

REFEREED PAPER

DO FARMERS ADOPT A STRATEGIC PLANNING APPROACH TO THE MANAGEMENT OF THEIR BUSINESSES?

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Little is known about the application of strategic management and strategy tools on farms. The use of benchmarking has been widely endorsed by agricultural consultants and academics but it is unclear what use farmers make of this and other analytical frameworks. The responses of 144 farmers in the south of England showed a minority have vision or mission statements in written form and many have no strategic mission at all. Few farmers showed a comprehensive appreciation of strategy tools available. Additionally, despite the fact farmers strongly recognized its constituent elements, the deliberate implementation of PESTEL analysis was rare. The principal constraints to the development and creation of strategic plans are time and market uncertainty.

Keywords: Strategic management, mission statement, strategy tools, farm management, benchmarking

1.0 Introduction

The importance of planning has been expressed by a number of personalities from the world of literature, science, business and politics – there is widespread agreement as to its usefulness:

“A goal without a plan is just a wish” Antoine de Saint-Exupery (1900-1944)

“Being busy does not always mean real work. The object of all work is production or accomplishment and to either of these ends there must be forethought, system, planning, intelligence, and honest purpose, as well as perspiration. Seeming to do is not doing.” Thomas Alva Edison (1847-1931)

“Planning is an unnatural process; it is much more fun to do something. The nicest thing about not planning is that failure comes as a complete surprise, rather than being preceded by a period of worry and depression.” Sir John Harvey-Jones (1924-2008)

“In preparing for battle I have always found that plans are useless, but planning is indispensable.” Dwight D Eisenhower (1890-1969)

This paper focuses on analytical tools drawn from what has been termed the “classical perspective” (Whittington, 2001) of the considerable body of publications in strategic management theory. It is contended that strategic management is essential to the long-term survival and success of firms, and that farm businesses are no different in this respect (Inderhees and Theuvsen,

2006). Analytical tools can and should be used to inform strategic planning. Whilst Mintzberg famously claimed that “strategic planning has proved to be an oxymoron” (1994, p321), his argument was essentially that strategies cannot be formed by planning and he himself recognised the necessity of the process of planning in order to implement a strategy and that the systematic analysis of problems was as essential as intuitive approaches to their solutions. Glaister and Falshaw (1999) found that firms in both UK manufacturing and service sectors were engaged in strategic planning, were making considerable use of a number of strategy tools, and that they had increased their usage during the previous five year period. There is evidence that thinking about strategic planning provides the catalyst for effective strategic thinking and management; thus whilst strategic management need not be subject to stringent formalities and the inflexible, mechanistic planning ideas of early theorists, there is value in utilising strategy tools to help negotiate a more hostile environment. There are many advantages of disciplined strategic management over “freewheeling improvisation, gut feeling, good deals and drifting along” (Olson, 2004, p23).

Farmers in the UK increasingly find themselves operating within markets subjected to pressures related to global trade agreements, climate change and other political issues which are reflected in frequent revisions to European and national legislation. A greater degree of multifunctionality is expected of agriculture. The changing balance of the global energy economy will also force farmers to reappraise their farm management practices (Blaney, 2006). The effects of these factors, the demographic impacts of increasing world populations and changes in cultural preferences in developing nations are having effects on agricultural markets which “point to the need to add value (and to hold on to it)” (Pollock, 2007). Uncertainty about future forms, continuation, duration or payment rates of Common Agricultural Policy (CAP) support instruments after Agenda 2000 reforms and the CAP stocktaking reforms suggests that a different strategic direction will be required (Commission of the European Communities, 2007).

Franks (2006) examined the financial effects of the Fischler Reforms on an example 424 ha UK upland livestock farm and showed that in 2012 the Single Farm Payment is likely to be only 54% of the value of the payment in 2005. He concludes that the current reforms will “increase the rate of evolution and structural change within agriculture” presenting farmers with “a turning point”, such that those who want to be in farming in the longer term “need to plot a route to deliver that outcome”. The figures published in the appendices of the two most recent *Hill Farming in England* reports for 2006/07 (Franks *et al*, 2008) and 2007/08 (Harvey and Scott, 2009) show that, for hill farmers, the agriculture net margin (i.e. from agricultural sales only) is negative across all performance quartiles and that both the highest and lowest quartiles performed less well in 2007/08 than had been the case the previous year. For the lowest quartile performers, however, even the combined value of agri-environment schemes, diversification income and single farm payment were insufficient to bring the total farm business income (net margin) into a positive financial position; in both years the loss amounted to an average of more than £10,000.

The highest quartile performers, by comparison, achieved an average farm business income of around £35,000 in both years. After 2012 the top quartile can expect to have a positive income (albeit reduced) despite cutbacks in subsidy, whilst those in the bottom quartile are likely to accrue greater losses. We might hypothesise, therefore, that better performers have managed to plot a more effective strategic course than many others – planning, or at least implementing, actions to secure competitive advantage in survival if nothing else.

The majority of farms may be considered to fall into an intersecting subset of both the set of small businesses and the set of family businesses operating in predominantly mature markets. Taking literature only from these sub-disciplines, Robinson and Pearce (1984) reviewed empirical studies of the value of strategic planning to small business and concluded that whilst many small firms did not plan, those who did were more successful than those who did not, even if the planning was relatively informal. A later study (Robinson and Pearce, 1988) showed that higher performing firms were those with at least moderate levels of both planning sophistication and strategic orientation, and a high level of one or both of these dimensions. A study of small, mature firms by Bracker and Pearson (1986) showed that increasing planning sophistication was positively associated with financial performance. These findings have been supplemented more recently by Miller (2001) similarly showing that rural family firms displaying medium and high level strategic practice generated, on average, over 60% higher gross incomes than those displaying low level strategic practice. Harling and Quail (1990) studied the strategic management of 50 farms who were selected as being “successful” by local ministry officials in Ontario. These farmers indicated that a range of competitive emphases were important including the planning of farm activities. Whilst they enjoyed office work less, only 12% thought that the practicalities of farming were more productive than their office work.

Although these studies have all been conducted in North America, recent findings from DEFRA confirm that UK farmers who had no business plan and applied no management accounting techniques consistently underperformed (Woodend, 2009). Nevertheless, only 35% of UK land-based businesses have a business plan compared with 61% of all businesses in England and Wales (Lantra 2009). Woodend (2009) suggests that 29% of low-performing UK farmers say they have no *formal* plan and around 45% have no plan at all; of the high performers, 45% have no formal plan although 78% claim to have a plan of some kind, adding weight to the suggestion that informal planning can be effective. Only 14% of high performing farms reviewed their plans regularly, while for low performers the proportion was a mere 5% (Woodend, 2009).

The long-term positive effect of planning may be limited. Powell (1992) compared companies in an industry with “planning equilibrium” against those with “planning disequilibrium” and found that the positive effect on performance was only maintained where substantial differences between firms were observed within the industry (on measures of planning adherence and sophistication) – but whilst planning may not confer long-term advantage

(where everyone does so) the implication is that a “non-planning” stance is increasingly untenable as more firms undertake planning. Thus strategic planning is a competitive advantage whilst “disequilibrium” exists in levels of strategic planning adoption amongst competitors, and its adoption may “give managers the confidence and sense of purpose to act” instead of stagnating (Whittington, 2001, p23). Beijeman *et al* (2009) examine three case study New Zealand farms that industry leaders identified as having strategic expertise. The cases show that whilst the realised strategy was not always what was intended, nonetheless strategic planning had been undertaken by all of the families, thus underpinning Giles and Stansfield’s (1990) claim that “planning promotes flexibility not rigidity” (p42) because it involves “intelligent anticipation of future events” (p35). Whilst Dalton (2005) has suggested that strategies are only created when time is available, the maintenance of future competitiveness requires time for strategic planning and this is likely to benefit from the application of analytical tools.

The application of analytical management tools is a higher level business skill; a recent UK report on Farmers’ Skills asserted that “there is overwhelming evidence to demonstrate that higher skills increase productivity and improve business outcomes” (IGD, 2008 p6), an assertion supported by earlier research (McKinsey and Company, 2007). Duffy and Nanhou (2002) found that financially successful farmers in Iowa were better educated; they were able to maintain higher yields, were more efficient in use of machinery and equipment, and achieve lower variable and fixed costs; they spent more time on marketing, technology and relied upon specialist service providers for their information. For successful farmers, timing and attention to detail were more important than accurate information about the farm and, unlike unsuccessful farmers, government policies did not appear in the list of factors they deemed important to their success. Successful farmers are more likely to have undertaken higher level training (Woodend, 2009, Kilpatrick 1996) although only 19% of managers of holdings exceeding 8 Economic Size Units (ESUs) – a “one-man full-time” farm – have formal full agricultural training, and only 25% of those managing holdings larger than 40 ESU (DEFRA, 2008). Sachs (1973) has pointed out, however, “without a strong interest in learning and a readiness to consider change, training by itself is not going to lead to change” (p205).

The Lloyds TSB Focus on Farming Survey (2003) suggested that farmers generally make poor use of management information. Whilst over eighty percent used end-of-year accounts and/or monitor their cash position from bank statements, only 34% monitored actual cashflow against a budgeted cashflow, and only 30% used regularly updated management accounts. Only 36% of dairy farmers had drawn up a detailed budget or business plan (though this had improved from only 30% in 2001). More recently, Woodend (2009) found that cereals farmers were most likely to apply management accounting tools while livestock farmers in less favoured areas were considerably less engaged in financial monitoring and were more likely than cereal farmers to feel they had no gaps in their knowledge. Whether upland farmers are happy to be unsophisticated or feel too constrained by environmental difficulties to

make use of additional knowledge, the evidence in the Hill Farming in England reports cited above suggests that half or more of farms in LFAs will be receiving negative net farm incomes after 2012 which suggests this may be a short-sighted perspective.

