



## LONG-RANGE PLANNING

“Long-range planning”; three simple terms which all management consultants keep neatly tucked in their tool kits.

Unfortunately it has, in my opinion, become the most misused tool in the trade. For example, consider this illustration:

Company A, an established producer and marketer of amphibian aircraft, had been riding a flat sales curve for several years. The company had tried every conceivable internal adjustment in an attempt to give its sales a boost. Finally, in desperation, a consulting firm was contacted. After several months of investigations, the consultants found nothing out of line and concluded, amongst themselves, that the firm was suffering from a static market for their product. However, the consultants believed that something more substantial would have to be reported to the firm’s management. From their tool kits they withdrew the terms “long-range planning” (L.R.P.). Management was told that their dilemma was the result of their failure to develop a long-range plan. Management was not quite sure what L.R.P. meant, but were unwilling to admit their lack of knowledge on the topic. As a result, the firm accepted the consultant’s report and was left with a large consulting fee and a satisfied conscience. Soon management personnel began to ask one another what L.R.P. really was

and how it worked. It was not long before the firm realized that they had accepted L.R.P. as the solution to their ills, but knew nothing about the solution or how to initiate it. Presumably they would now have to rehire the consultants to explain how a long-range plan could be developed.

While the example noted above is overstated, it does illustrate how important it is for managers to understand L.R.P. First, had the firm’s management understood L.R.P., they would have been less likely to accept it as a pseudo-solution. Second, even if L.R.P. were the real solution, there would have been no delay in its initiation.

It is because no business today can afford the luxury of running blind into the future that the modern agribusiness manager needs to understand long-range planning; when and how to use it. This paper attempts to provide this understanding.

### What is L.R.P.?

Where is your business firm going? Where should your firm be going? How is your firm going to get there? Answering these questions is L.R.P. pure and simple?

Many agribusiness firms extrapolate historical sales and other operating data and believe they’re planning. They’re not; they’re forecasting and this is only a part of L.R.P. Other agribusiness firms prepare a budget and think they’re planning. They’re

not; for while a plan will include a budget, budgeting is not planning. Still other firms make preparations for the following year and think they're planning. Perhaps they are, but it is certainly not "long-range" in nature.

What is L.R.P. then? It is a comprehensive, coordinated mobilization of relevant data about a business firm, its economic environment (past, present, future) and its organization for the purpose of attaining specific goals. How long into the future must you plan? L.R.P. probably requires a longer time span than you normally consider. A commonly used period is five years. However, the right planning period for any business is the normal "life cycle" of the industry, i.e., the period during which major policy decisions or technological changes will have their greatest impact.

L.R.P. is composed of five crucial elements. While each element contains several specific characteristics, in practice, the activities associated with one element may overlap those of another. Each element is described below.

### **Element I -- Orientation**

Long-range planning must result in something more than mere words on paper. It must contain enough influence to significantly affect organizational behavior. Just appointing a long-range planner and turning him loose on your firm will not work. It will not work because planners are, by vocation, a rather nosy lot. They have an uncontrollable desire to assemble great volumes of data -- much of which is difficult to obtain without arousing the suspicions of management personnel who jealously guard their positions.

Accordingly, there are two prerequisites to successful L.R.P. First, top management

(and directors, if they exist) must endorse the need for and implementation of L.R.P. Secondly, lower level management personnel must have a clear understanding of the purpose for L.R.P. and have enthusiasm for it. Key persons within the organization, regardless of the title they hold, should actively participate in the planning process. Their participation is likely to assure the skeptics of the importance of L.R.P.

Once the benefits of L.R.P. have become realities, and management personnel have learned to work comfortably within the planning framework, the need for continued endorsement of L.R.P. efforts will diminish, somewhat. In brief, the orientation element is concerned with overcoming difficulties in getting management personnel to understand that L.R.P. is one of their most important jobs.

