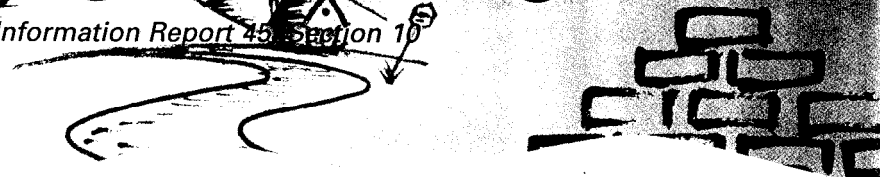




# Understanding Cooperatives: Strategic Planning

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developed by  
Galen Rapp

The term "strategy" was first used in the military to describe the grand plan for winning a war. It is usually distinguished from "tactics" which are the plans for winning individual battles. Businesses use strategic plans to contend with their environments. These plans provide the fundamental direction of purposes and policies that define the cooperative.

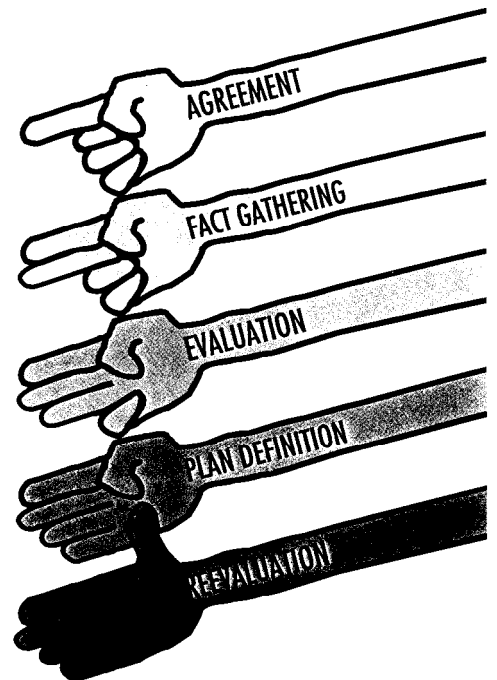
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Strategic planning is important in plotting a future course, and it makes sense to prepare for that future in every way possible.

There are five phases in the strategic planning process- agreement, fact-gathering, evaluation, plan definition, and reevaluation. Dividing the strategic planning process into five separate phases provides for logical and structured organization.

Long-term planning is a primary responsibility of directors. In the first phase, the directors agree to the strategic planning process. They explore the need to plan, decide who will be involved, and what will be their roles

and responsibilities. The directors commit to developing and implementing the plan.

The use of a facilitator and recorder trained in the art of strategic planning is a wise decision. They can keep the planning process on track and record participant comments without biases or implications. The facilitator will try to involve all members of the planning group. Using resource persons from outside the cooperative can provide valuable insight and observations. However, care must be exercised that a decision made at any point of the planning process is that of directors of the cooperative and not of the resource persons. Directors carry the sole responsibility for the plan's content and its execution.