Despite the cited evidence, there will be cases where exceptional performance occurs despite a lack of formal education. Additionally it has been noted that farmers have other goals besides profit maximisation (Perkin and Rehman, 1994) and that economic decisions are not necessarily rational (Simon, 1979). Clearly, not all UK farmers will be in such dire circumstances as those of many upland farmers, but as Makadok (2003, p1045) observes:

“...firms that earn positive or zero economic rents [i.e.profits] can persist indefinitely, and firms that earn negative economic rents can persist temporarily until they deplete their resource stocks, but firms that persistently earn negative economic rents cannot persist indefinitely...”

Some farmers may have reached a point where they are resigned to consuming their assets, but the reality of persistent negative incomes is stark. The willingness to continue in the face of problems has been attributed to being “trapped in farming” because the personal cost of ceasing is unacceptable or because the value attached to farming or a rural lifestyle exceeds the cost of underwriting it with other income-generating activity (Marsh, 2001). For some farming families, without better farm business strategies, the determination to remain on the land may involve the strategy of abandoning (full-time) farming in favour of other employment, whilst for others the current negative income stream is strategically sustainable because the objective of remaining resident until death can be achieved through pension receipts and consuming assets (Potter and Lobley, 1992). For those who do not wish to become “trapped”, however, a more entrepreneurial orientation is required.

An entrepreneurial orientation to the business involves the recombination of resources with the intention of improving outcomes. This may involve the development of new products and markets. Harling and Quail (1990) found that the “successful” farmers surveyed considered *customers* to be the most important external factor affecting the achievement of business goals, and that marketing management was their most serious shortcoming in terms of management practices. Awareness of their shortcomings seems to have influenced their strategy as most chose enterprises because the farm had the skills and capacity to undertake them and few pursued enterprises based on optimal profitability (which may have required new skills or greater risks). Those focussed on optimising profitability were more proactively pursuing opportunities in the environment (Harling and Quail, 1990). In order to pursue these opportunities it is important to be able to recognise and realise opportunities. McElwee and Baker (2008) show that conventional farmers in England are less confident of their abilities in these respects than those who were engaged in value-added or non-farming enterprises. McElwee (2006) cites De Lauwere *et al.*’s finding that management and strategic planning are,

inter alia, critical success factors in entrepreneurship and suggests (McElwee, 2007) that strategic management, marketing and entrepreneurial skills are some of the skills which are most in need of improvement in the English farming community.

An entrepreneurial approach need not, however, be limited to the development of new products or markets. It may also be applied internally to find new ways of doing things such that the same products or markets are served more efficiently. Zellweger *et al.* (2010) found that three case study mature family firms were not engaged in much development of new products and markets but had been innovative internally by finding new ways to do things.

A variety of dimensions of behaviour have been found to characterise entrepreneurial orientation including autonomy, innovativeness, risk-taking, proactiveness and competitive aggressiveness (Lumpkin and Dess, 1996). Verhees *et al.* (2008) found that proactiveness, in particular, had a positive effect on Dutch and Slovenian farm performance and was associated with higher levels of risk-taking and innovativeness, whilst the direct effects of risk-taking (positive in Slovenia) and creativity (a component of innovativeness, negative in The Netherlands) were context specific. Risk-taking is less prominent – and has been associated with negative performance – in family firms whilst past performance and independent ownership gave better forecasts of future performance (Naldi *et al.*, 2007). This demonstrates the importance of “path dependency” – past decisions affect the decision environment of the present, and current decisions will affect the decision environment of the future. Naldi *et al.* hypothesise, from their literature review, that the failure of risky ventures may be due to the lack of external accountability which makes family businesses reluctant to plan strategically and deters them from systematic, unbiased assessments of risk. Zellweger *et al.* (2010) consider that risk aversion in family firms is associated with the fear of losing socioemotional wealth (family identity, family influence, and dynastic ambitions) and long tenures of CEOs. Sachs (1973) cites Rheinwald’s observation that farmers rarely make the “real decisions” which characterise entrepreneurial behaviour because they repeat routines without reflection and frequently fail to “realize the multivalence of the situation” – that is, the variety of alternative possibilities. Without the identification, analysis and assessment of potential alternatives it is likely that the “real decisions” required for effective strategic management will be suboptimal.

If farmers are lacking in skills they could “buy-in” management expertise from, for example, accountants, farm consultants and land agents. Garforth and Rehman (2006) found, however, that (in relation to advice on changing their farming practice in response to the Single Payment) whilst accountants and farmers’ clubs enjoyed a reasonable degree of respect in the farming community, there was little motivation to comply with advice from consultants, Defra or land agents, and “other farmers” were least trusted. They were most inclined to trust their own experience but this did not correlate with an *intention to change* (Garforth and Rehman, 2006).

Do Farmers Adopt a Strategic Planning Approach to the Management of their Businesses?

Harling and Quail (1990) note that in order to compete in “an uncertain and unstable environment...the managerial skills required in those managing farm businesses approach those required in other businesses”. They continue by noting that:

“To date...farm management specialists have not drawn on the developments in general management found in the business literature. This failure is reflected in farm management texts and course syllabi which approach the subject as series of topics congruent with the functional areas of the business. They do not present nor are they structured to deal with the integrative thinking needed to take a strategic approach to managing a business – strategy being the keystone to general management today”.(p426)

Their empirical evidence showed that one in five farmers considered their deficit in general management skills to be their single most serious problem in terms of dissatisfaction with their performance of management activities. A further 10% felt their business planning skills were their most serious problem whilst 16% specified scheduling (another form of planning).

A cursory examination of the main farm management textbooks in 2010 suggests that little progress has been made in incorporating work from related disciplines. Most of the farm management textbooks focus their attention on traditional financial appraisal and production programming techniques rather than general management or strategic planning. Whilst a greater variety of academic papers in the farm management field have been published since 1990, most of these have sought to apply the theoretical principles of a single technique or concept from the wider literature to agriculture and there has been no attempt to apply the major strategic management theories to farming in a comprehensive manner. Nell and Napier (2006) and Olson (2004) have adopted or adapted some of the most frequently cited concepts and techniques from the strategic management textbooks (mainly those written by Thompson and Strickland) and applied them to farming but leave out a good deal which could be useful. Warren (1998) devotes eight pages to general business planning (which is substantial compared with many others) whilst Giles and Stansfield (1990) recommend further reading in the wider management field. In none of the available texts is an extensive use made of specific sources within other related disciplines, though special mention is occasionally made regarding the ideas of Michael Porter, Henry Mintzberg and Kenneth Blanchard. The detailed content analysis of course syllabi is beyond the scope of this paper, as is the content of non-English language farm management texts.

2.0 Strategic Management

Nell and Napier (2006) modified Thompson and Strickland's (2000) definition to create an agricultural-based definition of strategic management:

“Strategic management is the integration of all the business functions of

the farm, so that the total farming system is managed proactively, and in harmony with the internal and external environment (at business and macro levels) to achieve the vision and long-term goals of the farming business” (p3)

Strategic management is the process which clarifies the long-term vision of the business, creates a strategic plan, implements or operationalises it, and controls and adjusts it both proactively and reactively in order to increase the “probability of success in meeting both strategic and financial objectives” (Olson, 2004). Strategic management should be systematic; involving constant monitoring and including feedback loops at later stages to ensure that strategy formulation is an entrepreneurial action which responds “to the dynamic environment of competition within which it was formulated” (Nell and Napier 2006). Broadly speaking, a certain amount of logical order is required. The formulation of strategy is, however, not simply sequential, but an iterative process with ‘feedback loops’. Personal values and/or the business environment will undoubtedly change, thus necessitating changes to all or some of the existing strategy – whether the means of achieving the vision or the vision itself.

3.0 Strategic Management Tools

Strategic management tools are “concepts, ideas, techniques and approaches” that guide thinking or influence strategic activity and which focus on “achieving constructive outcomes” (Knott, 2006; Shadbolt, 2008). They are the starting point, not a blueprint (Knott, 2006). When applied correctly their benefits include the enhancement of manager and staff performance – by education, sensitisation to relevant issues, fostering shared values and closer identification with the strategic objectives – and the reassurance of bankers and non-resident owners.

Despite the demands of busy managers, there is no single tool which is simple, does everything, and gets it right every time – they need to be selected, adapted and interpreted in the local context – and it is the *outcome* which determines their success as perceived by managers (Knott, 2006). Strategy tools may take the form of highly defined mathematical techniques or loosely structured mental models or frameworks – but the use of some at the expense of others may introduce cognitive bias into the decision-making (Knott, 2006). Thus some farmers’ decisions may lead to superb technical efficiency at the expense of profit, or specialised excellence at the expense of flexibility. Care must be taken in their application; slavish but inappropriate application of a tool may waste valuable resources, whilst excessive adaptation or selectivity may compromise coherence of interpretation (Knott, 2006).

Knott (2006) presents a typology of strategy tools which classifies them into five generic modes: analytical, dynamic, metaphorical, facilitative and interventionist. The techniques which this paper examines in more detail are predominantly analytical (engendering focussed thinking which generates a specific output), facilitative (encouraging divergent thinking and broader

Figure 1. Key strategic management tools

The arrows moving left to right indicate a logical order of events. This is not intended to rule out the opportunity for, or need to, return to an earlier phase at any stage in the development of a strategy. Indeed, the returning arrow indicates that this is required after any monitoring phase. The tools listed under each phase form only a small part of the entire collection of tools which have been developed and applied over the past four decades. Only those which have been highlighted have been considered in detail in this paper but the larger number shown indicates the diversity of tools which may be selected and applied by a decision maker.

