Ten Emerging Management Issues/Areas for the Next Decade

By
Danny Klinefelter

A Farm = A Biologically Based Manufacturing Plant

1. Continuous process improvement
   - Process mapping
   - Standard operating procedures
   - Monitoring and feedback (control) systems
2. Objectives
   - Efficiency improvement
   - Quality control
   - Cost control
   - Traceability
   - Timing and alignment

A Farm = A Biologically Based Manufacturing Plant (continued)

3. Supply chain management
   - Qualified suppliers
   - Performance based selection
4. Activity based accounting
   - The marriage of process engineering and managerial accounting
5. Industry examples
   - TQM, lean manufacturing, balanced scorecarding, Six Sigma, HACCP, ISO

Timing Will Become Increasingly Important

1. The rate of change has, is and will continue to accelerate
   - Often exponentially rather than linearly
   - What was isn't any more and what is won't be for long
2. Entry and exit strategies
   - Markets
   - Pricing
   - Investing – "buy low, sell high"
   - Business activities

Timing Will Become Increasingly Important (continued)

3. The main difference between the top 10% and the rest of the top 25%
   - Days, hours and minutes versus years, months and weeks
4. The growing importance of leading indicators
   - Economic – domestic, global
   - Industry – competitors, buyers, sellers, partners
   - Markets and consumers
   - Politics and society
   - Examples

Total Enterprise Risk Management

1. Total Enterprise Risk Management encompasses:
   - Aligning risk appetite (tolerance and strategy)
   - Enhancing risk response decisions
   - Reducing operational surprises and losses
   - Identifying and managing cross-enterprise risks
   - Providing integrated responses to multiple risks
   - Seizing opportunities
   - Improving deployment of capital and resources

Total Enterprise Risk Management (continued)

2. Scott Lange, Director of Risk Management at Microsoft

   - A lot of decisions made in business are based on some view of a risk-reward trade-off. The problem is many decision-makers overemphasize the reward. It's not until you're up to your neck in alligators, to use the old cliche, that you realize you didn't anticipate something.
   - Commonly, companies overlook how a decision made in one area can increase risk in other areas.
   - Risk management should be a process that analyzes things before you jump in.
   - The role of finance is this: Let's put on paper all the risks we know, and try to quantify them. When possible, let's put a number there - one number, perhaps, or a probability distribution.
   - Risk grids highlight the process nature of risk management. You've got risk management taking place all over the company. The problem is, you've got disconnected processes. You don't see the overlaps and handoffs.
   - At a minimum, each risk could be analyzed in terms of just three possible impacts: a direct loss (expense); a loss of market opportunities (from damage to reputation or a brand or business interruption); or asset devaluation (marking an investment to market, for instance).
   - Most risk management systems are transactional systems and are not optimized for decision support.

Total Enterprise Risk Management (continued)

3. Risk Scorecarding

Dimensions of Risk Scorecard

- Two dimensions:
  - The probability or chance a risk event would occur
  - The consequence on the business if the risk event occurred
- Risk factors are rated on a scale of one to five for the chance and consequence of risk events occurring

Total Enterprise Risk Management (continued)

4. Four risk management strategies
   - Retain
     - The consequence of loss to the firm is low; the firm can absorb loss without adverse consequences, and the risk can be held within the organization
   - Transfer/Share
     - The chance of loss is minimal but the consequence is large; the firm cannot absorb loss without adverse consequences; therefore, the risk should be transferred or shared with others
   - Reduce
     - The chance and consequence of a loss are moderate; the firm needs to decrease either the change and/or consequence of the risk, therefore, decreasing its loss exposure
   - Avoid
     - The chance and consequence of a loss are high; therefore, the firm should take action to avoid the chance and/or consequence of the event occurring