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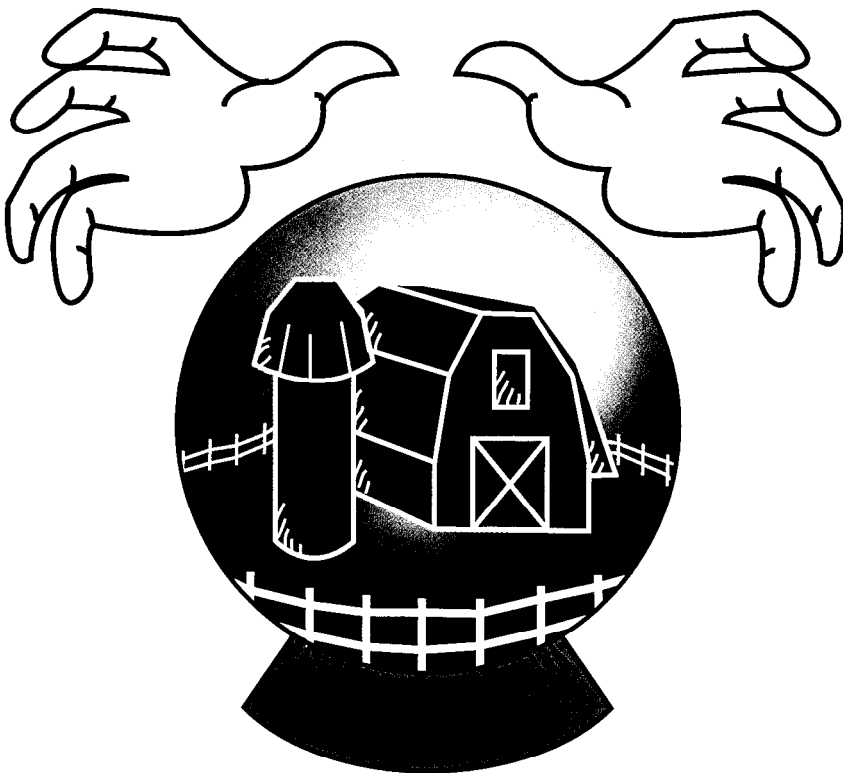
Phase two has three components. In the first, directors prepare a *vision statement*. This statement reflects the best possible future that can be seen for the cooperative in what it wants to accomplish and what the cooperative will be like when it achieves its ultimate purpose. The vision statement time-span is undefined. It could project through several generations of members. Some strategic planners use the word *foresight* instead of *vision*. Business foresight is based on insights into the trends in technology, demographics, regulation, and lifestyles that can be harnessed to rewrite business and industry rules and create new competitive space. A vision must be based on a solid factual foundation.

The second and third components assess and evaluate the internal and external environment. Accurate documentation, knowledgeable resource persons, responsive hired management, and involved directors are critical in these phases. Quality information is crucial.

First, evaluate the *strengths* and *weaknesses* of internal factors. These are the factors directors or the manager can control, such as plant and facilities operations, sources of debt financing, supplies and services, distribution of equity, and personnel numbers, including benefits. Internal assessment begins with a review of current business operations. A review of the articles of incorporation, bylaws, financial statements, policy statements, operational procedures, and contracts is necessary to gain an accurate assessment.

Second, evaluate the *threats* and *opportunities* of the external environment. This consists of the forces and trends beyond the control of the planning group such as climate patterns, interest rates, proposed Government regulations, and changes in technology, social attitudes, competition, and patron preferences. Outside resource persons often add insight to this assessment.

Phase three has two important tasks. The first is to create the *mission statement* for the business. This statement defines the philosophy and values of the cooperative and how it deals with its environment. It focuses on activities the cooperative conducts, states the needs the cooperative will attempt to





satisfy, and communicates why the cooperative exists by answering four questions: What does the cooperative do? Who are its clients? Who are its members? How does the cooperative conduct itself? It is important not to confuse the *mission statement* with the *vision statement*. The *vision statement* tells where the cooperative is going, while the *mission statement* tells how to get there.

The second task of phase three is to identify and evaluate the strategic options for the business. Factors like current or future policies, problems or opportunities, products, services, stated values, and location are identified. Each option should be described briefly, and policy questions should be addressed relating to the option. Conclude by examining the consequences of not addressing the option.

The strategic plan is defined in phase four. Start by choosing a *strategic option*. Often, several choices in direction and philosophy will become apparent and the planning group may have to choose. The decision may not be easy. It may be negotiated or delayed until everyone feels comfortable with it. In some instances, the choice may require a vote by the membership. Regardless of how carefully crafted the new direction may be, it can't be successful if not supported by all directors and a majority of the membership.