Phase of strategy development	PERSONAL / CORPORATE VALUES		INTERNAL ENVIRONMENT		EXTERNAL ENVIRONMENT		STRATEGIC CHOICE	STRATEGIC PLANNING	IMPLEMENTATION	MONITORING
	(Strategic Capability)									
Strategic management tools	Purpose identification (what for?)						Porter's generic strategies	Activity maps	Mission / Vision Dissemination	Return on investment ratios (e.g. ROI, ROCE etc)
	Competing commitments (rank in order of importance)	↕	Stakeholder Mapping: - Power / Interest Matrix - Power / Dynamism Matrix - Power / Legitimacy / Urgency Map	↕			Scenario planning	Flow charts	Scheduling	Yield assessments
	Identify core business / key customers (who for? who facilitates/enables purpose?)		Business profiling	Five forces framework			Marketing competition strategies		Sequencing	Environment scanning (prices, news, legal developments etc)
	Mission statement	Portfolio analysis	PEST/ STEP/ EPEST/PESTEL				Cashflow planning	Human resource management techniques		Cashflow analysis
	Envisioning	SW ...	...OT analysis				Product life-cycle strategies	Budget planning	Technical skills acquisition (i.e. training)	Budget Review (against outcomes)
	Vision Statement	SSWOFT analysis		SSWOFT analysis		GE matrix strategies	Investment appraisal techniques	Total Quality Management (TQM)	SSWOFT analysis	
		Value Chain Analysis (Value Plates)	Market Research					SMART	Benchmarking	
		Identify Competitive Advantage(s) (Cost, scope, time, differentiation, competitive fit)					Balanced Scorecard			

understanding) or interventionist (need-centred process improvement). Figure 1 indicates the main components of a typical model of the strategy process in the top row with a selection of tools which might be used to assist the manager in each phase. These are indicative and should not be considered a comprehensive selection (a useful, more comprehensive guide can be found in Cadle *et al.* (2010)). Those shaded and highlighted in bold were selected for use in the survey and are explained in more detail.

3.1 Tools to Clarify Personal / Corporate Values

The most important foundation tools for strategic management are those which identify the aim and direction of the business, as “planning on its own cannot produce strategic vision and direction in an organization where this is lacking” (Langley, 1988):

‘Mission’ is the dominant intention of the business, in line with the stakeholders expectations or beliefs. It must answer the questions what, who, how and why, indicate the core competencies and highlight the influences that drive the vision. It is the present.

‘Vision’ (‘strategic intent’) is the long term ambitions of the business and an important management instrument. It is the future.

‘Goal’ is the general statement of the aim or purpose (can be referred to as values). Goals can be financial, strategic, personal, succession.

‘Objective’ is a precise statement of the goal.

The mission and vision must align comfortably with the personal values of the manager and other stakeholders if they are to be achieved. Castle *et al.* (1987) recommend to farmers that:

“Defining goals clearly enough to write them down provides additional motivation, makes priorities more explicit and encourages family cooperation.”(p5)

Mullane (2002) reviews a study by Rigby in 1994 suggesting that mission statements are the most used tool (of 25 assessed) and that users rate it second highest in terms of satisfaction. Users’ satisfaction was founded on its usefulness in creating and fostering organizational integration, unity of purpose and direction, shared expectations and values, and emotional commitment. Research suggests that companies with mission statements have better performance than those without (Green and Medlin, 2003), especially where they include “key constructs” and that this constitutes a “coming of age” of the business (Sheaffer *et al.*, 2008). Baker and Leidecker (2001) found that high performing Californian tomato processors placed a significantly higher ($p=.025$) degree of emphasis on their mission statement than the low performers. Management commitment and proper communication of ideals

are, however, crucial (Mullane, 2002). Harling and Quail (1990) reported that over 90% of “successful” Ontario farmers selected a financial-type goal as the single most important:

“Nearly all surveyed had a general idea of what results they wanted to achieve in their farm business in the long run, but they appeared to lack an operational view of these results. Almost three quarters had specific goals for three to five years, only half said that they actually used goals, and less than a quarter had written them down. Thus, while the managers had a feel for what they were trying to accomplish in the business, many had not formally incorporated them in the management process of their business.”(p431)

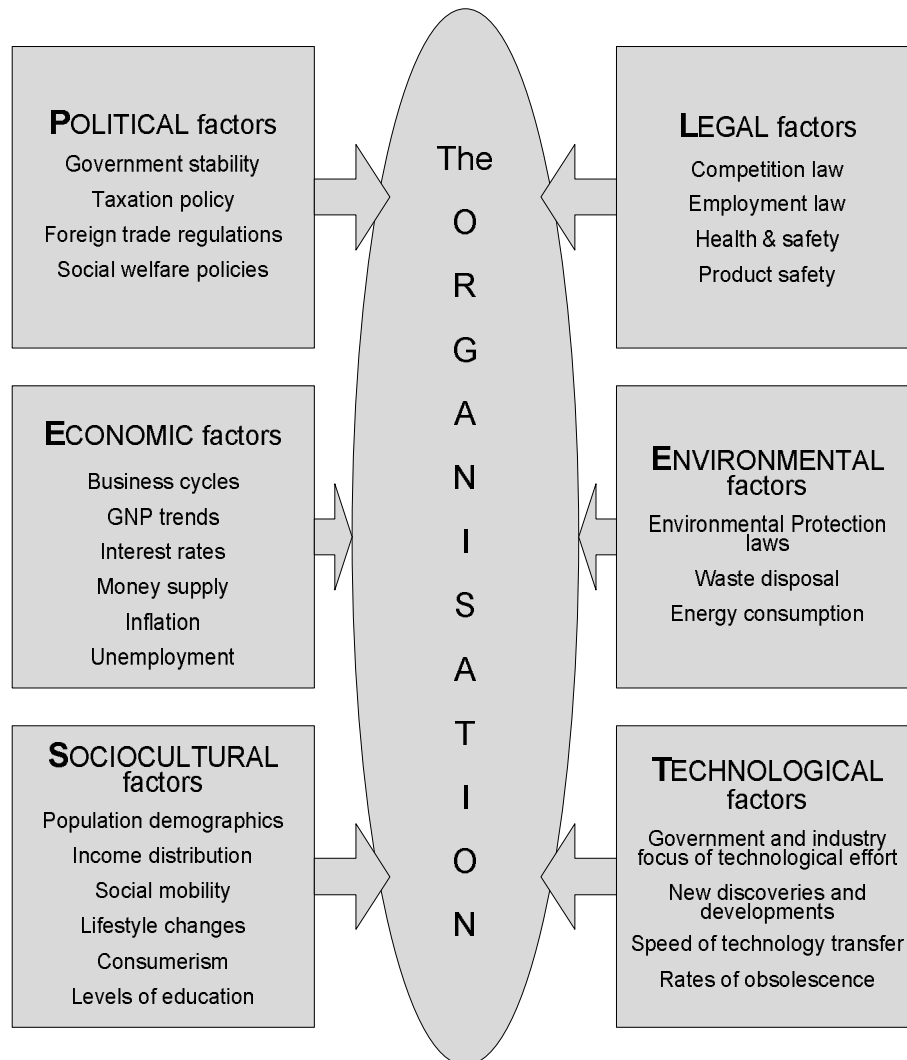
They noted, however, that whilst financial goals were most important, that farm managers saw their business as a family business and, whilst many recognised that they could earn more from alternative employment, they did not choose this nor did they place great emphasis on off-farm sources of income. Despite such high emphasis on financial goals, the maintenance of financial records was predominantly handled by spouses, bookkeepers or accountants. The goals were used to plan and control the business but with most emphasis on production practices and “balance to the business”. Castle *et al.* (1987) cite Patrick and Blake who suggested that farm families find goals hard to verbalise, but when expressed are often short-term and diverse. It would seem that whilst there is widespread agreement in farm management texts about the importance of (strategic) goals as a precondition of any useful farm planning there may not be widespread clarity of these on the farm.

3.2 Tools to Analyze the External Environment

Scanning and monitoring the external environment is important in strategic management. PESTEL is a tool that can be used to indicate the key external drivers of change (see Figure 2). It is an extension of the STEP/PEST tool frequently used in the general management literature. An analysis with this tool highlights the key areas of how an industry is being influenced. Sayers (2005) generated a considerable list of external factors which affect farm businesses in the United Kingdom.