### **Element II -- Position Analysis**

Before one can intelligently determine where he is going, he must first determine where he is and where he has come from. The process of such a determination by a business firm is called "position analysis." An integral part of this activity is concerned with such questions as, "Where are we, how did we get here, and what mistakes did we make?" One must also consider those environmental changes which may have an impact on a manager's decision-making criteria for the future.

During a position analysis, a firm's self-image is identified, i.e., how it views its purpose and place in the overall economic community; its major opportunities and larger problems are delineated. The services of an outside consultant are often important at this time because he is often able to look at a firm from a broader viewpoint and more objectively evaluate past business failures.

He doesn't have an insider's preconceptions regarding what and who is important to the firm. He may be able to point out good opportunities which had previously been downgraded because the corporate pecking order had low-rated the source. Position analysis, therefore, begins when a business firm stops for a moment to look at itself in a mirror and discusses what it sees. Again, management sometimes sees what it wants, while a consultant is more likely to see things as they really are. In the second stage, the firm merely turns away from the mirror and looks out the window. While looking out the window, the firm views its markets, its competitors, and the industry's technological base. What is happening in these areas and how is it likely to affect your firm?

A final step in position analysis involves the specification of firm purposes and objectives. How many opportunities do you wish to pursue, and how much risk are you prepared to assume? In answering these questions, you must specify your firm's purpose and list its objectives; not only for tomorrow or next year, but for several years in the future.

### **Element III -- Procedure Determination**

By now you have determined what your firm is doing and what the environment and firm characteristics dictate it should be doing. Now what is going to be done about it? How can you achieve your objectives?

In some cases, procedures may be determined through formal ratification of a course of action already mapped out by your position analysis. If possible, attempt to view your business from a functional rather than a product orientation. This will tend to make available a wider range of procedures from which to choose. For example, many agribusiness warehouse managers in north

central Washington think of their firms as being engaged in the "apple business." The more broadminded manager will refer to his interest in the "fruit business." Alternative procedures for L.R.P. in the apple or fruit industries are somewhat restricted by product characteristics. If, however, these managers were to view their firm as a part of the food packaging and storage business, future alternative procedures could be selected from a much wider assortment. After all, given only a moderate degree of locational flexibility, a food packaging and storage firm need not restrict its interest to the apple and/or fruit industry.

Your choice of available procedures tests not only your creativity and ingenuity, but judgment and nerve. How much debt are you willing to assume in order to establish an expansion procedure for your firm? Or on the other hand, what portion of the market are you prepared to lose to your competitors as a result of selecting a L.R.P. procedure which minimizes debt load and advertising expenditures? Regardless, the choice of procedures is up to you -- this is the major decision element in L.R.P.

### **Element IV -- Implementation**

How and when do you achieve your firm's objectives? How, depends on what your objectives are and which procedure has been selected in an attempt to reach them. When the objectives will be achieved is dependent upon the time that the procedures were implemented.

All projects need both a "begin date" and an "end date." Many L.R.P. programs are never completed on schedule simply because management didn't know when to implement the procedure. Implementation is perhaps one of the most difficult portions of L.R.P. to get general agreement on. Why? Simply because implementation requires

that management commit itself to specific performance goals and objectives. Up to the point of implementation, management personnel need render only “lip service” to L.R.P. At the time planning procedures are implemented, however, the manager is forced to officially endorse L.R.P. and actively engage himself in increasing its probability of success.

### **Element V -- Feedback**

L.R.P. will not eliminate risk and uncertainty from your business. However, it is the best way of selecting the better risks with the least uncertainty. It is inevitable, therefore, that actual results will deviate somewhat from those which were planned for. The longer the time interval between noticing such deviations and the taking of corrective action, the greater these deviations are likely to become.

Planning operates like a finely balanced wheel. Unless minor deviations are quickly corrected, oscillations soon grow to uncontrollable proportions. If major deviations from the plan do occur and the feedback fails to initiate a realignment of operations, it is not long before personnel lose confidence both in the plan itself, and in the whole concept of L.R.P. Anticipate in advance that some deviations from the plan will occur. Be receptive and responsive to unfavorable feedback. Make an immediate and determined effort to correct the deviation and assure those persons affected by the plan that all is under control.

