from the production of the previous year, etc.

For the same reasons, paradoxically, the reverse situation may occur. Agricultural income in a given year is relatively low (e.g. due to worse harvest), but after paying off all liabilities in the previous year, sales of stored products and use of stocks of production resources (we do not incur expenses, because the purchase was made in the previous year) flows cash shows a high positive balance. Therefore, agricultural income (farm profit) should be treated as an economic measure of economic efficiency, and cash flow is an element of financial management on the farm.

COSTS OF CROP PRODUCTION

PRICES of CROPS

CROP YIELDS

COSTS OF ANIMAL PRODUCTION

PRICES OF ANIMAL PRODUCTS

Picture 6. Buttons that allow the user to manipulate various values

The scenario analysis allows also to simulate the possible changes depending on the strategy choice of the farmer. It gives information about the future farm gross margins, net profit, cash flows and cash balance, after realization of a certain strategy. It balances also the feeds for animals. It gives the possibility of quick change of parameters (allows to test different variants of the strategy and to check sensitivity of results of changes of some key parameters – like prices, variable costs, fixed costs, financing sources, subsidies etc).

6. The last step: SCENARIO ANALYSIS

In this part user is asked to create a scenario for a farm according to the strategy chosen for the future. In the tables, on the left side, there is an additional column, which present the values entered on the basic farm situation. In the right column user can enter new values for the scenario planned in the strategy. Below the tables there are "buttons" that allow the user to manipulate various values, change costs of production, prices of products, yields. All the other tables are similar to the previous sheets, with one difference - they contain the basic and scenario situation.

Concluding

The BP Tool could be used in agricultural trainings, in daily work of farm advisors and individually by more skilful farmers. It also could be used as a part of the curriculum for agricultural economics students. The business planning training was incorporated into the ISM+ trainings, during the 3rd training day (short version - 3 h) or as a separate training taking 4-6 training hours.

Business-planning module was very much appreciated by farmers, as something, which was currently missing in their experiences with trainings and with the ISM method from the past projects. Farmers were very active in discussing economic issues, often being inspired by others.

	ACTUAL SITUATION	SCENARIO SITUATION
INCOMES ANIMAL PRODUCTION	224.000	304.000
COSTS DIRECT ANIMAL PRODUCTION	15.254	34.000
GROSS MARGIN ANIMAL PRODUCTION	208.746	304.000

	ACTUAL SITUATION	SCENARIO SITUATION
INCOMES CROP PRODUCTION	19215.00	27450.00
COSTS DIRECT CROP PRODUCTION	54314.95	60690.00
GROSS MARGIN CROP PRODUCTION	-35099.95	-33240.00

PROFIT CALCULATION	ACTUAL SITUATION	SCENARIO SITUATION
INCOMES	243.215	331.450
COSTS INDIRECT/FIXED	83.493	97.911
COSTS DIRECT	69.569	94.690
FARM PROFIT	90.153	138.849
OFF-FARM Revenues	6.000	6.000
OFF-FARM Costs	1.000	1.000
PERSONAL PROFIT	95.153	143.849

	ACTUAL SITUATION	SCENARIO SITUATION	Adjustment
Indirect costs	Value [EUR]	Value [EUR]	
Depreciation of Machinery and Equipment	1000	5000	
Depreciation of Buildings	5000	2667	
Depreciation of Transport means	6667	6667	
Indirect hired labour costs	240	1200	
Fuel costs	14126	15840	
Other services	2561	13237	
Other fuel costs (coal, wood, gas)	15000	15000	
Energy (electricity) costs	15000	15000	
TAXES	4000	0	
CONSERVATION OF Machinery	2000	2000	
CONSERVATION of buildings	1000	1000	
Insurances of machinery and transport means	3500	3500	
Insurances of buildings	1000	1000	
Other insurances	4500	4500	
INTREST from LOANS (CREDIT)	2500	2500	
OTHER COSTS	400	400	
Water	5000	5000	



Picture 6. Farm scenario analysis (basic and scenario situation compared in BP tool)



Chapter 8

Summary Field Experiences with Strategic Management and Future Thinking

General observations about the ERASMUS + ISM + project

During the previous ISM Project (Leonardo da Vinci Transfer of Innovations 2011-1-PL1-LEO05-19891) in period 2011-2013, about 130 farmers, 50 agricultural students and 15 trainers were trained in three countries (Poland, Lithuania and Slovenia). In the current Erasmus+ ISM+ project the tool was further developed and new modules were added to the training program. The testing and training sessions were organized in Poland, Lithuania Slovenia and Austria, which composed 8 ISM full farmer trainings (for ca 90 farmers), 4 marketing trainings for about 80 farmers, and 5 agricultural student trainings for 52 students.

This project focused on making the ISM tool and trainings applicable to more sectors than the dairy sector and adding modules to the training program about marketing, business planning and networking. This implied that extensive translation work was needed in five languages – Polish, Lithuanian, German, Slovenian, and English for common use. ICT input was regularly needed for implementing all changes and extensions.

The project has been stimulating and inspiring for all persons involved. Exchanging experiences and adapting processes and an educational tool not only to different languages and animal sectors, but also to different cultures has been quite challenging and rewarding in the way of learning and new friendships. The updating of the tool appeared to be a bigger effort than foreseen.

General observations from the farmers' training sessions

The main conclusions derived from the farmer trainings concerning the key success factors for the training and opportunities for implementation of the training and advice for the future, were:

- **This type of interactive training is very different from the usual kind of trainings** and lectures that are being offered these days to the

farmers. It is important to be aware of this difference in the way of communication, when selecting participants and when choosing and training the facilitators.

- **The expectations about the training should be clear.** Farmers have different views on strategic plans. Some farmers think strategic planning is about financial calculations, which is not a major topic of this training. This training is about creating awareness of farmers concerning their own situation and future expectations and goals. It is essential before the training starts, that the content and planned output of the training are well understood by the farmer to avoid misunderstandings.
- **The timing and the season are important.** Training should be planned during the winter, because during spring and summer time farmers are too busy with fieldwork. It is not just the time needed for the training itself, but the farmers also need time for the homework assignments and time to reflect and brainstorm about new ideas and possibilities.
- **Good trainers/facilitators are needed.** The facilitator has a key role in the training process. He or she must be able to stimulate farmers to think outside the box and to stimulate them to interact with colleagues and others. The facilitator must understand the process oriented approach of the training and should have the skills to perform this approach with a group of farmers. The facilitation is a lot easier if he or she has knowledge of the sector and is aware of the current issues in the sector. Knowledge of the sector also helps to ask the right questions and to give good and inspiring examples.
- **The farmers attending the training should be self-motivated** to work and to discuss strategic choices. Therefore, an appropriate recruitment of the farmers is essential. If farmers are not motivated, the process is difficult to manage. Because the training is with a group, the farmers must be willing to share data and views with their colleagues and the trainer. During the training the farmers work with a computer, therefore, some experience with working with the computer is helpful for a successful training.
- **Involvement of the participant is a key factor to success.** It is important that the farmers are fully involved in the training. This means participating in the interaction during the training days and doing the homework assignments after each training session. Farmers should also be present during all

three training days. If you miss out one day it is very difficult to pick up the process again.

- **A mixture of farmers from different regions** may work better than a group of farmers from, for instance, the same village, to be more open towards the discussions and interaction in the group.
- During the training, the farmers have to work with a web based tool. An important condition is that the ISM tool should work properly. This implies that the location for the training should have **good internet access**. A back up office is needed in case of soft-ware or other difficulties that may arise. It is important to test the tool on location before the training. In problem situations, it is helpful to have a paper version on hand, which can be used to complete the training in an alternative way. But especially during day 2 the use of the web-based ISM tool is quite essential for the training.

Additional observations from the farmers' training sessions in 2015-2018

- The ISM tool stimulated the participants to think about future strategies and a self-evaluation of competences, internal and external factors and to share innovative ideas related to added value and marketing. The process stimulated the participants to be open minded and communicative. They easily shared their ideas and experiences. All emphasized that they have learned a lot and the training raised their consciousness about their own farm.
- The farmers did mostly not know each other; in such case the training creates a new network among the participants. Farmers emphasized that they got new colleagues and valuable contacts for their farm.
- The farmers producing their own products for direct selling were very much focussing on the questions related to product marketing and willing to participate in the marketing training sessions;
- The GAP (comparison of own strategy with tool calculated strategy) analysis was very useful for farmers to understand the factors, which

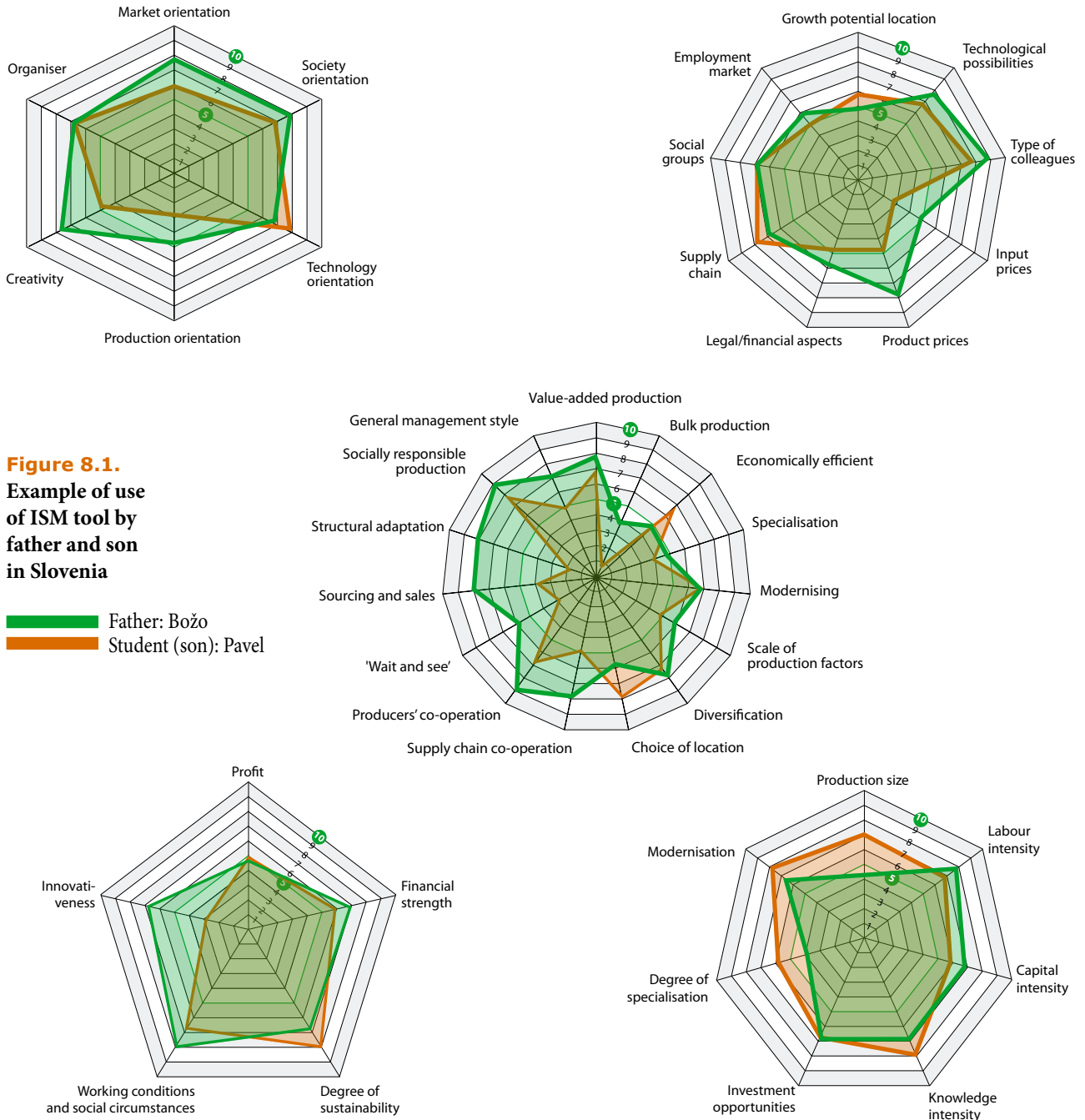
cause the difference between the own strategy and the strategy calculated by the Tool;

- Questions in the tool are very generally formulated, such that you can apply it for all agrarians; the role of the facilitator has become to raise questions and discussion based on the sector examples;
- The last training day (3rd day) is the most important day for the training. Each farmer presents his / her own farm and personal strategy(ies) to the group, and he / she receives questions and comments. The group of farmers have the opportunity to oversee the entire training as a complex process, which leads finally to the strategy development. Usually on this day the farmers have become very enthusiastic about the training and appreciate it set-up.
- Return day after one year from the last training (3rd day) was very useful to recall farmers their strategic plans and reflect about the strategy realisation. It also helps to plan the further steps in the strategic action-plan for the coming period. Since the universal, long-lasting and unchanging strategy for the business is not existing, and the adjustments are needed in the strategic plans in order to follow the changing environment and internal situation of the farm, it is advised that farmers should organise such a reflection day about their strategy at least once a year. They could discuss then with their family the development paths and eventual changes in strategy and action plans, which have to be undertaken.
- Marketing and business-planning modules were very much appreciated by farmers, as something, which was currently missing in their experiences with trainings. Marketing trainings are especially dedicated to farmers who produce and sell directly their final products to consumers. Farmers should plan their marketing strategy, set the marketing objectives and measures of marketing mix: price, product, distribution and promotion. Farmers were very active in discussing these issues, often being inspired by others. The team-working was very successful method in marketing trainings.
- Networking methods and "Ice-breaker tricks" used during the ISM trainings were stimulating discussion and bringing people together. Networking exercise with homework assignment made farmers more confident to make contacts outside the agricultural sector and to learn that all businesses are experiencing similar obstacles and strategic problems. In general, farmers appreciated the common discussions with other people and valued the good atmosphere during trainings. After sessions, many farmers could sustain further relations with newly approached colleagues from the same branch.