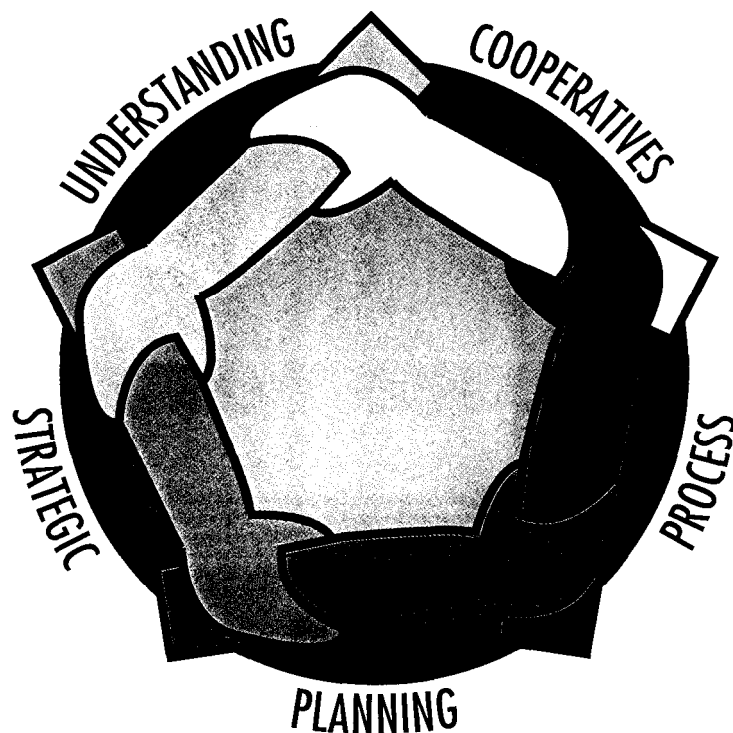
Often, when moving the current position of the business in a new chosen direction, a "strategic gap" develops. In

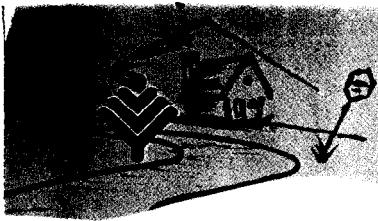
some cases, extending the present business strategy into the future will lead to the chosen direction. In others, major new programs, different locations, services, and products will be needed to reach the future goal. In either case, the careful selection of *goals* is the beginning of plan implementation.

*Goals* are the major steps needed to realize the *vision statement*. They target short-, medium-, or long-term accomplishments. *Goals* must be challenging, but attainable and ranked by priority. The outcome must be specific.

An objective is a short-term practical target related to a *goal*. *Objectives* are specific, measurable, related to a specific timeframe, and results-oriented. Several objectives may be needed to meet a goal.

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*Action plans* are specific tasks to be performed to achieve *objectives*. They are intermediate steps to follow in moving from the present to the desired position stated in the *objective*. Develop a timeline for each action. Each should have acceptable parameters or variances of the desired position including financial costs and projections. Designating an individual to oversee each action plan provides for accountability.

As soon as *action plans* are implemented, they should be reevaluated so the process can be started over. If desired results are not attained, recognize the failure and revise parts or the whole strategic plan. Strategic planning is an annual event. It takes skill and results improve with experience.

### Summary

Here are some tips to follow to make the strategic planning process work for your cooperative:

- ◆ Begin at a basic level.
- ◆ Allow time for thinking through each step.
- ◆ Gather resource materials from a variety of sources.
- ◆ Consider suggestions and recommendations from all planning participants.
- ◆ Explore all suggested strategic options.
- ◆ Agree on and implement chosen strategic options.
- ◆ Constantly evaluate and revise actions if necessary. ■



This circular is one in a continuing series that provides training information and presentation material for education resource persons who may or may not be familiar with the cooperative form of business. This series provides the basic background material they need, in a form that can be readily adapted with limited preparation time, for a lecture or other presentation.

For a complete listing of publications in this series, write to: USDA/Rural Business-Cooperative Service, Education and Member Relations Program, Stop 3254, Washington, DC 20250.3254. E-Mail address [jwells@rurdev.usda.com](mailto:jwells@rurdev.usda.com)

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