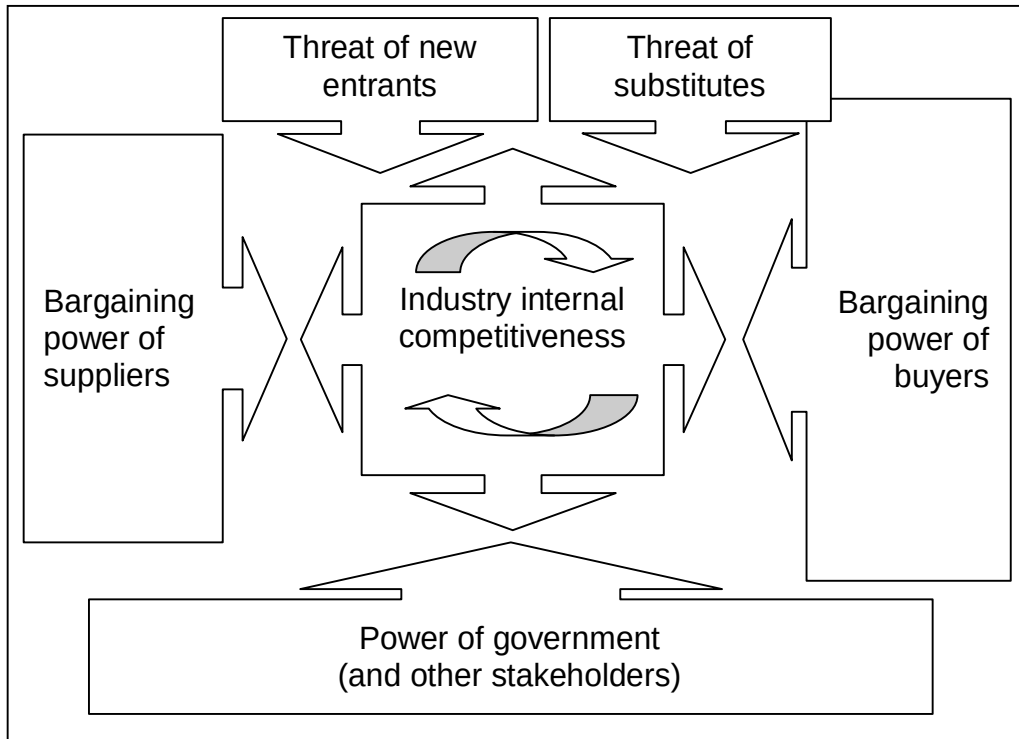
Porter’s (1980) ‘Five Forces Framework’ is an analytical tool (Knott, 2006) which looks at external forces and particularly competitive rivalry. The forces are not independent of each other and it is important to understand the connections between them. Boehlje *et al.* (2004) cite Porter’s suggestion that the collective strength of these forces determines the profit potential. Boehlje *et al.* adapted this framework to include a sixth force: the government stakeholder which also has the ability to manipulate the strategy. This is an important adaptation of the framework as many of the other forces are relatively weak in some agricultural markets (eg. the threat of new entrants and substitutes are weak forces in the UK liquid milk market due to high costs of entry and low demand for substitutes). The power of buyers is very strong in many agricultural markets, whether processors, supermarkets or end

Figure 2: Macro-environmental influences- the PESTEL framework (Johnson et al., 2006)



consumers, though the balance may vary depending on whether the market is seen as local or global, niche or commodity. Forward contracting and Quality Assurance (QA) schemes are customer driven vehicles and have allowed the buyers to dictate aspects of control such as milk quality benchmarks, stocking rates, pesticide controls and even servicing of vehicles. Figure 3 shows the adapted five forces framework though the relative strength of different forces should be analysed for each market sector in which the business operates. When applied at the individual business level the framework may vary according to local circumstances; a farm which is forward-contracted to produce for a specific buyer will operate in a different framework of forces to one which has placed most of its land in the HLS agri-environment scheme.

Figure 3: The adapted five forces framework (Boehlje et al., 2004)



Using the five forces framework Porter (1980) identified three key principal strategies:

1. Cost Leadership
2. Differentiation
3. Focus (Niche) or branding

Cowap (2006) equates these basic generic business strategies with (1) the primary production countryside, (2) the stakeholder countryside and (3) the entrepreneurial countryside respectively. Fundamentally, all good strategy relies upon a satisfactory and realistic appraisal of the environment in which an organisation operates. Downey and Erickson (1981) believe that:

“many failures in prediction result from sloppy, ambiguous, generalized thinking. Forecasting change is not a guessing game; it is based on a hard, disciplined, tough approach to planning” (p33)

A badly conceived strategy will be irretrievable if the base assumptions are flawed (Sterling, 2003). Thus it is important that the assessment of the external environment results not in producing to where the market *is* but to where the market *will be* (Olson, 2004).

3.3 Tools for Combining the Internal and External Environments (Strategic Capability)

Strategic capability (Lenz, 1980) is the business' ability to perform at the level required for success. This involves creating a 'strategic fit' between the external environment and the internal resources. The traditional SWOT analysis has been popularly promoted since the late 1960s and is described by Warren (1998) and Olson (2004) in their farm management texts. Nell and Napier (2006) have elaborated on this facilitative analysis (Knott, 2006) to create the SSWFOT analysis (strengths, successes, weaknesses, failures, opportunities, threats) (see Figure 4). This variation on the original SWOT analysis accommodates the important strategic concept of 'path dependency' (future paths are dependent on past and present paths) by incorporating experience and past performance into the strategy development process.

Figure 4: The SSWFOT Analysis (Nell & Napier 2006)

Figure 4: The SSWFOT Analysis (Nell & Napier 2006)			
	Internal Farm can manage it		External Farm must adapt to it
	Past	Present	Present
Helpful	Successes	Strengths	Opportunities
Harmful	Failures	Weaknesses	Threats

It is important that any form of SWOT analysis is not seen as an end in itself. It is important that internal and external are adequately distinguished, and that the results are categorised, prioritised and form an input into the next stage of the process – making choices and informing decisions (Barichello *et al.*, 1997). Shadbolt (2008) notes that SWOT analyses are often poorly applied by farm businesses because the external audit (the O and the T) is “often poor and too narrow in its focus”, and the internal audit (the S and the W) suffers a “lack of rigour” resulting in lists of features of the business. Combined this fails to deliver the “expansive and divergent thinking” that Knott (2006) suggests should develop.

3.4 Tools for Strategic Choice

Once the analyses have been undertaken the business should be better able to identify its position (revising its mission and vision if necessary) and choose its trajectory. Whilst many tools exist to assist with this choice, scenario planning is particularly useful when the marketplace is uncertain or turbulent.

One of the key reasons for strategy failure is unanticipated market changes (Sterling, 2003). Scenario planning involves considering possible circumstances and consequences – but assuming the future will be very

different from the past. It uses a systematic ‘what if?’ approach to predict effects on the business if the main influences are altered substantially. Starting with assumptions about the main drivers for change – as identified in the PESTEL analysis (Cowap, 2006) – but uncertainties about the exact nature of the effects, successful scenario planning requires the identification of the *most important* factors. Hodge (2009) suggests a matrix with two dimensions (importance and uncertainty) to identify “predetermined elements” (important and certain) as distinct from “critical uncertainties” (important and uncertain). The latter can be classified into independent uncertainties (e.g. base interest rate, crude oil price) and dependent uncertainties (e.g. the bank lending rate, forecourt diesel price) (Olson, 2004). Anything which, on reflection, is deemed unimportant should be assigned to the “scanning domain” if its long-term importance may change (e.g. carbon trading regimes) or consigned to “not relevant” if it is certain they are not important. The impact of ‘unknown unknowns’ should not be overlooked (Hodge, 2009).

The ‘critical uncertainties’ should be used to create 3-4 potential scenarios and the different strategic options which might be generated to optimise the scenario for the business. It is important to identify the independent uncertainties which have the largest impact on dependent uncertainties – and hence the scenario – to assess the scenario’s sensitivity to variation in those uncertainties. Scenario planning expands people’s thinking and identifies holes within an existing plan; if alternative scenarios are examined and no dramatic problems are envisaged, then it increases the robustness of the plan.

Current (and somewhat perennial) uncertainties affecting UK agriculture include those relating to input prices, the future revisions to the CAP support regime, and climate change (Hodge, 2009). Similarly world trade, weather and many other factors are rarely predictable. The strongest business is one which is confident of its survival and profitability even in the most difficult circumstances – either because the business is organised in a way which makes the uncertainties irrelevant, or because the answer to ‘what will I do if...?’ has already been considered and an action plan devised.

3.5 Strategic Planning Tools

Management in accordance with the strategic mission and vision requires objectives and goals at the tactical and operational levels. Many strategic tools exist at these levels and are used in businesses of all sizes.

Flow charts and mapping techniques such as PERT network diagrams can be used in project, process or activity mapping to identify and understand the points at which decisions are made. The key actions form a critical path enabling both detailed in-depth analysis and control of the business. The analysis also identifies Critical Success Factors (CSF); e.g. the process features that lead to product characteristics which are valued by customers such as quality, reliability, service etc.

Management accounting tools such as cashflow forecasts, forward budgets and investment appraisal are important operational planning tools to control finances. Strategies often fail due to lack of investment (Sterling, 2003) and it is important to thoroughly cost any investment required and plan its

repayment. Conversely, inventory management techniques are important to minimise costs, streamline physical operations, and thus positively impact the viability of the business. Recent evidence from the Farm Business Survey suggests that around 24% of low performing UK farms applied no management accounting tools, compared with only 8% of high performers (Woodend, 2009).

Whilst these tools can only be considered 'strategic' if there is a clearly defined long range plan, their application in any context is likely to be beneficial. Wastefulness (of both materials and people) can be as detrimental to the success of a strategy as underinvestment (Sterling, 2003).

3.6 Strategic Implementation Tools

Strategic implementation relies heavily on managing other people so it is critical that the strategic mission and vision are disseminated and adequately understood by key stakeholders such as employees, the family and the bank manager. Implementation is most successful when there is consensus and commitment (Dooley *et al.*, 2000) whilst the failure to 'buy-into' or understand the strategy by those responsible for implementation will cause its failure (Sterling, 2003). Internal stakeholders need to be managed through objectives and good teamwork improves the uptake of strategy (Senge, 1990). Both Olson (2004) and Nell and Napier (2006) summarise the aspects required for an objective using the SMART acronym as a tool:

Specific
Measurable
Agreed
Realistic
Time Schedule

'Scheduling and sequencing can also be useful; scheduling principally looks at the decisions taken in allocation of staff time and other resources; sequencing is the order of operations. A good analysis of these should enable improved rules of execution and better time planning. Inefficiencies can be acknowledged and dealt with. If the point of choice is identified then the differing choices available may be more easily identifiable. Gantt charts can be helpful in visually displaying such information.

3.7 Strategic Monitoring Tools

A successful business must have good control systems for evaluation, monitoring and correction, and be capable of reviewing and therefore adapting its strategy. Financial management and monitoring is a crucial determinant of success. Operational monitoring may involve establishing a quality assurance system, whilst environmental scanning involves regular information seeking. The SSWOFT tool can be used for monitoring as well as analysis. Two interventionist techniques (Knott, 2006) which attempt to incorporate these diverse needs and have been championed within the farm management literature are benchmarking and the balanced scorecard. Selected papers from

this body of work are reviewed in the following sections.