General observations from the students' – farm successors' - training sessions in period 2011-2018

The ISM methodology has the potential to be an instrument for use in business-oriented classes or as part of curriculums related to farm manage-

ment. In Slovenia, some students used the ISM tool together with their parents and both (current owner and future successor) formulated the internal and external factors of the farm, their competencies, and the strategies to reach the future goals of the farm. The outcome was presented in a meeting in which the farmers and their student sons / daughters participated together. One example is presented in Figure 1. The participating students and facilitators are shown on Picture 1.



General appreciation scores

The evaluation results show, that the farmers' expectations about the training were mostly fulfilled. It can be observed, however, that after the first training day a part of the participating farmers were surprised by the form of the training. The reason might be that in the three countries in which the trainings were carried out, farmers are rather used to the "lecture type" of trainings, where interaction with the lecturer is minor. However, during the ISM trainings farmers had to work themselves with computers and they had to analyze and discuss the findings about themselves and their farm with the group. This might have caused some concerns of the participants. **In all countries over 85% of farmers concluded that they learned a lot during the ISM training.** The most valuable and new knowledge was obtained during the second and third training day, during which the participants analyzed, discussed and presented the future strategies for their farms and their action plan. In the Netherlands' RABO bank ISM train-

ing, 847 young farmers in 89 groups have been trained in ISM since 2016. Average evaluation outcomes over the last three years show a similar observation as in the current project, i.e. the 1st day of training usually was scored the lowest. Obviously, more factors than being unknown with this kind of group meetings seem to influence the appreciation of the training day by the farmers. For instance, to get to know each other may also play a factor in the process of appreciation of the training content.

The evaluation also indicates particular effects of the trainings. The farmers expressed that the training was useful for them and since the training, they have a different view on their business. It was important to note that 83% of participants would recommend the training to colleague farmers. They are more self-confident and more aware about their own and their farms' strengths and weaknesses and the environment (Figure 2). The marketing and business-planning modules were very appreciated by farmers as something innovative and very much needed in the farming sector. In general, the farmers were emphasizing the common discussions with other people and valued the good atmosphere and well prepared trainers. In summary, the farmers found the ISM tool and the method very interesting and innovative.

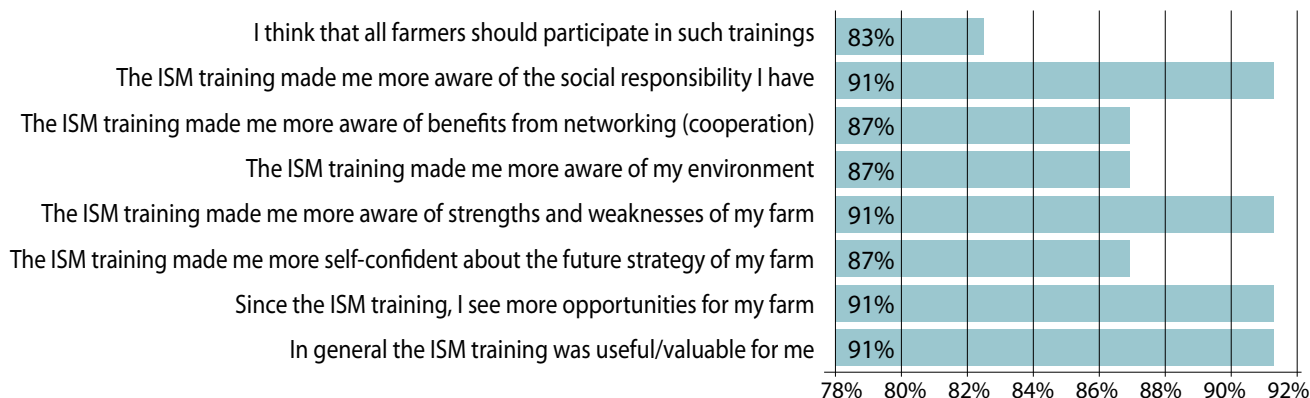


Figure 8.2: Results of the evaluation of trainings [% of persons that agreed with statement]

Sustainability of trainings and tool

About trainings and entrepreneurship

An international oriented website accessible for interested partners has been delivered as output of this ISM+ project. The project goals and results of the previous and present project are presented, as well as other relevant information concerning entrepreneurship. The focus is on information regarding training and learning materials and documents and knowledge transfer methods. The website will stay functioning after the project is ended: link <http://ism.sggw.pl/> Besides information through the website, the ISM training package and a description of all tools, guidelines and experiences are available in this book. Everybody can use this book for its own purpose. It is intended to become one of the standard books for educators and extension experts in farm strategic management and the role of the (young) farmer in this.

Continued use of ISM tool

The tool is applied by some extension services outside the Netherlands as part of their professional services, and implemented in the education curriculum in most of the project partner countries. This requests a sustainable availability and use of the tool. The plan is to realize such a service. For time being the tool will be accessible for selected parties on the Wageningen Economic Research server. If needed, trainings will be organized on a professional basis. To support the maintenance and updating and perhaps further development of the tool and methodology, a meeting will be held once a year with the main participating partners to evaluate the use of the ISM Tool, and discuss possible need of updating it in certain aspects.



Appendices



Appendix 1: Factors and Strategies

A Explanation of the 16 factors related to the Enterprise in SMT

1. *Number of entrepreneurs.* A high score on this factor indicates that there more than one owner active within the farm. A high number of (co-)owners contributes to a better distribution of the capital risks, an efficient distribution of tasks and a higher input of knowledge. How many currently active owners does your business have?
2. *Degree of specialization.* The degree of specialization of a farm indicates the number of different kinds of products that are produced at the farm. A high score indicates a low number of products and therefore a high degree of specialization.
 - a) To what extent are you focused on the production of only one or a few products? *
 - b) How many links in the supply chain concerning production and sales are integrated into your business? *
 - c) Besides income from farming or horticulture, are their other sources of income from your business? For example energy sales, care farming, consulting, education etc.
3. *Degree of modernity.* This factor indicates how the situation is compared to a completely new farm and farm equipment. Are the buildings, greenhouses and farm equipment like machinery up-to-date or are they rusty and written down? A high score means that the farmer works with a relatively new farm, in which he has recently invested.
 - a) How old are the majority of your business' buildings (sheds, barns, greenhouses etc)? What is your perception? For example: New: 0-5 years, Average: 5-10 years, Old: more than 10 years (This can be different per branch and per country). *
 - b) What is the average age of the energy systems in your business (boilers, pipes, etc.)? *
 - c) What is the average age of the production systems for cultivation in your business (conveyer belts, climate computers, etc.)?
4. *Capital intensity.* This factor is a relative indicator for the measure of production intensity. A high capital intensity indicates that the invested capital per animal, m² or ha is high, e.g. through a high degree of automation, recycling, environmental protection or animal friendliness. Such provisions demand high investments and create a relatively high farm risk.
 - a) Is the invested worth of your business comparable to that of your colleague entrepreneurs?
5. *Investment potential.* This factor indicates the financial room to do further investments. A high score on this variable means that there is much room to invest, a low score indicates a limited investment potential.
 - a) Is the solvency of your business comparable to that of your colleague entrepreneurs?
 - b) Does your financial position allow for large investments?
6. *Cooperation.* This factor indicates how intensively a farm cooperates with other farms or with chain partners to reach her goals. Examples are the roles of a farm in a producer organisation (horizontal cooperation) and study groups. This factor also includes cooperation within a chain (vertical cooperation).
 - a) Are you a member of a co-op or growers association e.g. for the sale of your products?
 - b) Is collaboration developing through your participation in sector organizations?
 - c) Do you have long-term arrangements with links in the marketing chain? For example finishing plants, propagation, plant breeders, intermediary trade, retail.
7. *Labor intensity.* This factor is a measure for the labor input required per unit of area or animals. It indicates if a farm uses relatively much or little labor.
 - a) Does your business employ, in general, more people (both temporary and permanent) throughout the year than your colleague entrepreneurs?
 - b) Does your business require more hours of labor throughout the year than your colleague entrepreneurs?
8. *Knowledge intensity.* This factor is related to all processes that are not standard within an organisation or farm. A high knowledge intensity indicates that there is a high knowledge level within the farm, providing her with opportunities to anticipate on market changes.
 - a) Does your business require more higher educated staff than the businesses of colleague entrepreneurs? *

- b) Does your work involve activities that are less routine for staff than the work at the businesses of colleague entrepreneurs?

9. *Innovation potential.* This factor relates to the innovation focus of the farm. A high score on this factor indicates that the farm runs in front in implementation of innovation. Through this, the farm gets experience with new approaches and will possibly have an advantage compared to competitors.

- a) Does your business focus on the development of new products? *
- b) Has your business generated more turnover from new products in the past three years than colleague entrepreneurs due to product development and process innovation?
- c) Has your business introduced more new production processes in the past three years than your colleague entrepreneurs?
- d) Are you one of the first to introduce new products or technology when they are developed?

10. *Productivity.* The production per production unit (m², ha, animal, hour) is important. This indicates how a farm performs compared to colleagues / competitors from the sector.

- a) How large is the tangible production (in tons, liters, etc.) of your business in comparison to colleague entrepreneurs?

11. *Margin.* This is a farm economic factor and is related to the performance (profit) of a farm. A high score indicates that a farm has a relatively high margin.

- a) How high is the profit margin of the products of your business in comparison to colleague entrepreneurs?

12. *Planet.* This factor is coupled to the performances of the farm in the field of application of energy, pesticides, medicines, water and nutrients. A high score on the factor 'planet' indicates a relatively environmentally friendly production and that the farm wants to deal with the environment in a sustainable way.

- a) Is the amount of energy used per year per m² on your business comparable to that of your colleague entrepreneurs? *
- b) Energy and Climate: To what extent do you actively save energy and/or use green energy and/or produce your own energy, in comparison to the businesses of colleague entrepreneurs?

- c) Does your business have environmental certification? If yes, to what extent are you involved in this?

13. *People.* This factor is related to the farm policy towards her personnel. A high score indicates that relatively much attention is given to the labor conditions and development of the personnel.

- a) Does your business make more of an effort than colleague entrepreneurs to increase employee or contract worker satisfaction?
- b) Do you actively work to increase safety on the job, both for yourselves and your employees?
- c) Has your business a good relationship with your neighbors to ensure that your operational management does not create any nuisance but rather adds value to its surroundings?

14. *External orientation – Business focused*

14. a *Product-focused.* The entrepreneur is purely focused on the yield and quality of the production;

- a) Are you personally involved in and make active decisions concerning harvest and processing?
- b) Do you mostly determine yourself the direction of your business? This has not (yet) been put down on paper.
- c) Are price and terms of delivery the most important purchasing criteria for you?
- d) Are the trade-specific skills of your employees very important?
- e) Do you closely follow any feedback concerning the quality of your products? Do you immediately adjust your business operations if quality decreases?