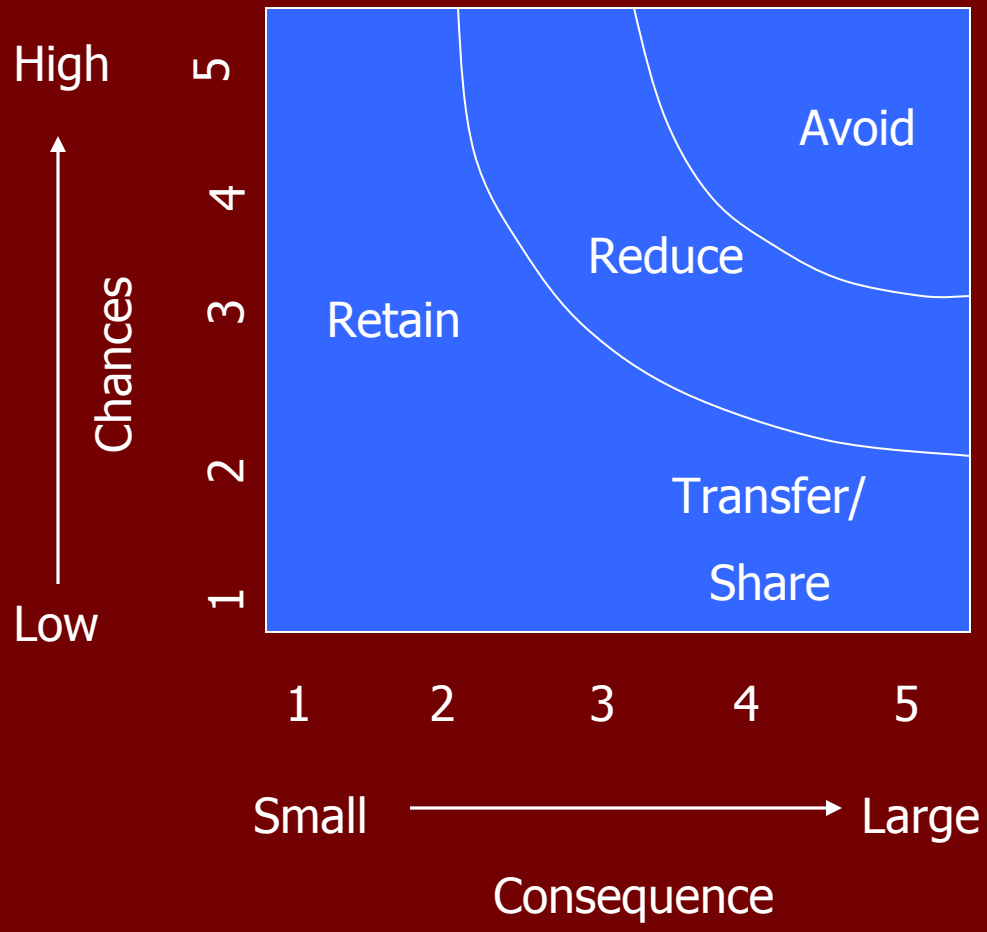
Total Enterprise Risk Management (continued)

Example Risk Scorecard

	Severity	
	Chances	Consequences
Business - Operational		
1. Technology		
2. Relationship		
3. Legal/regulatory		
4. Human		
5. Production (including casualty)		
6. Distribution systems and channels		
Business - Strategic		
7. Strategic position and flexibility		
8. Marketing, reputation and image		
9. Competitive conditions		
10. Governmental trade and farm policy		
Financial		
11. Interest rate		
12. Financial structure		
Market		
13. Input and product prices		
14. Contract terms, delivery and payment		
15. Market outlets and access		

Total Enterprise Risk Management (continued)

Example Risk Management Matrix



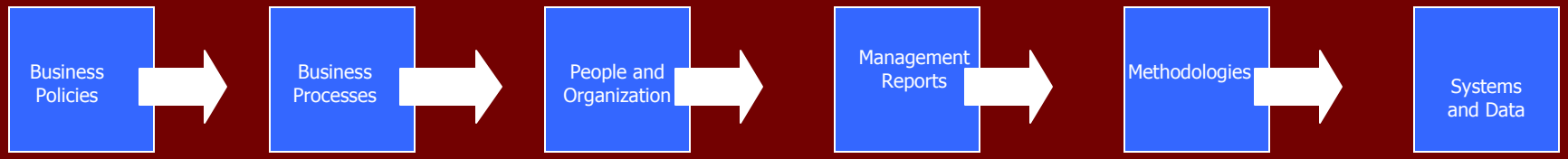
Relationship Management

1. Employee relations
2. Investor relations
3. Community and public relations
4. Government relations
5. External business relationships
6. Internal business relationships
7. PROACTIVE versus REACTIVE

Multi-Site, Multi-Enterprise Management

1. Geographic diversification
   - Domestic and international
2. Delegation
3. Accountability
4. Real-time monitoring and system design
   - Enabling technology
5. Ag and non-ag business combinations
6. Alliances, contractual arrangements, joint ventures and interlocking ownership arrangements

Key Elements of infrastructure must be linked by design:



Risk if element is deficient:

Process does not carry out established policies or achieve intended result

People lack the knowledge and experience to perform process

Reports do not provide information for effective management

Methodologies do not adequately analyze data and information

Information is not available for analysis and reporting

Human Resource Management

1. The right people in the right jobs
2. Attracting/recruiting
3. Selecting – talent and attitude
4. Training and development
5. Incorporating
6. Retaining
7. Compensating
8. Succession

Information Management

1. Acquiring, filtering, validating
   - Networking
   - Peer advisory groups
   - Advisory boards
   - Data warehousing and data mining
2. Objectives
   - Timing
   - Benchmarking
   - Best practices
   - SWOT
   - Environmental scanning
   - Appropriate metrics and indicators
   - Creating a learning organization
3. Pooling and outsourcing

Mergers and Acquisitions

1. Potential growth without leverage, but with a dilution of ownership
2. Avoiding the temptation to pay a premium
   - Particularly during up cycles
   - Back to the timing issue
3. Blending cultures and management systems
4. Look for opportunities to compensate for weaknesses and build on strengths

Asset Management, Acquisition and Capacity Utilization

1. Time share arrangements
2. Pooling
3. Outsourcing
4. Hard versus soft assets
   - Control versus ownership
   - Asset lite
5. Flexibility and agility
6. Term leases
7. Geographic and seasonal diversification
8. 24/7/365

Creativity, Innovation and Re-Invention

1. Peer advisory groups
2. Adoption of ideas from outside agriculture
3. Staffing the right talent set
4. The learning organization mindset
5. Jeff Magee quote