3.7.1 Benchmarking

Benchmarking attempts to provide a ‘blueprint’ tailored to respond to farm-specific needs. It allows assessment to be made in relative terms, comparing ‘like-with-like’ the costs and physical efficiencies of activities. Properly implemented farm benchmarking scrutinises the competitive strengths and weaknesses of the business; it allows the establishment of targets and priorities but if it is to be truly useful it must identify “processes underpinning performance” (Franks and Haverty, 2005) such that improvements can be implemented. Historical benchmarking on the same farm allows the effectiveness of action plans to be assessed. Industry benchmarking allows cross-sectional comparison with others in agriculture. “Best-in-class” benchmarking compares against the most progressive farm businesses. It encourages behavioural change but “you get what you measure” (Johnson *et al.*, 2006); conclusions can be blurred by industrial convergence as the technological differences between players becomes smaller and the real sources of superior performance go unquantified.

It is crucial that ‘key performance indicators’ (KPIs) are chosen to reflect the specific farm and its enterprises. Selectivity is equally important when choosing the benchmark farm(s) against which comparison is to be made and to use the same method to calculate both your own and the benchmark farms’ KPIs (Franks and Haverty, 2005). Comparison with the chosen benchmark provides the opportunity to identify performance gaps which, if undesirable, should inspire active changes to reduce the gap. An early adopter of (internal) agricultural benchmarking was Sentry Farms who began using this method of evaluation in the 1970s (Atkinson 2003, 2004). Their “4 Thought” program has exposed people to new ideas, provided a catalyst for learning, overcome natural disbelief that a business can perform to a higher level and lowered the cost of production simply by comparison of farms within the group (Atkinson, 2003). Despite this example, Franks and Collis (2003) cite research which found that only 9% of farmers were using benchmarking in 2003 (although 86% aspired to its use); these users of benchmarking cited better understanding of costs as the key benefit. There has been greater uptake amongst farmers over time – the most recent data (Woodend, 2009) suggests that around 18% of the lowest performing third of farms are using benchmarking rising to about 38% of the highest third of farms. Over 40% of dairy farmers use benchmarking compared with less than 30% of livestock farmers in Less Favoured Areas (Woodend, 2009).

Benchmarking may not always be well applied – if the target business’ objective is *profit* maximisation this will not always be achieved by technical super-efficiency or maximising output. Similarly KPIs for benchmark farms which have been constructed using different methods or assumptions to those of the target farm will yield invalid and unreliable results (Franks and Collis, 2003). Insufficient breadth of KPIs may skew the thinking which is applied to solving performance gaps, or effectively prevent the performance gaps from being identified (inducing a false sense of security). Many data surveys used

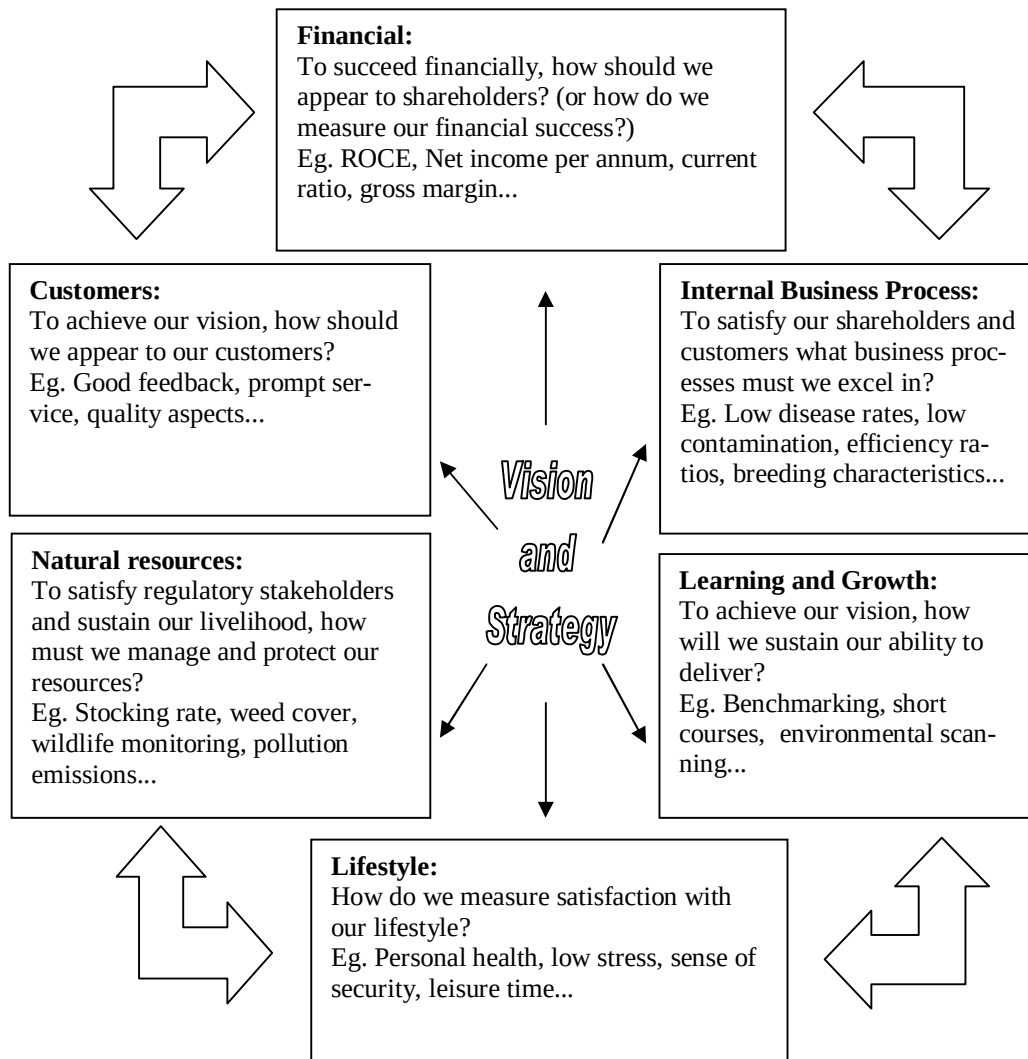
for benchmarking fail to collect data for key variables which determine the success of an enterprise (Franks, 2009). The appropriateness of benchmarking also depends on the mission – if the farmer's key KPI is maximum leisure time then benchmarking itself is detrimental to this objective (Franks and Collis, 2003). Similarly if the cost of benchmarking exceeds the savings, or the implementation of improvements fails to occur at all, then it is a wasteful cost in itself. If key objectives remain undefined KPI selection is itself a challenge (Barriball and Byles, 2003). Farmers who aspire to benchmarking frequently use informal methods and information gleaned from publications such as industry costings books, *Farmers' Weekly* and bulletins of The Arable Group. Such comparisons, however, generally fail to adequately identify the “processes underpinning performance” (Franks and Haverty, 2005) – the attribute which differentiates benchmarking from merely making idle comparisons (Fogarty *et al.*, 2003). Additionally, benchmarking, as currently practised, often fails to adequately measure non-technical and non-financial measures such as personal growth or customer satisfaction (Byles, 2003; Barriball and Byles, 2003; Fogarty *et al.*, 2003). Other potential drawbacks of scheme participation may include the commercial misuse of confidential data (Franks and Haverty, 2005). If however, the fear of this waste, irrelevance or impropriety prevents farmers from participating they may be missing out on valuable opportunities to improve.

3.7.2 The Balanced Scorecard

The “balanced scorecard” approach was developed by Kaplan and Norton (1992) to focus the attention of business managers on the four long term drivers which create profit and a desirable image of the business from some key stakeholders' perspectives. The technique is used to inform the execution of a strategic plan to better exploit these drivers – *customers* to buy the product, *profits* to satisfy owners (*financial*), *customer/owner* satisfaction delivered by *processes* undertaken by employees/managers requiring *learning/growth*. The plan should be a mix of short and long term goals, all of which must be “balanced” to create an integrated framework that allows the translation of the strategy into operational terms (Shadbolt *et al.*, 2003). The technique links qualitative and quantitative performance measures to the corporate vision and tracks a firm's performance.

The original ‘balanced’ scorecard of Kaplan and Norton has been criticised for being too narrow and not encompassing all relevant variables and business types (Shadbolt, 2008). In the USA the technique has been broadened in its application to farm/ranch management to include scorecards not only for customer, financial, commodities production (i.e. business process) and learning/growth, but also natural resources and lifestyle (Dunn *et al.*, 2006). These additional scorecards provide a place for stewardship and familial objectives which are important to farmers but are often irrelevant to corporate commerce (see Figure 5). The balanced scorecard must be selective in the metrics included on each card – the object is not to create a complex monitoring system but to focus attention on the really key attributes of the business which define its mission and direction (Shadbolt, 2008). The object is

Figure 5: The Balanced Scorecard (Kaplan and Norton 1992, adapted by Dunn et al 2006)



to create a focussed but responsive organisation based upon a template which does not become a strait-jacket (Kaplan and Norton, 1996).

4.0 Methodology

Little research has been undertaken into whether or how UK farmers use strategic tools to develop their businesses. The empirical work presented in this study considers farmers' awareness and usage of the contents of the strategic toolbox. The large number of strategic tools available has inevitably led to selectivity in the choice of tools considered within the survey. The presence of a vision and mission statement was observed in the literature to be a key factor for business success and was therefore considered in some depth.

The barriers that occur in the development of strategies are also investigated and the frequency of strategic review is examined in the light of changes to the CAP.