14. b *Process-focused.* The entrepreneur takes a step further than in a. He also evaluates the internal business processes and tries to improve these.

- a) Do you have a clear picture in your mind of how the business needs to function. If others need to do certain tasks, do you make sure you thoroughly explain what needs to be done and how?
- b) Do you carry out any changes in operational management or your business strategy only after consulting all others directly involved (family, co-workers, advisers, etc.)?
- c) Must suppliers be able to prove the quality of their delivery?
- d) Are you concerned with the commitment and development of your staff? For example: You regularly speak with your employees about their duties, you have a staff policy and training plan and you hold performance evaluations.
- e) Do you work with a quality assurance system and do you keep an eye on the technical and economic performance of your business?

14. c *System-focused.* The entrepreneur also evaluates the connection between the different internal business processes. He tries to optimize the processes overall. He also delegates more responsibilities to the personnel.

- a) Is your business vision based on your knowledge of the market, social developments, analysis of your competition and available new technology?
- b) Have you put down your strategy and goals on paper and translated this to your operational business processes? Have you done this together with your family, the (responsible) employees and/or advisers?
- c) Is there a routine of evaluation, planning and control according to a budget cycle?
- d) Is strategy leading in your business, also in the way you manage the people you work with (employees, contract workers, advisers)?
- e) Have your business' operational processes been put down on paper and are they certified?

15. Supply chain-focused. The entrepreneur evaluates the relationships with the different chain partners and tries to improve the efficiency of the cooperation with them (external). The entrepreneur makes certain persons in his organisation responsible for the contacts with the chain partners. Thus, these personnel also initiate improvements.

- a) Do you consult regularly with your customers and suppliers and do you adjust your operational management for optimal chain performance?
- b) Is your vision in tune with that of your supply chain partners?
- c) Are suppliers and customers selected with long-term collaboration in mind?
- d) Do employees work themselves with supply chain partners and are they part of the driving force for improvements?
- e) Is the collection of data and information concerning my business shared with your customers and suppliers in order to create an efficient exchange of information and data within the sector?

16. Society-focused. This is the highest of the five levels of external orientation (increasing from a to e). The farm is evaluated from a society-wide perspective. The entrepreneur is strongly involved in activities outside his farm and leaves the daily business activities to self-steering teams.

- a) Does your business have a flexible organizational structure in order to be able to quickly

implement change and innovation? Is entrepreneurship the foundation of all aspects of the business?

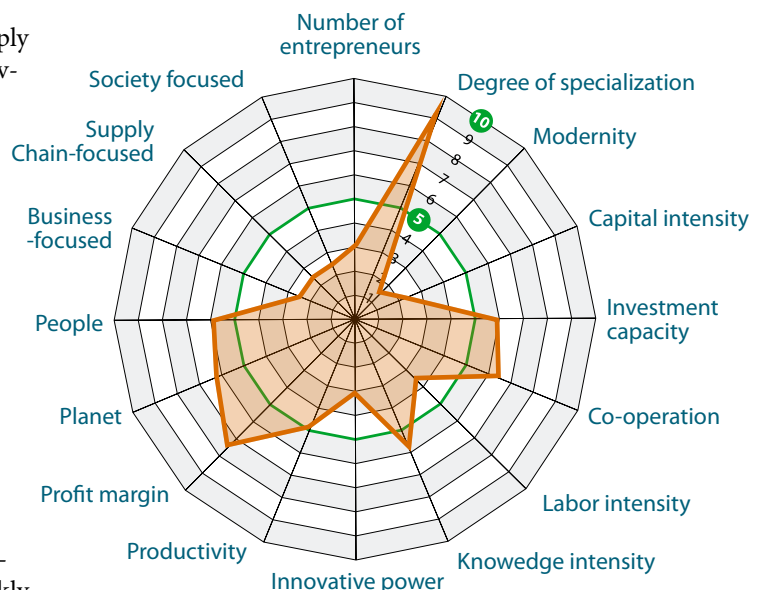
- b) Does your business focus on the long-term and does it have a number of future scenarios involving possible technological and social developments?
- c) Are innovation and new technology the driving forces for the future of your business?
- d) Is it important to you that you, and/or others involved in your business, also support your social environment?
- e) Do you know and measure the effect your business has on society?

B Explanation of the 13 factors related to the Environment in SMT

In the description of the different factors, often the expression 'a high score' is used. A high score on a certain factor means that there are many opportunities for you as an entrepreneur. A high score results when you answer 'yes' or 'certainly yes' to the questions under that specific factor.

1. Market growth. Market growth is an indicator for the growth of the demand of the products of the farm which can be expected. The market growth can be expected in one or more of the following approaches:

- a) To approach existing customers with existing products:
 - Is the demand for your existing products within your existing market increasing?
 - Is the market for your products politically stable?



- Is your business not affected by the exchange rate of the Euro?
- b) To approach new customers with existing products:
 - Is the demand for your existing products from new customers increasing?
 - Is the demand for your existing products increasing due to expansion of your customer base?
- c) To approach existing customers with new products:
 - Do your existing customers continuously ask for new products due to quickly changing consumer wishes?
- d) To approach new customers with new products:
 - Is there a good chance of acquiring new customers by offering new products?

A high score indicates that the specific approach will give you many opportunities.

2. **Competitive potential.** An analysis of competitors can give you insight into the offensive or defensive power of your competitors. The character and the intensity of the competitive struggle depend on the number of competitors, their market position and their adaptive power. The 'market approach' of your competitors can greatly affect your results. A low score means that you have to deal with a lot of competition, which is threatening. A high score means that you have many opportunities due to little competition.

- a) Is there a strong domestic competition for your products?
- b) Is there a strong foreign competition for your products?
- c) Are the margins for your product relatively low?
- d) Are your competitors more innovative in their production processes?
- e) Are your competitors more innovative in their marketing?

3. **Distribution possibilities.** Several organizations can support a farm in promoting, selling or distributing of her products to the end-users, e.g. wholesale trade and retail trade, who become owner of the products sold. A high score (when you score often 'yes' or 'certainly yes') indicates that you see enough opportunities for distribution of the products and that you

have influence on them; there are enough market channels and chain partners available to sell the product.

- a) Are there interesting possibilities for your products through new channels for marketing and sales?
- b) Is the current distribution (logistics) for your products well organized?
- c) Are there many businesses suitable as regular partners for the sale of your products within my sector.
- d) Are sales through an auction or your co-op/producer organization most important for you?
- e) Does inclusion in a closed chain (fixed with partners) generate more profit for you?

4. **Labour market.** The labour market has in general two dimensions: quantity (production personnel) and quality (enough trained personnel within the different management levels of the farm). A high score indicates that you find that the labour market offers you many opportunities and that there is relatively enough personnel available.

- a) Is there sufficient labour available for production work in your business?
- b) Is there sufficient educated labour available for your business management?

5.—7. **Technological development of product (5), process (6) and marketing (7).** The state-of-the-art of technology contributes to the opportunities and impossibilities of farms. Technology can deal with efficiency but also offer opportunities for new products and new ways to produce in order to serve the customers. Such an opportunity can have an effect on the production process, e.g. decreasing the dependency of labour. It can also have a marketing technical effect, creating new ways of communication. Or concerning product technology, creating completely new applications of existing products.

A high score indicates that you see many opportunities for improving the products and the production and marketing processes at your farm through technological development.

- 5. Do the new technological developments in the sector increase your ability to **develop a good quality product**?
- 6. Do the new technological developments in the sector increase your ability to make your (operational) **production processes more efficient**?
- 7. Do the new technological developments in the sector increase your **ability to successfully market your products** (for example, through internet, new sales concepts)?

8. **Space available.** In several regions in the world, the pressure on space (land) is rather high, since several stakeholders (housing, recreation, business areas, etc.) also claim part of the available space. A high score indicates that you find the space availability high enough for an enlargement or shift of your farm.

- a) Does your current location offer sufficient options for

expansion (land, permits, environmental legislation) for your business?

- b) Do other locations (regional, national, etc.) offer more possibilities for expansion of production than your current location?
- c) Would provisions such as labor, energy, water, etc. be more readily available at a new location?

9. *Available knowledge of production.* Knowledge is power and offers opportunities for innovation (adaption to the environment). Agriculture in different regions and sectors differs in knowledge level and in the availability of that knowledge for entrepreneurs. A high score means that you think that there is relatively much knowledge available.

- a) Is the knowledge infrastructure for development of your business (advice/training) well organized in your country?
- b) Can you easily make use of available knowledge (university, research programs, and advisers)?
- c) Are there sufficient options for continued education or vocational training?

10. *Available knowledge of marketing.* Information about improving product marketing is readily available.

11. *Societal aspects.* Citizens and consumers are increasingly involved in discussions about products and producers (farmers). Thus, they have an increasing influence on the legal frameworks that farmers have to deal with in their business. A low score indicates that you find the social support limited; society and citizens have a limiting influence on your way of farming. A high score means space to farm in your own way.

- a) Do you experience social pressure (from consumers and neighbors) to have a more environmentally friendly business?
- b) Do you actively integrate corporate social responsibility in your operational management (examples are producing with a certificate, supporting charity goals and community activities, and premiums for personnel with high performance)?

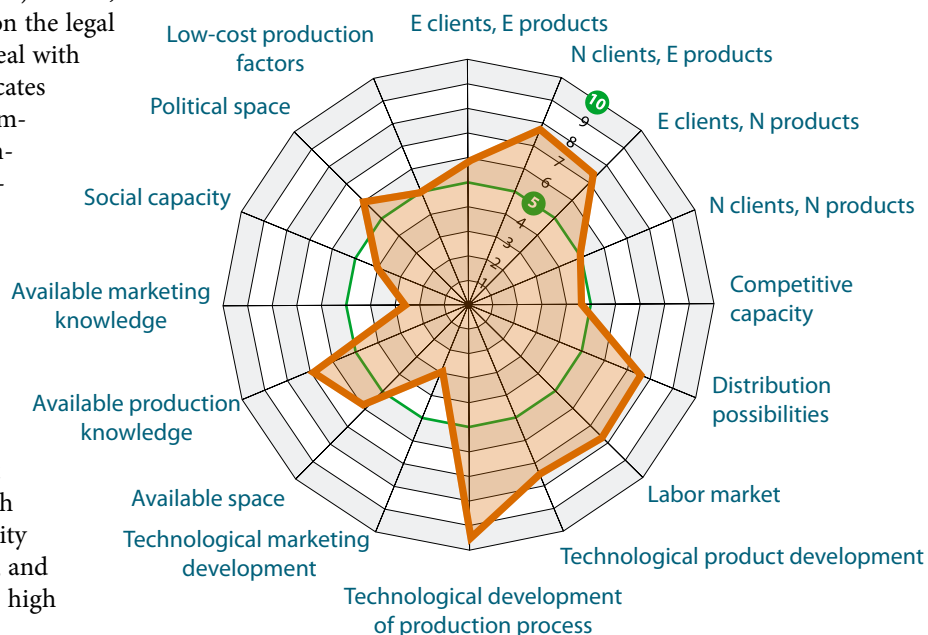
- c) Is communication with your neighbors and community about your operations increasingly necessary to maintain your 'license to operate'?

12. *Political aspects.* On the one hand, politicians make laws and rules that can limit entrepreneurship. On the other hand, politics can stimulate entrepreneurship through their policies and financial triggers (e.g. subsidies). A low score indicates that you find laws and rules limiting or threatening; a high score means that there is space to farm in your own way.

- a) Is your operational management hindered by rules and legislation?
- b) Do you see opportunities because your production costs are lower than your colleague entrepreneurs?
- c) Are you considering moving your business to a foreign country because there are less rules and legislation in other countries and they create more room for entrepreneurship?
- d) Is the entrepreneurial climate in your country good (taxation, administration aspects, procedures setting up the business etc.)?

13. *Low-cost production factors.* Production factors are land, labor and capital including machinery, equipment and buildings. A low score indicates that the production factors are relatively costly, limiting your opportunities to make use of them. A high score indicates that you can use them for a relatively low price.

- a) Do you expect a significant rise in price for at least two of your important production factors within the next two



years (land, capital, knowledge, raw materials, etc.)?

