STRATEGIC MANAGEMENT FOR AGribusiness

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Abstract. EU is trying to create comparative advantage, economical and social benefits, security and safety, sustainability in agriculture in the members’ countries. The aims of EU for agricultural and livestock production are directly related with applying principle of Agribusiness Management, Marketing, and Finance to agriculture related sectors.

The object of this study can be explained as clarifying the environment of Agribusiness, applying principle of Strategic Management to Agribusiness. New Method for Strategic Management was used as method of the study. The materials were collected from literature and some official report which published by Ministry of Agriculture and Rural Affair, State Planning Organization, State Statistical Institution in Turkey.

As outputs of the study, environmental pollution, foreigner investment, collaboration rise, dependency on foreigner production, and waste of resources were estimated for the future of agribusiness in Turkey. To minimize negative effects of globalization in agribusiness, creating 4 E rules (Environment, Economy, Education, and Ethic) were suggested for agribusiness.

INTRODUCTION

As it seems in most European Union (EU) countries, farm enterprises have been producing agricultural products for their family need rather than for trading in the past. In this case principle of Agribusiness Management, Marketing, and Finance were not applied in agricultural business. In last decade, globalization has been pushing farmers into producing for trade; especially EU commission is concern on Comparative Advantages in agriculture within EU members as it accepted in World Trade Organization.

Globalization is pushing Agribusiness into commercial production almost in every country, so the need of applying princes of agribusiness management, marketing, and finance is increasing day to day. Currently, every country is trying to estimate the effect of globalization on their agriculture and to manage it. Sometimes agriculture, agro-industries, food markets, and restaurant discussed separately even though all of them very closed related each other. Agribusiness covers farms, agro-industries, food markets, and restaurant. For European countries, being members of European Union (EU) is the most important indicator of globalization. In this case, the impact of globalization can be estimated by strategic management.

The object of this study was clarifying the environment of Agribusiness, applying principle of Strategic Management to Agribusiness.
MATERIAL AND METHOD

Material of the study was collected from literature and official statistic for recent years. Also, some official report which published by Ministry of Agriculture and Rural Affair, State Planning Organization, and State Statistical Institution in Turkey were used.

Strategic management was chosen as method in the study. Strategic Management involves charting the long term course for the business. The method of strategic management can be classified into two groups such as Fundamental Methods and New Method. SWOT, Ansoff, and Steiner are fundamental model of strategic management. Determination of the business mission, external scanning, internal scanning, evaluation of the strategies, and implementation of the strategies are the steps in fundamental management. For the evaluation of the strategies “return-on-investment”, “competitive strategy valuation, and “risk analysis” are commonly uses methods. The biggest lack of fundamental methods is determination of strategies or mission. The mission of the business is mostly depending on the view of strategist, and mostly it is a gap of fundamental methods.

New method of strategic management is the latest methods for strategic management. For this method, steps in Strategic Management can be explained as follows:

1. Define the mission of the business
2. Formulate the goals for the farm and family
3. Assess the resources available to the business (internal scanning)
4. Survey the world surrounding the business (external scanning)
5. Identify and select appropriate strategies
6. Implement and refine the selected strategies

STRATEGIC MANAGEMENT FOR AGRIBUSINESS IN TURKEY

The steps in strategic management were chosen as follow, since the mission of Agribusiness in Turkey has not clarified yet. First step is scanning of the environment, second is definition of the business mission, third is identify and select appropriate strategies, and last is implement and refine the selected strategies.

1. Scanning of Agribusiness Environment

Scanning of agribusiness environment is cover external and internal environment as it drowned Figure 1: International organization technology, social and culture, economy, law and policy, labor, consumer, competition, supplier, employee, culture, manager, government.

In the external environment, technology (internet, computer, nana technology, biotechnology, food technology, and precision technology) is the most important indicator for agribusiness. Also, economy (the range of development between and within countries, natural resources, income per capita, infrastructure, the ratio of currency, and other economic conditions), social and cultural environment (language, social value of the society, population, and demographic indicators), law and policy (punishment, taxes, tariffs, conjuncture, stability of the government, terrorism, and government supports), and the rule of international organization such as World Trade Organization (WTO), European Union (EU) are the other indicators of agribusiness.
The scanning of agribusiness environment must include the identification of problems for agribusiness. In this case problem analysis can be drowned in order to see the priority of the problem (Figure 2).
Shareholder analysis is the way for identification of the problems reason (Figure 3.)

![Shareholder analysis diagram]

**2. Define of the Mission of Agribusiness**

Some possible mission of agribusiness can be identified as follows:
- Survive, stay in business
- Maximize profits
- Maintain or increase standard of living
- Increase equity
- Maintain stable income
- Pass farm to next generation
- Increase free time
- Increase farm size (“growth”)
- Maintain or improve environmental quality
3. Identify and Select Appropriate Strategies

For chosen appropriate strategy, the following methods can be used:

a) Critical question method
   – What are the long term goals of this business?
   – What should be the nature of our business (enterprises, size, technologies, markets, etc.),
   – How should we organize to accomplish our long term goals?

b) SWOT Analysis


   Alternatives strategies can be identified as WT Strategy (mini-mini), WO Strategy (mini-maxi), ST Strategy (maxi-mini), and SO Strategy.

   Table 1

   SWOT Matrix (Weihrich, 1990)

<table>
<thead>
<tr>
<th>Step</th>
<th>Mission</th>
<th>Organization, operation, finance, marketing (S and W)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Internal environment</td>
<td></td>
</tr>
<tr>
<td></td>
<td>5. Step: Alternatives SO-WO-ST-WT</td>
<td>(S)</td>
</tr>
<tr>
<td></td>
<td>6. Step: Select of strategies</td>
<td>1......</td>
</tr>
<tr>
<td></td>
<td>7. Step: Probabilities</td>
<td>2......</td>
</tr>
<tr>
<td>2.</td>
<td>External environment</td>
<td>(O)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>SO: Maxi-Maxi</td>
</tr>
<tr>
<td>3.</td>
<td>(O and T)</td>
<td>(W)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>WO:Mini-Maxi</td>
</tr>
</tbody>
</table>

Actually, it is possible to reach mission by means of alternatives strategies as follows:

Some businesses have more potential routes for reaching their goals than others because resources are more flexible. As the number of alternative uses for resources increases, so does the complexity of the manager’s decisions.
4. Implement and refine the selected strategies

Manager must formulate action steps to implement the plan also manager must decide which information to collect to evaluate the success or failure of the plan. Strategic management is an ongoing activity.

RESULTS AND DISCUSSIONS

The most important step of strategic management is identifying mission. The mission should be S.M.A.R.T. (Specific, Measurable, Attainable, Rewarding, and Timed).

Strategic environment of agribusiness carry out five key points as technology, processing, government policy, demography, and consumption.

The structure of agribusiness will be change very fast by globalization.

The import of technology will increase so the technology will determine profitability of agribusiness.

The rules of 4 E (Environment, Economics, Ethic, and Education) will be integrated rural development.

BIBLIOGRAPHY