A postal survey of farmers in the south of England was conducted during June 2008. A total of 466 questionnaires were mailed and 144 useable responses were returned. A clustered purposive sampling method was used to implement a cross-sectional study. The study employed multiple sampling frames that included:

- a. Close clients of Strutt & Parker
- b. Members of the John Edgar Memorial Trust
- c. Members of the Burford Farming Club
- d. A random sample from Yell.com of farmers in Gloucestershire, Wiltshire, Dorset and Hampshire (the same geographical area covered by the other three sample frames)

Access to these sampling frames was negotiated or else utilised freely available data from members' lists and from websites. The questionnaire was pilot tested on five farmers to ensure face validity. The researcher asked the pilot group to time themselves in addition to providing feedback on the content. The reassurance that the information would observe the Data Protection Act was given. The questionnaires were then modified in the light of the feedback and adaptations were made particularly to improve statistical analysis. This doubled the number of questions but did not significantly alter completion time on a further pilot test. The questionnaires took approximately 25 minutes to complete. Respondents were invited to indicate their willingness to be contacted further and to provide contact details. A number of these respondents were contacted further in an attempt to augment the questionnaire with further detail.

Further statistics have been applied where appropriate. In some cases the test is a simple Pearson's chi-squared test of independence, whilst in others further post-hoc tests have been applied to test the strength of association e.g. Phi coefficient and, where the direction of the correlation between two ordinal variables is of interest, Goodman and Kruskal's Gamma. The statements made are thus interpretations of statistics based mainly on contingency tables. For brevity the contingency tables are not reproduced.

4.1 Characteristics of the sample

The median farm size was 323ha and the mean was 566ha. The inter-quartile range was 178-708ha. The sample is not strictly representative of the statistical population of holdings in the geographical area (DEFRA, 2007). The true variation of the sample from reality is, however, difficult to establish. The sampling frames may have favoured larger commercial holdings, but also official statistics have long been flawed. The official number of holdings is overstated due to the difficulty in amalgamating statistical returns from multiple land holdings run as a single business (Harrison, 1981).

Thirty-five percent of respondents classed themselves as arable farmers,

48% as mixed farmers and the minority of 17% as livestock farmers. This ratio suggests that arable farmers were over-represented in comparison with the DEFRA (2007) data for the counties, but may also reflect that small holdings are predominantly grassland. Both the mode and median suggested that the average farm had two full time employees and one part time employee.

The majority of the respondents were directly involved with the management of the farm business (48% owner occupiers, 28% tenants, and 19% farm managers) and consequently should be involved with strategy formulation for that business. The remainder were formed from 3% consultants and 2% 'other'. The 'other' respondents included two directors of farm companies and a contract farmer. The inclusion of consultants' opinions in the analysis was deemed acceptable as they often influence these decisions and indeed manage farms in their own right.

The education level of the respondents was higher than might be expected from official figures; 55% had National Diploma in Agriculture, Higher National Diploma or higher qualification (BSc/BA/MSc/MA) though not necessarily in agriculture. A further 27% had some form of certificate or diploma (e.g. OND, NCA or Dip Farm Management) whilst 24% had no further or higher education. The survey assessed the overall level of education which is not strictly comparable to DEFRA statistics which focus on agricultural education.

While the sample may or may not be a good representation of all *persons* who control land, more *farmland* is controlled by managers of larger holdings (85% of UK farmland is in holdings exceeding 50ha: Eurostat, 2009) and thus managers of larger holdings represent the management of a greater proportion of the land area. Additionally many smaller holdings may be little more than paddocks or non-commercial 'hobby' farms, the managers of which may find strategic management concepts of limited value in relation to their balance of objectives.

5.0 Results

5.1 Mission and vision statements

Figure 6 shows those that had a vision or mission statement. There was a positive relationship between the presence of a vision and a mission statement ($p < 0.001$; Phi coefficient=0.761). Both higher level education ($p < 0.05$; Phi coefficient=0.210) and college level education ($p < 0.05$; Phi coefficient=0.220) had a significant effect on the presence of a vision statement, although neither higher nor college level education qualifications were associated with a mission. Thirty-five percent of farmers had no mission or vision statement.

Relatively few respondents claimed to have written down their mission or vision. Table 1 shows the relationship between the incidence of written documents and the presence of a vision or a mission. In all cases where written documents existed, both a mission and vision were claimed to be written down. These 22 respondents accounted for only 15% of the sample.

Respondents who were willing to be contacted further were invited to supply their written mission/vision statements or telephoned to determine their reasons for not having them in writing. Only one respondent provided his

Figure 6: Form of vision and mission statement, by percentage

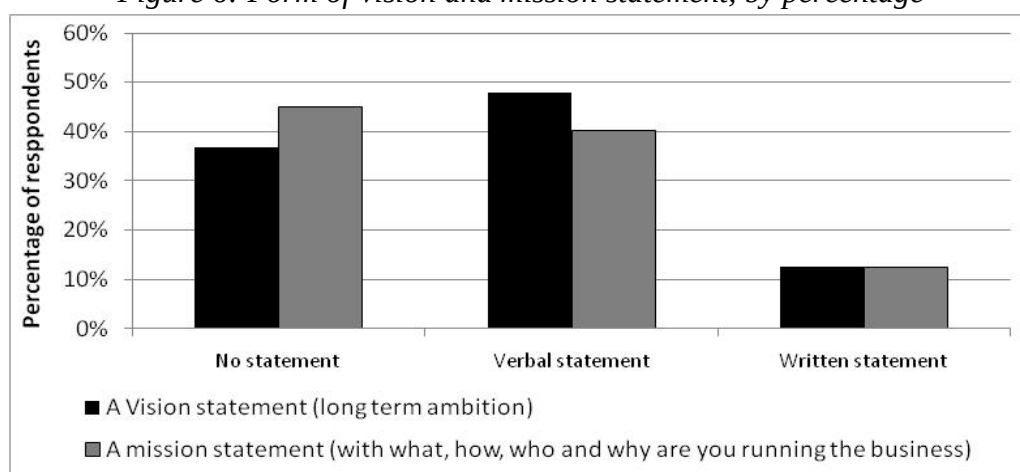


Table 1: Presence of mission and vision by form held:

	No reply	Written mission or vision or both	Verbal only	None	Total
No reply	2	-	2	1	5
Vision and Mission	-	22	50	-	72
Vision only	-	-	14	-	14
Mission only	-	-	3	-	3
Neither	-	-	-	50	50
Total	2	22	69	51	144

mission statement (written as a consequence of the request) though it does not conform to Langley's (1988) definition of a mission statement; it does not identify core competences and influences. It does, however, describe elements required for a vision. It emphasises that perhaps the definitions of the two statements are not clearly understood. Another believed that as he managed a small family business he did not feel the requirement for written documents, but did acknowledge that whether it was written or verbal it could just as easily be changed. Clearly these instances cannot be considered representative of any other farmers but offer insight into the type of misunderstandings which may occur.

Of the mission and vision statements which existed (whether expressed verbally or in writing), 60% were made by the farmer, 32% by family members and 6% by a consultant. Thus in about two-thirds of cases the main individual running the business is the dominant architect of these statements, whilst one third involve a more democratic process. Table 2 shows that family members are considered important recipients of dissemination, many of whom may be part-owners or in other ways key stakeholders.

Farm managers are more likely to give written statements to parties who have ownership in the business compared with owner/tenants.

Table 2: Persons to whom mission/vision disseminated, percentage (Farmers with mission or vision only: n=94)

	No reply	No Dissemination	Verbal	Written
To Employees	18%	21%	53%	7%
To Bank Managers	13%	29%	46%	13%
To Advisers/Consultants	17%	23%	50%	10%
To Family Members	15%	6%	67%	12%
To Parties who have ownership in business	31%	15%	38%	16%

5.2 Strategic planning tools

Nine key tools that were identified as being potentially useful for developing strategies were chosen and assessed in terms of awareness and use by farm owners and managers. Table 3 shows low awareness of the Five Forces Framework, PESTEL, SSWOFT analysis, Balanced Scorecard and SMART tools. More were aware of scenario planning but it was not widely considered useful. Benchmarking has a long history of use in agriculture and has been widely promoted in the last decade within the industry, whilst SWOT analysis had clearly also been used quite widely. Interestingly, whilst awareness of production management tools was quite high, less than a quarter of farmers had found them useful.

Further analysis of these tools in connection with the use of mission and vision statements showed a high degree of association. Whilst displaying high awareness of benchmarking, the highest overall association was for SWOT and production management tools. In all cases where a relationship exists, those with mission/vision/both/written are more likely to have used or found useful the tool indicated. The results suggest that anyone with a mission and/or vision is more likely to use SWOT and production management techniques and that those with written documents are more likely to use a range of tools. The latter group are more likely to be farm managers than owner/tenants. Alternatively the application of analytical tools informs and enables the creation, definition and development of a clear mission/vision. Very likely they are mutually reinforcing.

Analysis of the awareness and use of tools by reasons for farming showed some weak associations suggesting that those with family-oriented reasons for farming (tradition, inheritance) were less likely to show awareness and use of the more popular tools, whilst those with financial-oriented reasons (financial reward, profitability through excellence) were more likely to have used or be using tools such as SWOT, benchmarking and production management tools.

Table 4 shows the influence on the business perceived to be exerted by the components of the PESTEL tool. Most farmers felt the influence of political and environmental factors but a substantial number failed to take much account of the end consumer in the food chain. One in ten never considered social and consumer trends.