- b) Are the prices for your important production factors lower than those of your colleague entrepreneurs?

C Explanation of the factors 11 related to the Entrepreneur / Competences in SMT

Competences involve your skills and qualities; how do you personally perceive these? If some terms are not directly clear, ask your facilitator. How would you score yourself on the following subjects on a scale from strong to weak?

A concrete method is to score each section on a scale of 0-10 points. Try to first categorize each section as strong/weak. If a section is weak, it cannot be given a score of more than 5 points. Don't be afraid to score extremely high and low, as the goal is to provide clarity. Each individual number passes no absolute value judgment. Complete the score in the Strategic Management Report.

1. *Analytical skills.* Due to the introduction of internet, E-mail, automation, mobile telephones etc., the amount of information for the entrepreneur has enormously increased, both from outside and from inside the farm. Entrepreneurship means that it is important to recognize main issues from this information flow, to categorize opinions from facts and to identify potential problems and opportunities. Next, you are able to analyze alternative solutions and pathways on the added value for your farm. Thus, you couple your own strengths and weaknesses in a self-conscious way to new ideas and opportunities.
 - a) Do you focus on the key points of an issue and can you recognize the core of a problem within your business?
 - b) Can you easily separate facts from opinions?
 - c) Are you conscious of your strong and weak points?
 - d) Can you formulate your business goals?
 - e) Can you easily establish links between dif-

ferent perspectives and approaches?

- f) Do you have a clear picture of where your business will be in five years?

2. *Initiate and proceed.* The central point in entrepreneurship is discovering new opportunities. Main sources for new opportunities are technological changes, changes in politics and laws and social and demographic changes. You could think of farm enlargement, new chain concepts, projects on decreasing energy use, development of new markets, farming on other locations, etc. To discover such opportunities, it is important for you as an entrepreneur to observe what is going on in your external environment, to be open to new developments and to actively search for new information.
 - a) Are you continually searching for new information?
 - b) Are you continually searching for new opportunities?
 - c) Are you often the first one to try new things?
 - d) Are you more often ready for a new challenge than colleague entrepreneurs in your field?
 - e) Are you not easily distracted from the goals you have set for yourself?
 - f) Do you often negotiate with suppliers and buyers over prices?
3. *Networks and interaction.* The modern business in agriculture operates in a free market in which networks are of essential importance to discover opportunities. This factor deals with your competence to initiate and maintain contacts, mainly outside the farm (customers, colleagues, chain partners).
 - a) Do you have many networks outside of the agricultural sector?
 - b) Can you clearly express your ideas to your audience (colleagues, partners) during presentations?
 - c) Do you try to incorporate public feedback into your operational management?
 - d) Is cooperation between entrepreneurs in your sector very important to you?
 - e) Are you open to critique from others (colleagues, co-workers, etc.)
4. *Market orientation.* Market orientation means that you try to imagine what needs (potential) customers could have and, consequently, make a link to your own farm. Successful entrepreneurs respond to the specific needs of a clearly defined focus group of customers. They can also precisely indicate what their competitors do. They read relevant papers and communicate with customers in order to anticipate on market changes. Non-successful entrepreneurs have little insight into the needs of their customers or are not able to translate those needs to their own farm. They are more product oriented and not focused on producing for certain focus groups of customers.
 - a) Do you care about the sector you work in?

- b) Do you follow developments in your sector?
- c) Do you know who your competitors are?
- d) Do you know what is important to your competitors?
- e) Do you know what your competitors think of you?

5. *Consumer-focused.* Being consumer-focused is correlated with the current and latent (potential) needs of the end-consumer of the agricultural product. In the agricultural sector, often a number of chain partners are in-between the farmer and the end-user. This complexity does not help to get a good picture of the wishes and needs of the end-consumer. However, successful entrepreneurs mostly see opportunities to get insight in current or latent consumer needs.

- a) Do you know what consumers wish/expect?
- b) Do you know what consumers need and which needs have not been fulfilled yet?
- c) Do you always think about developing products that are beneficial for the consumer?

6. *Leadership (style of leadership).* In a business, leadership is of major importance. A leader develops a clear strategy based on vision and conviction and communicates that strategy to others, in order to follow this strategy together. He can use this competence to set-out a strategy and to create support on different levels inside and outside the farm. There are different styles of leadership. A leader can be dominant, mainly giving orders to his personnel and often checking their performance. A leader can also be cooperative, stimulating his personnel to share their ideas, views and solutions with him through (e.g.) brainstorming.

- a) Do others consider you to be a born leader?
- b) Do others always listen to your arguments?
- c) If you interrupt others, is it usually accepted?
- d) Are you a dominant person?
- e) If a person has met you, will he/she not forget you quickly?
- f) Are you usually the leader in your group?
- g) Can you easily make decisions with negative consequences for others if it is necessary?
- h) Are you always trying to convince others of your point of view?

7. *Organization.* The competence to organize is of great importance for an entrepreneur. If this

competence is well developed, then an entrepreneur is able to initiate developments on his farm and run the farm properly. Moreover, a high score on this factor is an indication of a behaviour that is full of initiative.

- a) Are you good at planning operational processes within your business?
- b) Do you make sure that your business can use the right people and resources (infrastructure) to run it optimally (inside the business)?
- c) Do you know where (outside of your business) to find the right people and resources to run your business optimally?
- d) Do you make sure your business runs smoothly?
- e) Are you good in coordinating the necessary tasks within your business?
- f) Are you good in organizing staff and the use of other resources of production (infrastructure)?
- g) Are you good in solving problems that arise at your business?

8. *Staff management.* The entrepreneur's role in staff management deals with tasks in the area of human resource management in a wide sense. It includes recruitment and selection, and payment of personnel, attention for the relationship of the personnel with their jobs (motivation, cooperation, communication), education and development. This factor focuses on the attention of the entrepreneur for his personnel as human beings.

In a family farm, this role of the entrepreneur is expressed in the way the farmer communicates with the family members that work on the farm. In that case, the focus is not on recruitment and selection as in a larger business, but more on good cooperation within the family, sharing of information and tasks and taking care of each other's welfare and health.

- a) Do you hold performance evaluations and/or development evaluations with your staff one to two times a year? In case of a family farm, do you as a family evaluate the performance of the farm and of the farm members one or two times a year?
- b) Do you often make use of training/educational plans for your staff? In case of a family farm, do you take time for your family members to do courses to improve their knowledge level and skills?
- c) Does the staff have the opportunity to participate in classes/training programs during working hours? In case of a family farm, if there is an important meeting for farmers during day time, can a family member visit that meeting?
- d) Do you take the educational wishes of your staff into consideration in planning work? In case of a family farm, do you take the courses of your family members into consideration in planning work?
- e) Does your business have a communication plan? In case

of a family farm, do you as a family discuss how to communicate with customers and other persons in your network? What do you tell others and what do you want them to know about you?

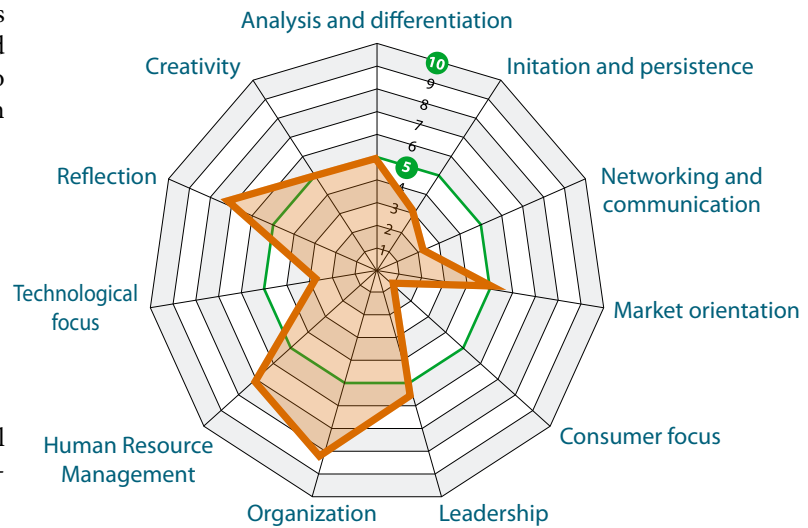
9. **Technology.** Having insight in technological developments is important to be successful as entrepreneur. You can adequately react on recent developments and, if possible, implement them if you know all about them. This will contribute to the success of your farm. New technological developments can come from in- and outside your sector.

- Do you keep close track of technological developments or think up new ones yourself?
- Do you make use of new technology even if it is still in the process of development?
- Do you make use of high-tech systems for production and processing in your business?
- Do you continually ensure that all equipment is functioning properly and well adjusted?
- Do you continually invest to make your business modern and do you adopt the latest innovations?

10. **Reflection.** Successful entrepreneurs have the ability to critically reflect on their own behavior as an entrepreneur. Thus, they have the opportunity to learn from possible earlier failures and successes.

- Do you understand and empathize with the wishes of your customers?
- Do you take customer complaints seriously?
- Does criticism stimulate you to look at things from a different perspective?
- Are you critical of yourself?
- Do you agree that without self-critique (self-evaluation) there is no development?
- Do you experience that sometimes, after a few days, you look at problems from a different perspective?

11. **Creativity.** Creativity is the ability to 'play' with ideas, imagine new opportunities and try them out. Successful entrepreneurs open their minds for what happens in their environment. In that process, they are not hindered by the limitations of the situation, but are challenged by the opportunities. They have the ability to



think from other angles and leave well-known pathways. As a consequence, they can turn problems into new opportunities and they are prepared to take risks. Non-successful entrepreneurs are limited in their way of thinking and are more afraid to experiment.

- Can you easily see common aspects of different problems?
- Do you often look at things from a new angle?
- Do others think of you as inventive?
- Do you enjoy thinking of and inventing new things?
- If you see that something isn't working well, do you enjoy thinking about how it can be improved?
- Do problems stimulate you to think of new solutions?

D Explanation of the 11 strategies in SMT

1. **Operational excellence.** The entrepreneur focuses on offering a product and/or service package with the best total cost. The total costs for the client do not only include the financial costs but also the effort it takes for the customer to obtain and use the product. Consequently, this strategy deals with offering reliable products and/or services against competitive prices with as little inconvenience as possible with purchase or maintenance. Example: a value-for-money strategy of a business like Ikea. In agriculture, this strategy is about efficient and/or large-scale (mass) production of uniform (bulk) products with a high quality and high yields per m², ha or animal.

2. **Product leadership.** The entrepreneur focuses on producing a product and/or service package of the best quality. The product and/or services offered are best focused on existing

needs with the help of the latest technology. A customer who buys from this entrepreneur, can be sure that he/she receives the newest (state-of-the-art) product. The entrepreneur updates his product or services even if there is still money to be made with the previous innovation. In agriculture, this strategy deals with specialties, e.g. organic, traditional and local products, mainly for a niche market and with specific sales channels.

3. *Customer intimacy.* The entrepreneur focuses on producing a product and/or service package that is the best total solution with regards to (a) specific customer(s). The product and/or services offered are precisely adapted to the specific wishes of an individual customer and help him/her to more precisely define these wishes. The entrepreneur tries to maintain his returns through better understanding and service of your (existing) customers. He tries to capture an increasing part of the customer's budget for satisfying his needs. Example: a customer-focused business like IBM, especially in its early years when IBM could essentially fulfil all the ICT needs of its customers; for everything from product development, sales and installation of hardware and software, maintenance and management to strategic advice about future ICT needs of the customer. Functioning as a network business is part of your business model. The customer buys products and services which you can also deliver, possibly from another than your own business. In agriculture, this strategy deals with special products and services for customers that visit the farm, e.g. via home-selling (direct selling) of different products (e.g. 'horn milk') and care-farming (letting persons with a handicap work at your farm, in specific tasks). A tailor-made approach and personal contacts are essential in this strategy.
4. *Producers Network.* You focus on co-operation with colleagues in order to create a larger unit on the markets of means of production and/or of products. The goal is to reach economies of scale (in production or marketing), to offer total solutions (e.g. a broad range of fresh products, a longer delivery season), and/or exchange of knowledge within the network (resulting into a more rapid introduction of an

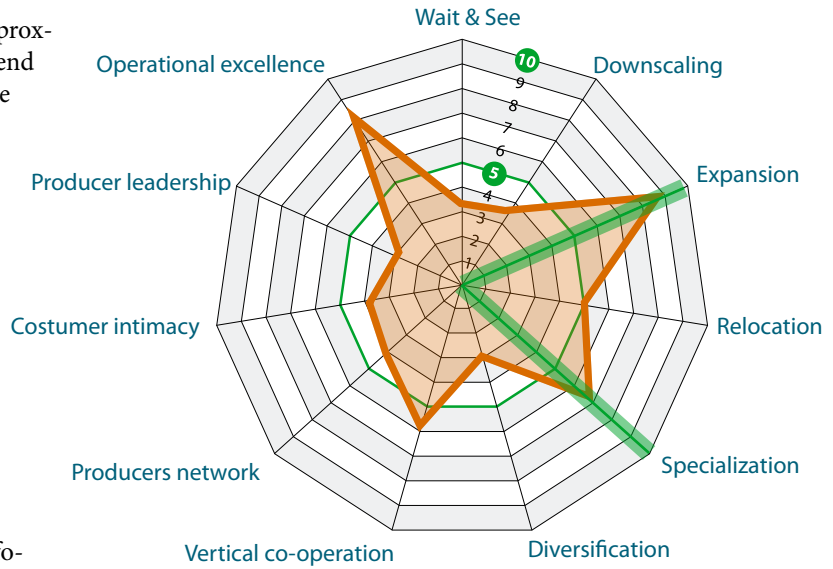
innovation).