### **The Pitfalls**

At the very time many companies are depending most heavily on L.R.P. and devoting the greatest effort to it, they slip into a pitfall and discover that the firm has suffered irreparable harm. Before concluding this paper, let's look more

closely at the pitfalls of L.R.P. in the hope that you will be better able to avoid them.

As was noted early in this paper, forecasting is a part of L.R.P. Our first pitfall is reached when, instead of representing estimates of expected or desired future states, the forecasts incorporated into the long-range plan are only mechanical extrapolations of trend.

There are two basic causes for this pitfall, both of which evolve from apparent misconceptions about the purpose and nature of forecasts. The basic reason for making forecasts is to estimate as accurately as possible the expected outcome of a number of controllable and uncontrollable actions. Nevertheless, the major cause of poor forecasts is the belief by many forecasters that their projections must represent what managers want to see, rather than what they are likely to see.

A second form of poor forecasting is more common. A change which seems quite certain (i.e., one which the firm is actively seeking) is sometimes ignored in the preparation of forecasts. The usual reason given for this exclusion is, “It is too hard to predict the specific impact of this change.” The problem is that the forecaster fails to realize that “predictions” are seldom possible and that the major use of a forecast is to provide a better guess with regard to the future so alternative plans can be developed.

If forecasts receive too little attention in L.R.P., then budgeting often receives too much. Hence the second major pitfall planners must avoid is the failure to establish limits on a budgeter's influence over the planning process. Budgeters are often a well-meaning, but overenthusiastic lot. If permitted, they may dominate the

planning process. The primary function of the budgeter is the translation of the plan into financial terms. An attempt must be made to reduce the possibility of budgeters declaring what portion of the plan is or is not financially feasible. Their background is generally too narrow to permit such a judgment.

L.R.P. puts a great premium on the conceptual skills of planning personnel. Diagrammatically speaking, a firm's long-range plan might appear as vast cobwebs of short and long-term managerial decisions regarding marketing, finance, production, public relations, etc. How many people have the inherent ability to conceptualize such a complex arrangement? More pointedly, how many people in your firm have been hired and promoted with this particular ability in mind? Many men charged with L.R.P. responsibilities do not possess this ability or, if they do, lack the time or incentive to use it. To avoid this pitfall, people hired to perform planning activities should possess the skills and abilities necessary to analyze the problems associated with moving an agribusiness firm from the expected into the desired future state. They must have the capacity to develop a series of conceptual planning and decision steps designed to achieve the firm's objectives. Finally, they should have the ability to develop alternative program plans to deal with contingencies should they arise.

### Summary

Long-range planning is not a new activity. In fact, farsighted business managers have devoted their time and energy to it for at least the last half century. The increased size and complexity of agricultural businesses has caused L.R.P. to become vitally important to agribusiness managers in recent years. Unfortunately, many agribusiness managers understand very little

about L.R.P. -- so little, in fact, that they are sometimes mistakenly led to believe that planning may or may not be the ultimate solution to their business problems.

To succeed, long-range planning must generate conviction and enthusiasm by those doing the planning, by all those in management positions and especially by top management, itself. A good planner, therefore, is a combination technician, diplomat, Boy Scout troop leader and group therapist. To a large extent, your success at planning your firm's future will depend on your adroitness at enlisting the support of all employees and management personnel.

This paper discusses the five major elements of long-range planning: a) Orientation, b) Position Analysis, c) Procedure Determination, d) Implementation, and e) Feedback. Finally the problems and pitfalls associated with L.R.P. are described so that agribusiness managers might avoid them and/or minimize their impact on their firms.

Long-range planning is neither a spare time nor a once-over-lightly management activity. It must be accorded the same priority and dedication given your normal day-to-day endeavors. Finally, planning is not a piecemeal activity; it must be carried forward, reviewed, and updated continually.



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