Table 3: Awareness and use of strategic tools; association of strategic tool use with presence of mission/vision

	Awareness and use of strategic tools			Summary of chi-squared test results: association between strategic tool use and presence of mission / vision			
	(a) Heard of it	(b) Never Used /Not Useful	(c) Used/Useful	Presence of mission	Presence of vision	Presence of both mission and vision	Presence of at least one written mission / vision document
N=144							
Benchmarking	88%	30%	58%	+	**	***	***
Production management tools (Activity maps, flow charts etc.)	76%	53%	24%	***	**	***	***
SWOT	76%	28%	48%	***	**	***	***
Scenario Planning	51%	33%	19%	*	**	+	**
SMART	41%	31%	10%		+		**
Balanced Scorecard	32%	26%	6%		+		***
SSWOFT	28%	23%	6%	+	+	+	***
PESTEL	24%	19%	4%				
Five forces framework	21%	19%	1%				

Key to result of chi-squared test: *** Significant at 1% level ** Significant at 5% level * Significant at 10% level
 + Showed signs of association but user numbers/ tabular variation insufficient to be statistically significant

Table 4: Respondents opinion of the extent to which PESTEL factors were felt to affect their business decisions; weighted mean and percentage who felt influence (influence+strong influence)

	Weighted mean score*	Percentage of respondents who were influenced moderately or strongly by this factor in their decisions
Political eg taxation, CAP	2.1	76%
Economic , eg Interest Rates	1.9	65%
Social eg lifestyle changes, consumer demands	1.6	56%
Technological eg information technology	1.8	68%
Environmental eg environmental protection laws	2.1	79%
Legal eg employment law, health & safety	1.7	62%

* Respondents weighted according to categorical response: strong influence=3, influence=2, small influence=1, not considered=0.

Do Farmers Adopt a Strategic Planning Approach to the Management of their Buisnesses?

Despite the fact that PESTEL and the Five Forces Framework are at the bottom of Table 3 in terms of awareness and use it seems that many farmers undertake some analysis of their external environment albeit in an informal and unstructured way.

Table 5: Sources of benchmarking information

	Once a week	Once a month	Once a year	Very Rarely	Never	No reply
Nix Agricultural Notebook	-	18%	24%	27%	26%	4%
ABC Agricultural Book of Costings	-	13%	19%	15%	47%	6%
Regional Farm Data Survey	-	5%	25%	29%	33%	8%
Professional Benchmarking (eg S&P, Savills, Grant Thornton)	-	7%	17%	19%	27%	30%
Farmers Weekly	40%	17%	8%	17%	12%	6%
TAG (The Arable Group)	5%	14%	13%	18%	34%	16%
Market Reports	45%	33%	4%	9%	4%	5%

The methods of benchmarking and the frequency of use were also investigated. Table 5 shows that the main methods of ‘benchmarking’ were market reports and a review of information published in the Farmers’ Weekly. Whilst such sources provide an opportunity to assess whether sales were made at an optimal time of year, or to compare a specific price received with the average price achieved in the week of sale, comparisons of this kind are unlikely to yield much *evidence of how best practice can be achieved*, which is the purpose of genuine benchmarking. The activity reported by respondents suggests that on the majority of farms only a very small number of KPIs are employed and few farmers participate in regular professional benchmarking activities.

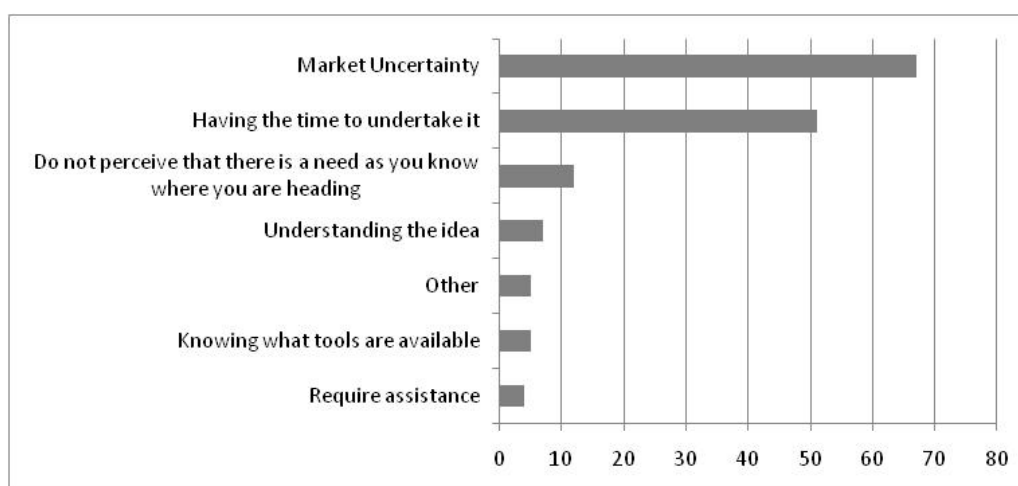
5.3 Barriers to the uptake of strategic planning

Figure 7 shows farmers’ perceived barriers to the uptake of strategic planning. They perceive two principal reasons for not undertaking planning activities, namely time constraint and market uncertainty. Despite the evidence suggesting a lack of awareness of the practical tools available to assist strategic planning this lack of knowledge was not perceived to be the most serious barrier.

The mean worked week was 50 hours with a mean ratio of 15:35 hours between office and field, though the ranges of these values were 0-60 for office time and 0-112 hours for field time and the median indicated that the most common ratio was 10:40. Thus a typical farmer spends only 20% of his or her time in the office, with 80% spent in the field, though this may vary seasonally. Arable farmers spent significantly ($p=0.006$; ANOVA, post-hoc SNK) more time in the office compared with mixed and livestock farmers,

whilst livestock farmers spent significantly ($p=0.024$; ANOVA, post-hoc SNK) less time in undertaking planning in contrast to mixed and arable farmers.

Figure 7: When planning, what do you find is the hardest issue in undertaking it for the farm business?



There is a positive correlation between time spent in the office and time spent planning ($p<0.01$; Pearson's correlation). The mean time spent planning was 4 hours though the median was only 2 hours. As with other uses of time, there was considerable variation with a range of 0 to 20 hours and an interquartile range of 1-5 hours. Where less than 5 hours/week was spent in the office, less than 20% of this was spent on planning. The fact that the mean is considerably higher than the median indicates a small, but important subset of farmers who clearly *make time* to spend planning (5 farmers spent 15-20 hours per week planning), despite a larger but equally important subset who spent no time planning (19 farmers (13%)).

One potential method of overcoming the barriers to planning is to “buy in” the expertise specialists with other areas of expertise. Table 6 shows that production specialists are greatly favoured over others and that despite being third in the table, the end user/consumer is very rarely or never consulted by over one third of the respondents.

5.4 What are the timescales of change in the pattern of strategic development?

The introduction to this paper showed that reforms to the EU CAP are likely to present increasingly significant challenges to profitable farming over the next five years. Figure 8 shows the distribution of the results in relation to attitudes towards the timing of change in the business. What is clear here is that, whilst there is significant agreement that changes will occur during the next five years, many intended to wait for the results of the CAP healthcheck to be announced before doing anything, and 37% have no opinion on their

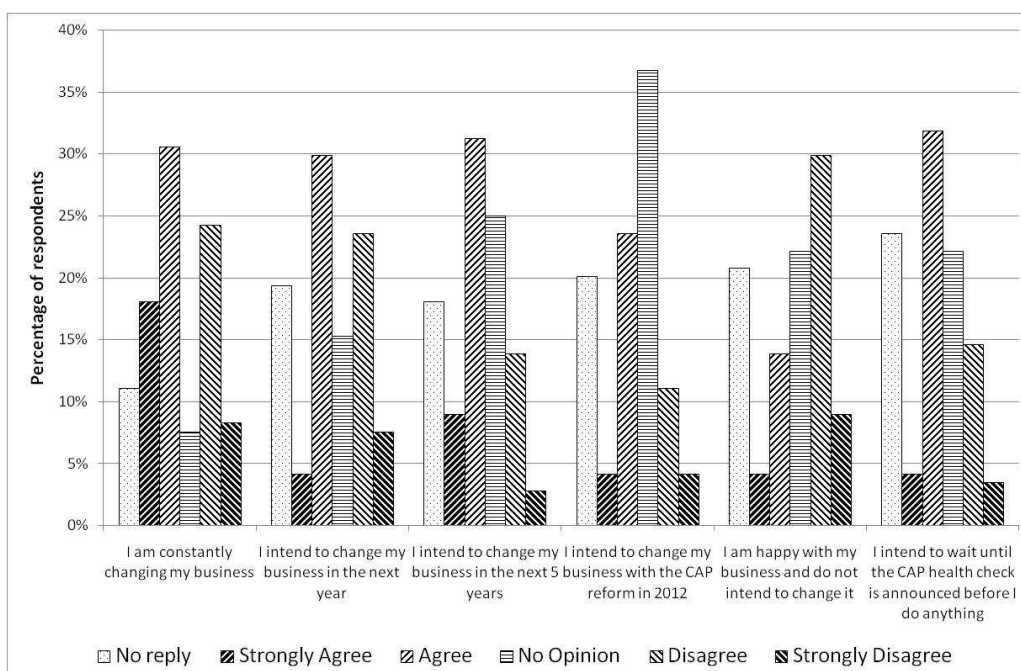
Do Farmers Adopt a Strategic Planning Approach to the Management of their Businesses?

Table 6: Frequency of use of consultants

	Once a week	Once a month	Once a year	Very rarely	Never	Once a week	Once a month	Once a year	V Ra
Agonomist	27.8%	44.4%	6.9%	4.9%	16.0%	27.8%	44.4%	6.9%	4.
Accountant	2.1%	30.6%	56.3%	4.9%	7.7%	2.1%	30.6%	56.3%	5.
The end user/customer	6.3%	27.1%	23.6%	20.1%	15.3%	6.3%	27.1%	23.6%	20
Other specialist farmers	3.5%	16.7%	17.4%	33.3%	16.7%	3.5%	16.7%	17.4%	33
Farming social networks	2.1%	13.9%	8.3%	25.7%	37.5%	2.1%	13.9%	8.3%	25
Land agent	0.7%	13.9%	16.7%	36.8%	44.9%	0.7%	13.9%	16.7%	36
Farm business consultant	0.7%	12.5%	24.3%	23.6%	27.1%	0.7%	12.5%	24.3%	23
Farm business adviser	1.4%	9.7%	25.0%	27.1%	28.5%	1.4%	9.7%	25.0%	27
Business link	0.7%	0.7%	9.7%	29.2%	47.9%	0.7%	0.7%	9.7%	29

attitude to changing their business in 2012 at the end of the SPS transition period. Almost half, however, agreed or strongly agreed that they were constantly changing their business and only 18% were happy with their business and did not intend to change it.