5. *Vertical co-operation (Network integration).* You focus on co-operation with parties further on or further back in the chain, e.g. traders and processors of agricultural products, and suppliers of feed, fertilizer and other production means, respectively). The goal of this co-operation is to achieve greater chain efficiency (reducing variability in quantity and quality), to redistribute chain profit margins (a larger share in chain profits), and/or increased market orientation (sharing customer information and innovations). In agriculture, this strategy deals e.g. with direct supply of vegetables, potatoes or fruits to a grocery or retailer or with home-production of cheese, possibly partly combined with home-selling but certainly also with other sales channels.
6. *Diversification.* You focus on the addition of new activities to your business (a second function). The goal of diversification is to reduce your dependence on one specific product/market combination (combining food production with energy production, for example), and/or making better use of the existing means of production (using business buildings for food production but also for education). This can also relate to your own knowledge and experiences (besides property management of your own means of production you are a realtor/adviser for others). In agriculture, this strategy deals e.g. with including more crops in your cropping plan or the introduction of a new activity on your farm (chickens on an arable farm), and also with multifunctional activities (energy production, recreation, care-farming). N.B. Diversification and specialization are opposite strategies, also in the competences that are required for each of them.
7. *Specialization.* You focus on producing what you are good at. You specialize in a specific part or aspect of the production chain and strive to be the best at it. Stick with what you know. Example: You do not use an administrative office for all types of businesses but only for the motor trade. In agriculture, this strategy deals e.g. with a focus on potato growing including hiring land of other farmers in order to increase the potato area as much as possible or to focus on one species at a farm with different types of husbandry, e.g. continuation of the dairy activities and quit pig farming. NB: Diversification and specialization are opposite strategies in terms of orientation.
8. *Relocation.* You want to expand, but there are too few options to do so at your current location (limited zoning, environmental or other hindrances). You consider moving your business (within your country or abroad), or you consider starting up a new business elsewhere while maintaining your current business (a strategy with multiple establishments). On the other hand, you could see the mentioned limitations as a challenge to meet because you do not want to move (for social reasons:

your kids' school, your partner's work, proximity of family, proximity of suppliers/end consumers, etc.). You consciously choose to stay and adapt your business plan and strategy to the local possibilities (for example switching to multifunctional farming near a city or a nature reserve). In that case, you do not choose the strategy 'relocation'. N.B. If you score highly on 'relocation', then there is a lot of reason to look around for an alternative location which in time will suit you better than the current one. On the other hand, a low score indicates that there is no need to consider moving or emigrating.

9. **Expansion (hectares, organization).** You focus on expanding the size of your business. In 'size' we understand the combination of applicable production factors. The expansion can involve any one of the production factors (hectares, employees, sales). A growth strategy arises from the need to reach economies of scale (instead of cooperation with colleagues), and/or to obtain a better position in the chain. In agriculture, this strategy mostly deals with an increase of the farm area i.e. of the number of animals. However, a shift to a product (e.g. a traditional product) with a higher added value can result into higher returns and more input of knowledge. That is also called 'expansion'.

10. **Down-scaling.** You focus on down-scaling the size of your business. In 'size' we understand the combination of the applicable production factors. The down-scaling can involve any one of the production factors (hectares, employees, sales). A down-scaling strategy is chosen in order to eliminate disadvantages of scale (e.g. if the farm size is too large compared to the management capacity of the entrepreneur or manager), and/or breaking-up of the farm in due time (e.g. through absence of a successor) and/or because the entrepreneur shifts from agriculture to another branch. Expansion and down-scaling are opposite strategic choices. However, the conditions for which this decision is made, do not need to be opposite (e.g. I decide to break-off my farm and start-up a new business in consultancy; the latter decision possibly requires comparable



competences as the expansion strategy).

11. **Wait & See.** You keep a critical eye on new developments and orientate yourself well, but decide later. Postponement of a strategic choice is mainly necessary when certain developments are very vague (environmental (regional), technological of market developments, or uncertainty about the entrepreneur's health, or from the perspective of succession, uncertainty if one of the children wants to take the farm over). In many cases, the 'waiting time' is used to get into contact with advisors, colleagues, potential partners etc. for orientation on the strategy after the 'wait & see'-period.

E Relationships between factors and strategies

Each of the three **E**'s (**E**ntrepreneur, **E**nterprise and **E**nvironment) are made up of several factors. For each of these factors, a correlation with each of the strategies in SMT has been assessed from literature and expert knowledge of Wageningen Economic Research. A positive correlation between a certain factor and a certain strategy means that when that factor has a relatively high score, then it contributes to a high score for that strategy. Likewise, a negative correlation between this factor and that strategy means that when that factor has a relatively high score, then it contributes to a low score for that strategy. E.g. when a farmer is a good organiser, that will positively contribute to the strategy 'operation excellence', in which good organisation is really important. But when a farmer has low communication competences, the contribution of this factor to 'customer intimacy' will be low. The tool will not recommend the farmer to choose that strategy, because of the low score on communication com-

petences. A summary of the correlation matrix for the strategy ‘producers’ network’ or collaboration between farmers is given in Table 2.1. Note that this is a summary for one strategy. The full matrix contains correlation coefficients for each of the 10, 15 and 15 factors for Entrepreneur, Enterprise and Environment respectively.

- a) Note that this is a summary of the most important factors that have a significant correlation with this strategy. The full matrix contains correlation coefficients for each of the 10, 15 and 15 factors for Entrepreneur, Enterprise and Environment respectively and with each of the 11 strategies in SMT.
- b) **E**: Enterprise (farm), Entrepreneur (farmer) or Environment (market, policy, etc.).
- c) As an example, an explanation to the first line in the table. That line gives a high correlation between the competence ‘organization’ and the strategy ‘producers network’. That means that a high score on this competence makes it more likely that SMT will give a relatively high score on this strategy and vice versa. Such correlations are based on management theory, e.g. expressing that for a successful participation in a producers network, an entrepreneur needs good organizational competences.

Producers network

Factor	Corresponding ‘E’ ^{b)}	Correlation score ^{c)}
Organization	Competence	+++
Competitive potential	Enterprise	+++
Networks and interaction	Competence	++
Cooperation	Competence	++
Technology	Competence	++
Techn. development process	Environment	++
Leadership	Competence	--
Number of entrepreneurs	Enterprise	--
Labour market	Environment	--
Low-cost production factors	Environment	--
Space available	Environment	--

Table 2.1: Summary of the correlation matrix for the strategy ‘Producers network’^{a)}

^{a)} Note that this is a summary of the most important factors that have a significant correlation with this strategy. The full matrix contains correlation coefficients for each of the 10, 15 and 15 factors for Entrepreneur, Enterprise and Environment respectively and with each of the 11 strategies in SMT.

^{b)} E: Enterprise (farm), Entrepreneur (farmer) or Environment (market, policy, etc.).

^{c)} As an example, an explanation to the first line in the table. That line gives a high correlation between the competence ‘organization’ and the strategy ‘producers network’. That means that a high score on this competence makes it more likely that SMT will give a relatively high score on this strategy and vice versa. Such correlations are based on management theory, e.g. expressing that for a successful participation in a producers network, an entrepreneur needs good organizational competences.



Appendix 2: Explanation of GAP-analysis

The GAP-analysis is explained in the figure below explained from the left-upper side to right-under (Figure 2.5).

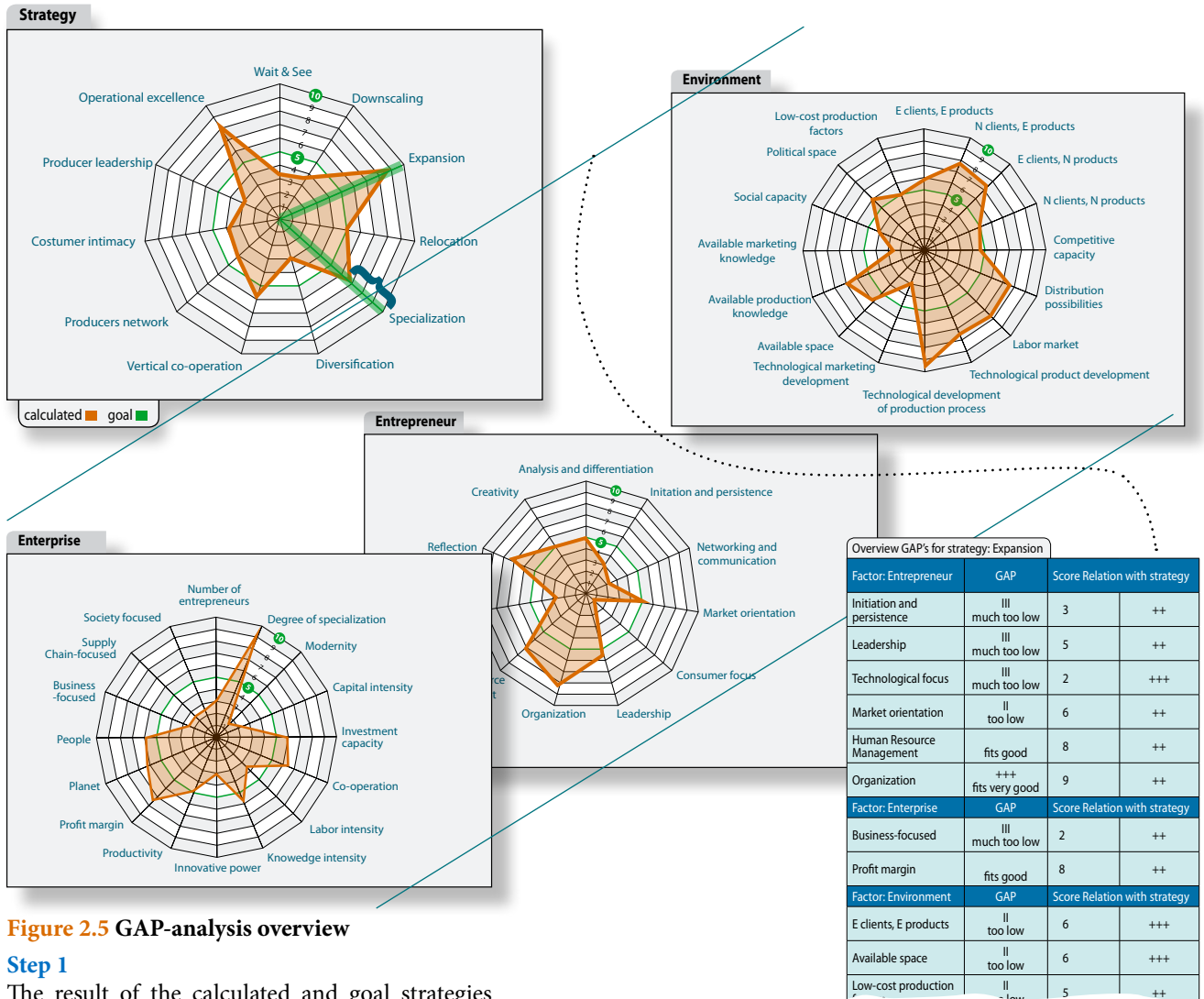


Figure 2.5 GAP-analysis overview

Step 1

The result of the calculated and goal strategies (left-upper side) is checked. Is this the picture that the entrepreneur would expect? And if there is a difference between the scores of the calculated and goal strategies, the so-called gap, can he explain why there is a difference? Both for the negative difference (Figure 2.4) and the positive differences. In that case, you can think of alternatives, so that the favorite goal strategy can still be followed? Figure 2.6 shows that the entrepreneur scores himself at a '10' for the strategy 'operational excellence', but the tool indicates the suitability of this strategy at a '5'.

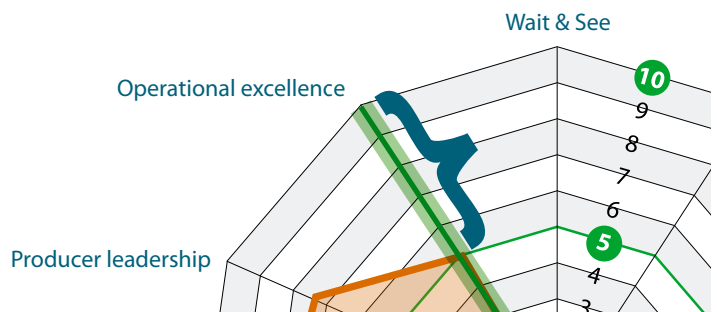


Figure 2.6: Difference between calculated and own strategy

Step 2

The second step is to check your underlying radar plots: the enterprise, the environment and entrepreneur. Can a possible gap be explained through low score(s) in the three plots? Does the entrepreneur recognize this pattern (Figure 2.7)?

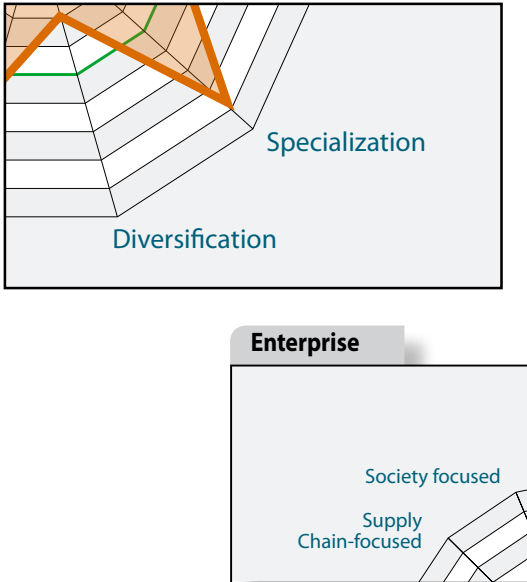


Figure 2.7 Example of comparison

Step 3

The GAP-analysis shows the factors that you have to work on to follow your goal strategy. Does the entrepreneur recognize the results of this analysis? The column 'GAP' shows if there is a gap. A negative gap is indicated through an exclamation mark(s) (!) and the text says '(much too) low' (example in Figure 2.8). If the analysis indicates 'May be (more) lower', then this factor is over-qualified, so to say.

Overview GAP's for strategy: Expansion

Factor: Entrepreneur	GAP	Score Relation with strategy	
Initiation and persistence	III much too low	3	++
Leadership	III much too low	5	++
Technological focus	III much too low	2	+++
Market orientation	II too low	6	++
Human Resource Management	fits good	8	++
Organization	+++ fits very good	9	++
Factor: Enterprise	GAP	Score Relation with strategy	
Business-focused	III much too low	2	++
Profit margin	fits good	8	++
Factor: Environment	GAP	Score Relation with strategy	
E clients, E products	II too low	6	+++
Available space	II too low	6	+++
Low-cost production factors	II too low	5	++
N clients, E products	fits good	8	++
E clients, N products	fits good	8	+++
Technological developments of production process	+++ fits very good	10	+++

Figure 2.8: Example of output of GAP-analysis

Appendix 4.1: Training module “Interactive Strategic Management in Agribusiness”

Curriculum and Guidelines for Agricultural Students Training

EDUCATIONAL CURRICULUM

Course title:	Interactive Strategic Management in Agribusiness
ECTS:	4
Course form:	30 hours of theory combined with practical work with the on-line ISM Tool (5 days of training * 6 hours). The course could be also realized in shorter version adjusted to 15 hours (3 days).
Level:	higher education level: Bachelor or Master (exceptionally upper secondary level)
Prerequisites:	The course is dedicated for students who have an agricultural background and would like to take over the farm in the future from their family or became a farmer, starting a new farm business; the preceding course of principles of management (strategic management) or agricultural economics will be an additional advantage.
Course technical requirements:	Group of maximum 10 students; 10 computers with Internet access, Internet browser and Ms Office. Good internet connection, LCD Projector + computer.
Lecturer(s):	ISM trainers, Farm advisors or teachers trained in ISM method;
Training Objectives	<ul style="list-style-type: none"> • to train the students of agricultural schools – future successors of their farms and students who have an interest for the strategy development in agriculture how to think strategically about their business and how to develop a farm strategy. • to teach and stimulate students to think about long-term future of their (or other) farms (or cooperatives / or agriculture firms); • to teach students how to calculate economic results on the basis of their future strategies*; • to present and discuss the best / the most innovative strategy plans with the other students/ farmers / managers of cooperatives / other agriculture firms.
General Description:	<p>The course provides both theoretical and practical knowledge concerning strategic analysis of the farm and development of the long term farm strategy.</p> <p>The course covers the following aspects:</p> <ul style="list-style-type: none"> • theoretical introduction to strategic management in a context of a farm strategy development; • extended analysis of an enterprise/farm; • analysis of enterprise/farm environment including network analysis; • analysis of competences and skills of an entrepreneur; • developing mission, vision and goals of the farmer and the farm; • preparation of the farm strategies (farmers' choice and recommended strategy); • analysis of key success factors for the strategy and „black“ pessimistic scenario • preparing an Action Plan • theoretical background of farm economic calculations (gross margins, profits, cash flows)* • preparing an economic calculation for the farm in current and future (strategy) scenario* • public presentation and discussion of the farm analysis and prepared strategy.
Passing form and evaluation criteria	<p>In order to pass the course 51% points are required. The % points can be collected based on the following criteria.</p> <ul style="list-style-type: none"> • Preparation of the farm strategy (PDF Report from the ISM Tool) - 30% • Economic analysis of the strategy (Xlsx) - 20%* • Preparing presentation of the farm strategy (PPT+quality of presenting) - 20% • Overall Involvement and active discussion during the training - 10% • Homework assignments - 10% <p>Student must obtain/fulfill at least 50% of each evaluation criterion.</p> <p>Final Mark: according to the system of university/school where the course is organized.</p>

Learning outcomes	<p>After the course participants will have abilities to prepare a strategic analysis of the farm and to prepare farm strategy with an action plan (and economic reality check*). Especially:</p> <ul style="list-style-type: none"> • students/farmers have more insights in their drivers, personal competences, what they find important and which goals they pursue; • students/farmers have insight in the present enterprise situation and goals; • students/farmers have insight in the strong and weak points of their enterprise and performance; • students/farmers have more insights in changes and challenges from the environment; • students/farmers have strengthened their skills in formulating strategic plans; • students/farmers improved their general management and entrepreneurial capacity; • students/farmers are encouraged to think about long term goals and translate these into concrete actions; • students/farmers are enabled to participate more easily in discussions with others and to exchange with and learn from others colleagues; • students/farmers are able to prepare economic calculation for their farm (Gross margins, profits, cash flows) for the chosen strategy*.
Literature:	<ul style="list-style-type: none"> • Beldman, A., Malak-Rawlikowska, A., Stalgienė, A., Kuipers, A., Tomson, N., De Lauwere, C., Lakner, D., Zekalo, M. and Klopčič, M. (Eds.), 2013. Supporting farmers in making strategic choices. The method and implementation of Interactive Strategic Management in Lithuania, Poland and Slovenia. Lifelong Learning Programme. Tiskarna Littera Picta d.o.o., Ljubljana, Slovenia. • Porter, M. E. 1998. Competitive Strategy: Techniques for Analyzing Industries and Competitors. New York: Free Press. • FARMING WITH VISION – Strategy, Networking, Marketing and Business Planning” / Agata Malak-Rawlikowska... [et al.]; [editing Marija Klopčič ... et al.]. - Wageningen: Wageningen UR; Domžale: Biotechnical Faculty, Department of Animal Science; Warsaw: University of Life Sciences - SGGW; Vilnius: The Lithuanian Institute of Agrarian Economics, 2018

*not included in the shorten - 15 hours' version of the course

PROGRAM of the COURSE (30 hours version)

DAY 1	DAY 2	DAY 3	DAY 4	DAY 5
<p>Theoretical part of ISM Training (3 hours)</p> <p>Work with ISM Tool (Enterprise & Environment chapter) (3 hours)</p> <p><u>Home-work:</u></p> <ul style="list-style-type: none"> -Interview with entrepreneur outside of agriculture -Network analysis of farmer or outside entrepreneur 	<p>Presentation of Homework (experiences from interview with entrepreneurs) (2 hours)</p> <p>Work with ISM Tool (Entrepreneur & Strategy chapter) (2 hours)</p> <p>Theoretical part about Business plan (2 hours)</p> <p><u>Home-work:</u></p> <p>Presentation of Farm Strategies</p>	<p>Business plan exercise for the most realistic / chosen strategy (6 hours)</p> <p><u>Home-work:</u></p> <p>Business plan for chosen strategy</p>	<p>Presentation of Farm strategies with Action Plans and Business plans (3 hours)</p> <p>Critical debate / discussion / evaluation of chosen strategy in combination with Action plan and Business plan (3 hours)</p> <p><u>Home-work:</u></p> <p>Preparation of material for Farmers Meeting</p>	<p>Farmers Meeting / Workshop:</p> <p>Presentation of the most SMART / Innovative Strategies with Action Plan and Business Plan (4 – 5 hours)</p>

PROGRAM of the COURSE (15 hours version)

DAY 1	DAY 2	DAY 3
<p>Theoretical part of ISM Training (3 hours)</p> <p>Work with ISM Tool (Enterprise & Environment chapter) (3 hours)</p> <p><u>Home-work:</u></p> <ul style="list-style-type: none"> -Interview with entrepreneur outside of agriculture -Network analysis of farmer or outside entrepreneur 	<p>Presentation of Homework (experiences from interview with entrepreneurs + network) (2 hours)</p> <p>Work with ISM Tool (Entrepreneur & Strategy chapter) (3 hours)</p> <p><u>Home-work:</u></p> <p>Presentation of Farm Strategies</p>	<p>Presentation of Farm strategies with Action Plans with critical discussion and feedback (4 hours)</p>

Appendix 6.1: The External Network Analysis - Supporting an Idea / Plan

An initiative starts taking place when people who share an affinity for a certain idea are connected and linked. The Network Analysis is a model that enables the network's involvement in a specific initiative to be understood and its position to be explored. The Network Analysis enables you to define the scope of the initiative, the participants who support the initiative, which people represent a link in the chain as well as indicating the direction the links should take. The analysis inspires with new ideas and insights and helps network members to prepare making contacts. The network facilitator can analyse the network together with the initiator and network partners; if you are the initiator, this analysis can be done with the partners.

1.1. The Network Analysis in detail

Four questions guide you through the Network Analysis.

(1) What is the core?

What is it intrinsically about, what are we trying to achieve? State this initiative in one or more powerful key words and focus on that during the rest of the analysis.

(2) What is the involvement?

Who and what are you dealing with? Who are the interested parties, who stands to gain from the initiative, who do you have to take into account, and who else is involved?

Which developments, movements, institutes, rules, circumstances and the like are important?

(3) What are the positions of involvement?

The network positions are:

➤ **Initiators:** Take the initiative, state the starting point and invite others. The initiator is initially a single individual. She/he is the partner, link, supplier and user. Gradually, a network of involvement where others adopt the position of partner, link or user or supplier, is created.

➤ **Partners:** Sustain the initiative and do everything to make it visible, execute it and act as examples (Figure 1)

➤ **Links:** Create relationships with and connections to other networks, which show the way from different point of view, and are ambassadors of the initiative and work on building knowledge and information.

➤ **Suppliers:** Everyone involved contributes to the network, but there are also specialist contributions. The people involved supply what is needed to realise ambitions

➤ **Users:** Everyone involved is a network user, but there are also specific users such as clients.