Figure 8: Attitudes to changing business direction



It is typical of such groups of statements to show a significant association between them in which systematic positive (or negative) correlations are observed, such that agreement with one statement is strongly associated with agreement (or disagreement) with others. Table 7 shows a summary of crosstabulation results, which confirms a strong systematic association between the scale points recorded when most variables are paired with another. There is, as we might expect, a negative association between intentions to embrace change and intentions to avoid change. This is reversed, however, in relation to the announcement of the CAP health check, which apparently opens the possibility of change even to those who wish to avoid it. Conversely those who embrace change disagree that they will wait for the CAP healthcheck.

Table 7: Summary of Goodman and Kruskal's Gamma test results on crosstabulations; [approximate significance value in square brackets below]

Attitude to change	Change in the next year	Change in the next 5 years	Wait for CAP healthcheck	Change with re-form 2012	No change
Constantly changing	0.768 [0.000**]	0.449 [0.000**]	-0.330 [0.020*]	0.411 [0.003**]	-0.501 [0.000**]
Change in the next year		0.739 [0.000**]	-0.267 [0.036*]	0.484 [0.000**]	-0.631 [0.000**]
Change in the next 5 years			-0.363 [0.007**]	0.526 [0.000**]	-0.700 [0.000**]
Wait for CAP health-check				0.035 [0.815]	0.324 [0.021*]
Change with reform 2012					-0.507 [0.000**]

Note: Gamma test was calculated (using SPSS) on the crosstabulations of the relevant paired variables.

** significant at the 1% level, * significant at the 5% level

The data from these questions was used to construct a single variable which broadly categorised farmers into four groups; (1) those who disagreed or had no opinion that they would change at any time *and* who agreed or had no opinion that they were happy with their business, (2) those who agreed that they were always changing, (3) those who agreed they would be changing in the next year, and (4) the remainder who agreed they might make some changes some time but neither constantly, nor in the next year (summarised in Figure 9).

Figure 10 shows the significant ($p < 0.01$; Chi-squared) association between these groups and the presence of a mission statement. It is clear that there is a strong association between a mission and a determination not to change. Those who intend to “wait and see” are those most likely to have no mission. There is a similar (but weaker) relationship between the four groups and presence of a vision, but there was no association with having a *written* mission or vision.

Figure 9: Attitude to change

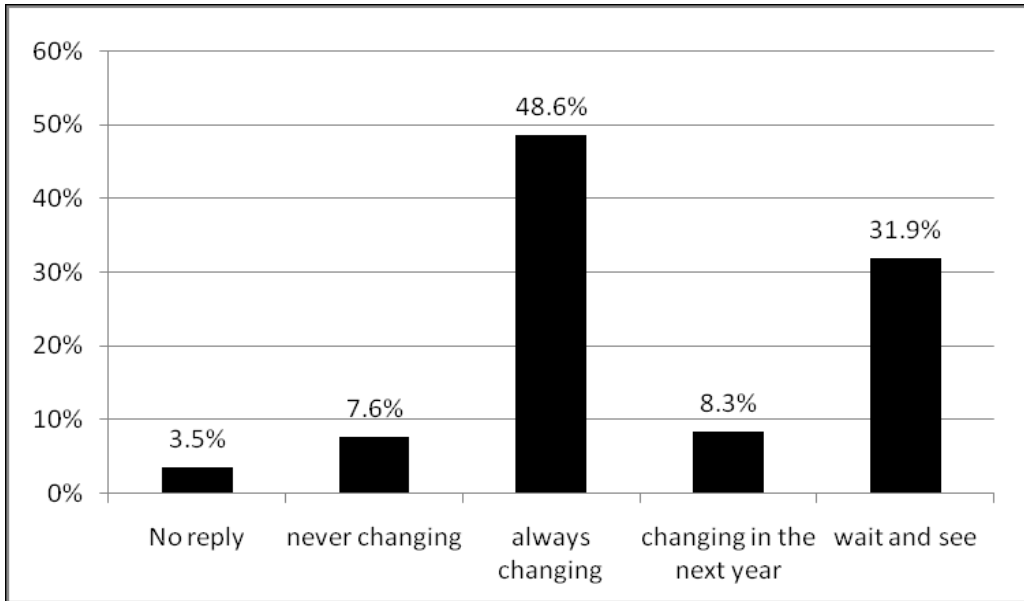


Figure 10: Attitude to change by presence of mission statement



6.0 Discussion, conclusions and recommendations

Over one third of farmers had no clear mission or vision that form the basis of any coherent strategic plan. The lack of a plan has been associated with reduced economic performance (Miller, 2001; Woodend, 2009). The analysis in this study shows that farmers with a clear mission and/or vision make greater use of strategic planning tools. There is, however, insufficient data to say whether these farmers are rewarded with better performance.

Good strategic planning requires, however, that farmers look not only at

their own performance and practice but at their competitors' performance with a view to improving their business processes. The evidence suggests that, whilst popular, what farmers think of as "benchmarking" is often little more than the comparative analysis of a small number of market indicators (predominantly focussed on prices achieved) which do not have, as a primary concern, a focus on identifying and applying best practice. Best practice can only be attained through seeking to identify what competitors with better "benchmark" positions have done to improve. Indeed even the better quality commercial benchmarking services may need to make more efforts to collect the right data to avoid some of the pitfalls identified by Franks (2009).

This study shows that farmers perceive market uncertainty as the most important barrier to strategic planning and yet, for almost half the respondents, consumer trends did not have even a moderate effect on their decision-making and over one third of respondents rarely or never consulted the end user/consumer of their produce. But it is only awareness of the "dynamic environment of competition" (Nell and Napier, 2006), combined perhaps with techniques such as scenario planning, which will make any impact on their perception of market uncertainty. Even those who have a clear strategy can fail as a result of "unanticipated market changes" (Sterling, 2003) and they are far more likely to be unanticipated if farmers prefer to look only inward. It is clear that, whilst the problems of market uncertainty have been reported before (Inderhees and Theuvsen, 2006), those without any clear direction may dissipate their opportunities by deferring decisions, engaging in a 'wait and see' rather than a 'go and find out' approach to planning. Failure to engage in information searches and a lack of contingency planning are common pathologies resulting from decision dilemmas in the strategic domain (Wright *et al.*, 2004). Whilst the nature of future changes associated with the ongoing reforms of the Common Agricultural Policy may be unclear, the most successful farm businesses are unlikely to make changes to their business contingent on EU, UK parliament or DEFRA decisions; and very likely will not consider government policy to be a factor important to their success (Duffy and Nanhon, 2002). But for this to be the case farmers will need to see social and consumer trends as being at least as important as the regulatory framework.

Another key barrier to strategic management was lack of time, which was also identified as the single most important resource limitation by the Ontario farmers in Harling and Quail's study (1990). This suggests that if they cannot make time for themselves that they 'buy in' someone else to provide time or skills which are deficient in the business. This may also go some way to reducing "market uncertainty" where advice or research is targeted toward specific needs. Most respondents made little use of economic advisers, preferring mainly the techno-scientific advice of the agronomist. Useful though such knowledge is, it is no substitute for good business management skills. A wide range of professionals in the land-based industries and food supply chain may be able to assist with skills and information, but if farmers do not believe that this advice is trustworthy or valuable (Garforth and Rehman, 2006) they are unlikely to take action to purchase this knowledge. If

they prefer to rely on their own judgment (Garforth and Rehman, 2006) they may find that more time spent in the office might have better payoffs than time spent in the field.

If time spent planning their strategy is to be useful, there would likely be benefits for farmers from improving their awareness, understanding and ability to apply strategy tools. Those who have attended college or university may have come across some of these tools but over 50% of UK farmers with low economic performance have no further or higher education and 65% of these farmers were unable to identify any skills gaps (Woodend, 2009). Despite this study's survey respondents being better educated than those of Woodend, they nevertheless showed relatively low awareness of many popular strategy tools. The brief assessment of the content of farm management texts suggests that academia may need to bring more strategy techniques to the attention of land-based students. McElwee (2007) presents views of farming which highlight farmers' reluctance to learn new skills and the cushioning effect of "the subsidy culture". Clearly more needs to be done to assess the usefulness of these techniques if uptake amongst the agricultural community is to be encouraged. The research undertaken in other industries appears to indicate that using strategy tools and more sophisticated planning has a positive effect on financial performance. It would therefore be valuable for more farm management academics to undertake research to assess whether a similar effect is apparent in farming, as such evidence may be instrumental in improving uptake of short courses in strategic management and planning (or else determining that such short courses would provide no benefits to agricultural businesses).

Every farm is unique. Therefore diversity in farm strategies is important to enable farms to remain competitive. Almost half of the respondents said they were always changing. It is unclear whether these changes are the result of attention to detail to ensure the farm remains on course or the result of reactive or whimsical short-termism. Similarly, whilst those in the third of respondents who had a "wait and see" stance may be doing so because they are under-informed and risk averse, it may also be that they already have a strong strategy which is not reliant on government subsidy. Many farmers no doubt already have a thorough understanding of their capabilities and are *prepared* for unexpected opportunities or threats (both within and outside the business) but those who are not in this position may be in danger of squandering what resources they have available.

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