Between the core of the initiative and all the involved stakeholders, there is space for persons to play the different roles for a shorter or longer period of time (see Figure 1):

- as a link that creates relationships and connections,
- or, as a link and partner – or simply a partner – who propagates the initiative and does everything possible to ensure it reaches a successful conclusion.



BOX 1

Not everyone has to be a partner

A network of dairy farmers seeks to improve their operating profit by investing collectively. A biogas digester seems like a good option to begin with. The group gets off to a good start. However, the enthusiasm diminishes as they gather more information and the moment to decide about specific choices gets closer. This becomes apparent by the effort it takes in finding a date for a follow-up meeting, for example. The facilitator decides to call up the participants individually to find out what's going on. That's how he discovers that there are differing views concerning what people want. As it happens, a considerably large biogas digester is needed for a substantial profit. Some participants want to proceed with it, but this investment is too great for others. When the facilitator puts this up for discussion in the following meeting, they agree that not everyone has to feel pressured to invest to the same extent. That's a relief because not all of the participants have to be partners in this undertaking.

BOX 2

Searching for links

A network has been working on getting 'energy recovery from nature reserves' off the ground in their own region for almost two years. They already made many contacts when working out the idea, for example with heating manufactures, drying houses, livestock farmers in the area, the forestry agency, municipal and provincial authorities. The participants gradually notice that the chief ambition they have is to get their idea off the ground in order to conserve the protected nature reserve. They see themselves chiefly as the devisers of the idea and lack the actual doers in their network. It becomes clear with a Network Analysis that in addition to being partners, they are also the link to all parties involved. How would it be if other parties also became a link? What if, for example, the province, an innovation broker or the forestry agency formed a link to potential buyers of natural biofuel? Even just the idea that such parties might be able to devote themselves to the realization of this innovation provides a new twist to the discussion about the network partners. How can we, as originators, further let go of tending to our innovation project? Perhaps it is then advisable to establish a supervisory board of trustees in which distinguished people participate in their own name. While talking about it, diverse people came to mind that the partners really wanted to involve. It turns out that most of these people are already in the contact network! The sentiment clearly switched. They once again see new points of contact in order to proceed further with the project, and therefore, specific agreements are easily made.

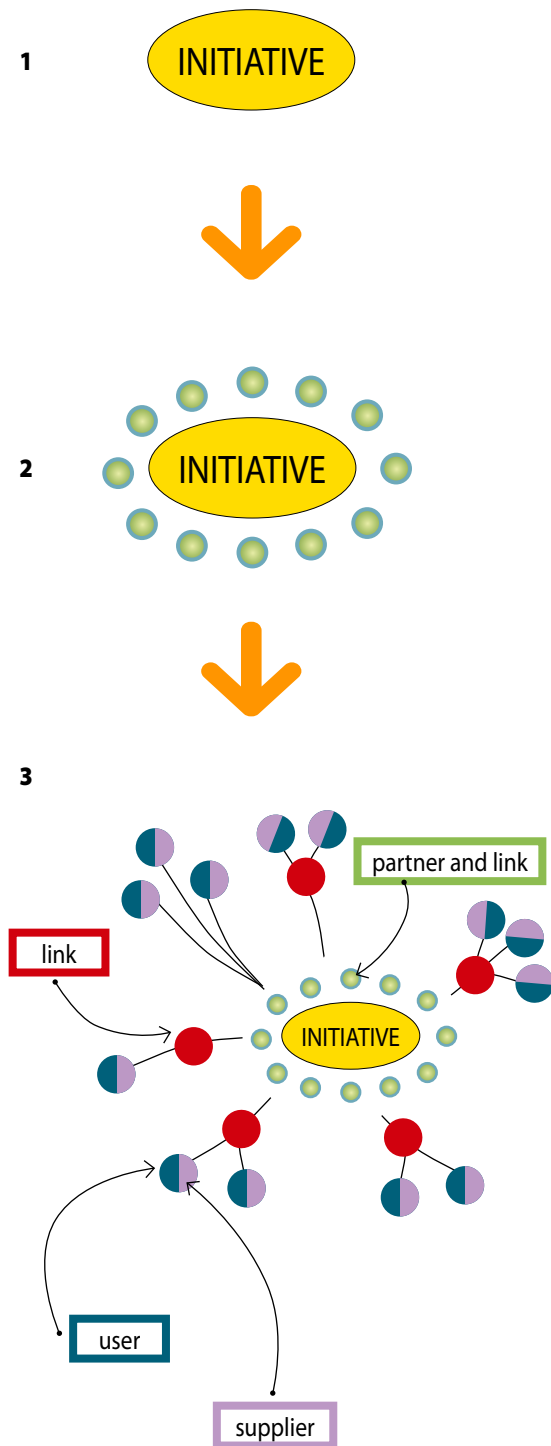


Figure 6.1: Illustration of three stages of the network analysis

Ask yourself if these links also occur in your situation. Which behaviour shows that someone is a link? Or that someone is a partner? The key issue is how someone really behaves! All of the people involved have at least a position of user or supplier. This creates a snapshot of the dynamic network of involvement (see Figure 6.2).

(4) Is this network a solid foundation?

The Network Analysis creates a snapshot of the dynamic network of involvement. The key question is: does the current form of the network offer the potential to expand and build on (see Figure 6.3)? Each analysis supplies new ideas of how you can continue to consolidate your network to bring the initiative one step closer to realisation.



A Network Analysis in the making

1.2. Using the Network Analysis

The facilitator should preferably make the Network Analysis together with the network participants. Their perception is guiding. It helps to visualise the positions, for example, in a mind map on a flip chart or paper table cloth. Place the main text in the centre. Then hold a brainstorming session with the group and place the answers on the chart; this triggers to the second question about involvement around the main text. Continue with the involvement positions. Who are the connections and who are the partners? Don't forget to include yourself! Confirm that the links and partners actually are links and partners: which behaviour demonstrates that? It's about what a person really reveals through their thoughts and behaviour! And finally, draw your conclusions: which connections require some concerted effort. And ask yourself the leading question: is this a network that offers a solid enough foundation on which to build?

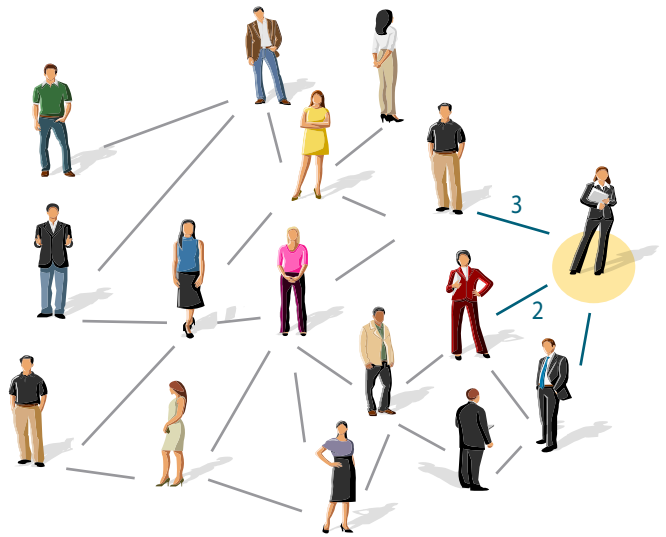


Figure 6.2: Are the right persons present in my network?



Figure 6.3: How to get in touch with the right persons?

Appendix 6.2: Developing an idea, using the spiral of Development/Innovation

A group of farmers / entrepreneurs with similar vision (having a common idea) act together, guided by a facilitator. For instance as follow-up of and utilizing the information gathered during the ISM training; participants with similar ideas /plans are placed together in a group; possibly this exercise to be done on the ISM training return meeting.

Task 1: Formulate goal/direction to go on the basis of the initial idea;

Task 2: Prepare an external Network analysis on basis of the formulated goal;

Task 3: Discuss elements of developing a global plan on basis of Tasks 1 and 2 and decide to continue or not;

Task 4: Ask to continue this effort or not. This all will be done using the “Spiral of Development approach”; do these 3 tasks together as a group.

The Spiral of Development / Innovation

People take action because they want something; they

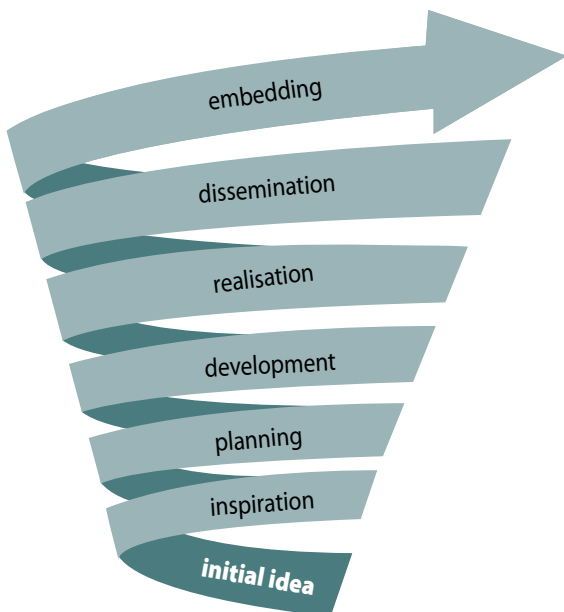


Figure 6.2.1: The different stages of the Spiral of Development

want to profit from an opportunity, solve a problem, improve a technique, change direction, realise a dream: the content is guiding.

The **Spiral of Development** (Figure 6.2.1) shows how an initial idea proceeds through different stages before turning into an embedded plan/innovation: a new practice that is widely applied in a broad context and with which the environment structurally complies. Not every idea matures into a plan – they don't have to either. The model is intended to determine where you are in the development process. Which phase is being addressed, what does it mean for the type of knowledge that is being worked on and which parties have to be mobilised?

Innovation cannot be fabricated as a manageable project. It's an autonomous process: a good biotope automatically generates innovation. You can improve the climate of the biotope by helping to create the right connections and by removing barriers. The Spiral of Development helps you to detect barriers and prioritise the connections that have to be made to others.

The **Spiral of Development** distinguishes seven phases. Each phase prioritises other activities, and usually involves other actors. The shape of the Spiral of Development shows that the idea usually starts off small and spreads to involve more actors as the process of development progresses. Furthermore, knowledge processes and innovation are rarely linear, which explains why the model is shaped like a spiral. The phases can even be repeated more than once. The embedding of the idea frequently ends in a place which differs to where the initial idea was conceived.

This exercise focusses on the first 3 phases of the Spiral of Development: initial idea; inspiration and a start to planning.

1. The phase of the initial idea

The start of this phase is usually not planned. A person or persons may possibly have a problem or a vague dream (Box 1). The initial spark can also be triggered by a confrontation, or an unexpected event.

Knowledge

An initial idea is generated by an individual's response to his or her environment. Experiences, knowledge, convictions, dreams and anxieties, creativity and intuition; all these aspects play a role in a person's capacity to pick up signals from the environment and do something with them. For example, by interpreting them in such a way that leads to an out of the box reaction. And that is precisely the reaction that sows the seeds of

change. We call this: knowledge as responsive capacity, the capacity to respond effectively to a changing environment.

Connection

Initial ideas are often created when someone looks beyond the confines of his/her immediate circle. Initiators are frequently people who are relatively new to a specific environment. This explains why they notice aspects that others consider normal, or the newcomers have fewer inhibitions about introducing new concepts and reactions.

Barriers

The chance of initial ideas maturing into innovations is increased through contacts between the known network circle and the world around it. If the threshold to make such contacts is high or newcomers are not readily accepted, barriers will grow which frustrate the creation of an innovative climate.

Interventions

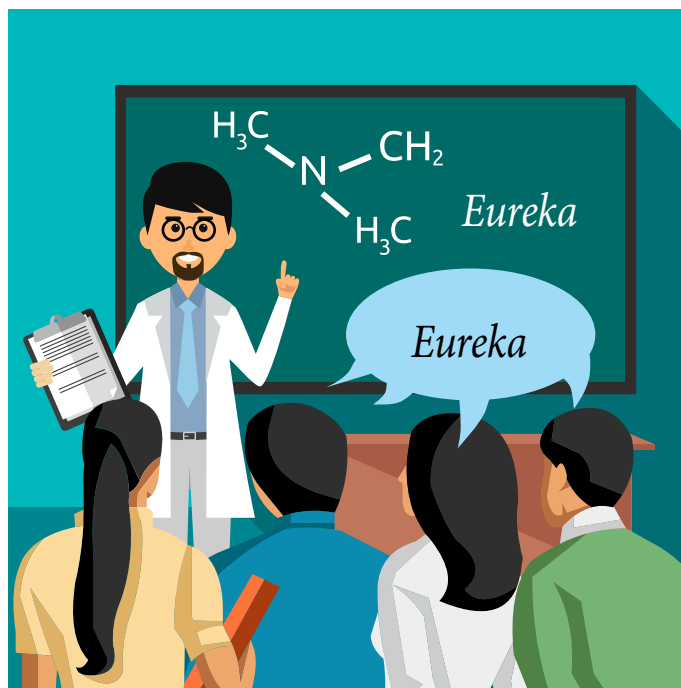
Based on the factor that most restricts the creation of new ideas, you can consider undertaking the following interventions:

- Organise contacts with people from outside the immediate circle, from a more unexpected angle. As has been demonstrated, without exception, visits, excursions and open house days, which give outsiders a look behind the scenes, boost energy and often yield new ideas.
- It can be refreshing to meet and communicate with people who hold opposing ideas or invite them to a brainstorming session. It's important to be aware of the risks that people take in making new contacts. Competitive considerations, for example, play a role, or in the case of livestock farmers, the contamination with diseases. Finding solutions together, such as sharing the risks or preventive measures against contamination can lower the threshold and open the door to new contacts. Hopefully leading in turn to the birth of new ideas.

Action 1: Participants express their thoughts about initial idea

2. The inspiration phase

The inspiration phase begins as soon as someone starts sharing his/her initial idea with others. In the inspiration phase, the initial idea takes shape as the concept inspires others. This process takes place when the initiator dis-



An initial idea frequently originates by chance.

cusses the idea with others. They can contribute, possibly because they hold similar ideas, or because the debate offers perspectives for a solution they may have been searching for (Box 1, 2, 3). This phase creates an initiative group that focuses on wanting change. As soon as the network starts implementing action, or decides to implement action, the group progresses from the inspiration phase to the planning phase.

BOX 1

Combating parasites with pest control?

A poultry farmer is having problems with red mite in his barn. A terrible problem that plagues the entire sector and which can no longer be controlled with legal agents. People would rather not discuss it. However, this farmer notices that the darkling beetle population increases when there are many mites and that the number of mites then diminishes. Evidently, this is a natural enemy. He concludes that 'The mites could then be controlled biologically using this natural predator. The initial idea is born. He discusses his idea with a few fellow poultry farmers. Moreover, one of them has bronchial problems. And this worsens when he uses the common chemical methods of pest control. The idea that they might be able to do something about it appeals to them. The inspiration phase has begun.

Knowledge

People who have an affinity with an initial idea relate it to their own world, their own experience, their perception of reality, interests, dissatisfaction, hope and anxiety. This creates new insight and new perspective which in turn generates energy. This is the core of inspiration. The interaction between the participants in the group brings perceptions closer together. Participants don't necessarily have to agree on everything. It's not always necessary to have the hard facts. In a healthy process, the moment will come that the a high level of agreement on the subject in question will be reached and that people feel the urge to start taking action. So there is accepted knowledge as the basis for collective action.

Connection

During the inspiration phase the main focus is the connection among like-minded people. Their synergy produces the fuel needed to power action. Later phases not only energise the participants, but may also de-energise them. For this reason, it is crucial to create a sound foundation. Subsequent actions often require others, such as financiers or managers, to create space. So in this phase it is essential that the network of change agents acquires a position from which the environment takes the network seriously.

Action 2: Prepare external network analysis

Barriers

A network can stagnate in this phase for several reasons:

- In a social setting that does not embrace different opinions, it is difficult to find supporters prepared to take a different view or approach that deviates from the norm.
- People can easily fear competition, this reticence may hamper the discussion about what is wrong and needs changing. It can even threaten to halt the process.
- A culture of complaint is lethal for changes; it drains energy away and prevents people from dreaming.
- A specific pitfall for change agents is that they start complaining if they have requested cooperation and are only faced with a negative response. The motion is halted and they blame those who obstructed progress. The Spiral of Development shows that they actually asked for too much room to maneuver too soon. The change agent had not yet generated sufficient energy or acquired the right position.

BOX 2

Who's participating?

It becomes more appealing to keep dairy cows in the pasture if the automatic milking system, the milking robot, can also go there. Such a system does not yet exist.

An enterprising researcher in search of supporters places advertisements. The advertisement in one specialist journal produced four reactions, an appeal via the 'Attention Mail' with newsflashes from the innovation programme yields thirteen interested farmers. At the first meeting it turns out that the views on the desired end result were fairly divergent. They do not think that's bad, but rather inspiring. There is a search direction. A network that applies to the programme ultimately takes shape.

BOX 3

That's shocking!

The discussion reluctantly gets going in the network of poultry farmers that wants to tackle the red mite problem. They ask five fellow poultry farmers to participate, but it proves a disappointment for the three initiators to convince them of the urgency. The facilitator brings in an expert who devises a simple measuring instrument, a type of imitation opening in the shape of a cylinder with a wooden stick in it. When you pull the stick out of the cylinder after hanging it in the barn for a week, you can simply count the number of lice that have crawled in. The participants are rather shocked by the result in their barns. Some still thought that they had explicitly prevented the mites from entering their farms; now it turns out that everyone has the parasites. Their readiness to take action substantially increases because of this

BOX 4

From 11 to 500 dairy farmers

The 'Caring Dairy' of 11 dairy farmers, in close collaboration with Unilever and a dairy collector, sets out to produce high-quality milk for the production of ice cream to be sold in supermarkets under the brand name of Ben&Jerry's. They register their experiences in a type of log-book: the 'Cow Coach'. With the Ben&Jerry's plan that they administer under license from the American parent company, exceptional care for the environment, contact with consumers and providing work for the mentally disabled are also included. After the dairy collector withdraws, the network proceeds further with a larger dairy cooperative. They want to up-scale the plan to 500 dairy farms. The network participants receive a leading role within the Cow Coach and their network facilitator is hired by the dairy cooperative as the project leader. In this case, the network first makes a step in the embedding phase in order to make the dissemination phase possible.

Interventions

Depending on the nature of the barrier, a facilitator or free actor has a number of options in this phase:

- Invite inspiring people with promising stories.
- Introduce participants to inspiring examples.
- Arrange informal discussions. The key is to getting people to meet and connect.
- Avoid negotiations. Discussions with people in function, especially if they represent an organization in the discussion, rarely energize and inspire.
- Complainers are best excluded from this phase. They drain energy and contribute nothing in return.

3. The planning phase

The next phase starts when the network participants are prepared to start acting and have a reasonable chance of success of creating sufficient space to realise their ambitions. Space is necessary at two levels, namely within the network itself and in the network's environment. For example, funders, partners or, if employees are involved in the network, their managers.

Action 3: Ask each participant to mention elements of a possible plan

The lesson is that this phase needs time. It is tempting to quickly come to an agreement so the action can start. But all too frequently, it appears that participants fail to keep to the outlines of the agreements. The time devoted to this phase will be rewarded fully at a later stage. It is actually better to refer to a search direction rather than objectives. It's often easier to exclude elements from the search, rather than include them. It is important to formulate the objectives not too close to ensure that participants are confident enough about the activities. The retaining space can be used for a search with surprises.

Action 4: Ask participants their opinion about to continue with this cooperative effort or not

Below is additional information – not part of exercise

Knowledge

As in the previous phase, this phase also requires accepted knowledge. It makes a difference if you are attempting to reach a consensus with supporters or with gatekeepers. Gatekeepers are important in the planning phase. They

are actors who have to create space for the activities in the subsequent development phase. These people include financiers, partners and, in the case of participating employees, managers. Financiers place their own criteria on the initiative. Managers have objectives which are used to assess their own performance. The initiators will have to translate their ideas into the gatekeepers' language in order for knowledge to be accepted as the starting point.

Connection

In this phase, the **connections within the network** acquire an added dimension. In the inspiration phase, the focus was on what connected the participants. In this phase, the participants should define the precise focus, discard the elements outside the scope of the chosen focus, and clarify just how much each participant is willing to invest. This phase is intended to give participants the opportunity to become familiar with each other and with each individual's 'instructions for use' before things get out of control.

You will also frequently find yourself **connecting with the gatekeepers** in this phase. If an activity requires external funding, a financier must be found. The financier will want to see a project plan and will place demands on the project. If participants are employees, a manager must also grant approval. They will want you to submit detailed project plans with concrete objectives, instruments, activities and evaluation criteria. The art is to formulate the plans in such a way that the plan inspires confidence while leaving space for a search. Furthermore, in terms of the Network Analysis, the network must contain enough links so the necessary connections can be made.

Barriers

If the participants are unable to agree on clear objectives, activities and the task division, or take this too lightly, intervention will be called for to address the manner in which the participants are communicating. Some examples of barriers that may obstruct external connections are:

- The initiative fails to meet the criteria or match the gatekeepers' views.
- The scale of the initiative is too small to be taken seriously.
- There are missing links (see the Network Analysis) connecting the initiators and the gatekeepers.
- The gatekeepers are too result-oriented and force the initiators into a strait jacket.

The planning phase works towards formulating a project plan with objectives, activities, task division and other agreements that have to be made in order to get started. It is important that the free actor, steering and guiding the situation by focusing on energy and connection, sees the project plan in the proper perspective. This package of agreements is intended to be used as a regulatory agent to control exchanges between the participants and also to ensure that all of the parties have faith in the fact that their joint efforts will result in a worthwhile investment. Trust is essential. When the project plan has been drawn up and agreed, the initia-

tors have become a development group.

4. The development phase

The development phase starts with agreements about the objective and the task division. In many cases, the participants may still have to follow the development path for a while before being able to bring the objective and the task division into focus. In some situations, the development path being followed may turn out to be a dead end. In this case the network will be forced to reconsider its plans all over again. In this phase, the network takes the initial idea a stage further by developing it into a technique or a procedure. If necessary, the group can call upon the assistance and competence of experts or start experimenting.

5. The realisation phase

The development phase makes the transition to the realisation phase when the priority shifts from the search process onto realising the solution. This transitional line is sometimes blurred. There are, however, important differences in the activities to be implemented, the composition of the broad network and the way knowledge is utilised and applied. The realisation phase starts when the network knows what they want and how to achieve this, as well as actually wanting to implement this practice. This will not only influence and change one's own production method and organisation, the consequences also impact on others. The cooperation of other parties in the chain may be required, legislation and regulations may need to be amended, or complaints from other interested parties dealt with too.

As discussed in the development phase, it helps if contacts with people in the network's surroundings were already in place at an early stage. These **people** are characterised by their enthusiasm and open behavior and form the **informal network**. The actors needed in the realisation phase are usually **organisations** that are part of the

formal network, people with a management or representative function. For the networks, these were mainly parties in the (production) chain, civil society organisations, such as animal protection and consumer organisations, nature conservation organisations, and policymakers at different levels.

The process of transformation from the informal character of the inspiration phase to the formal character of the planning phase appears to be repeating itself. But this time, the emphasis is not on space for a search, but on implementing a changed practice.

6. The dissemination phase

The dissemination phase starts when the new practice or technique has become familiar in the environment and is being replicated. The realization phase does not necessarily have to be completed. If others witness the progress that has been made in the development phase, this can spark a knock-on effect and also set others into motion. If others see that renewed concepts work, you can expect a following. We call a modernization an 'innovation' when it has become a widely accepted practice in the environment. Whether the network will actively support the dissemination of the new practice is another matter. This depends on whether it is in the network's interest. Dissemination can work against the interest of the network participants by causing them to lose their competitive advantage, for example. In these cases, other people must fulfil the dissemination role.

7. The embedding phase

The embedding phase starts when the actors agree about structural changes to their mutual relationships, prompted by innovation. Changing practices acquire a new structural character (Box 4). Institutionalization takes place because positions between the parties alter, certain contacts become more or less frequent, funding or organizational structures change. When a structural change occurs in the contacts between the entrepreneurs, researchers, teachers and advisors (the knowledge infrastructure), we can speak of an altered **knowledge arrangement**.

Some participants see the end product as a goal, others merely see it as a means to an end.



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