5-2010

Advancing Sustainable Food Systems in Minnesota: Strategic Planning Recommendations for Local Businesses

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ADVANCING SUSTAINABLE FOOD SYSTEMS IN MINNESOTA: STRATEGIC PLANNING RECOMMENDATIONS FOR LOCAL BUSINESSES

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A THESIS SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF ARTS IN ORGANIZATIONAL LEADERSHIP AT
ST. CATHERINE UNIVERSITY
ST. PAUL, MINNESOTA

MAY 1ST, 2010

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Acknowledgements

This thesis is dedicated to my husband, my mother and my father. Without their love, support, kindness and wisdom, this body of work would not be possible. They have each nurtured my learning and growth in unique ways and have helped to make my journey through school one of great joy and accomplishment. To them I am forever grateful.

I would also like to dedicate this thesis to all the eaters, thinkers, farmers, business owners, and the like, who are raising awareness about why our daily food choices are of paramount importance to a sustainable future. These voices are strong and loud. They are creating and advancing a powerful, growing movement that is changing our world. I am hopeful that my research is a contribution to this effort.

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Abstract

The purpose of this study is to identify and understand strategic planning needs of small, local businesses that support sustainable food systems. Market sustainability and profitability are often thought to be in conflict with environmental sustainability. This research affirms that the concepts are in fact co-dependent, not mutually exclusive. In order to achieve competitive differentiation and market sustainability, companies must also recognize their reliance on finite environmental resources and strategically manage them in the long-term. Through interviews with local business owners, professional expertise and an extensive literature review, this thesis uncovers and highlights strategic planning best practices specific to sustainable businesses. The end result of the research is a set of best practice recommendations that can be realistically implemented.

Chapter 1: Introduction

We are what we eat. Eat ethically to live and lead ethically.

During my graduate studies I have advanced my knowledge and skill in business and strategy as well as in, what I term, "the ethics of eating" and the role of leadership in elevating awareness, choices and action. In the spring of 2007 I wrote a research paper focused on the current state of the U.S. industrial food system and the impact this system has on farmers, eaters, animals and the planet. The body of work served as a call to action to seek out new information and get better connected to the food that sustains us. I take great pride in that work and, while I did not know it at the time, it was the fuel that ignited my journey to this thesis research.

I believe that the "ethics of eating" is about broadening our ethical scope to include the food choices we make every day. It is about learning more about our food system and striving to align our food decisions and dollars with our core values and beliefs. I am passionate about this topic, and I am also passionate about strategic planning.

At first blush, sustainability and strategy seem to be disparate topics, but in reality the common denominator is ethics and leadership. The following thesis research merges these two areas in order to re-frame a mammoth, global issue into a local, actionable focus. Two themes in my leadership credo are sustainability and continually striving to align my actions with my ethical beliefs. This thesis builds off those themes and is a way for me to advance and align professional skills within an ethical leadership arena about which I am passionate.

The ultimate purpose of my research was to understand the unique strategic planning needs of sustainable, local businesses and develop a set of best practice recommendations to meet those needs. The original research focused on small businesses that support sustainable food systems. The final recommendations are based on an extensive literature review, my professional expertise and face-to-face interviews with local, sustainable business owners.

Dynamic strategic planning is essential to the long-term success of any organization whether it be a large multi-national corporation or a small, organic deli. In the current economic climate and rapidly evolving business environment, strategic planning is arguably more critical than ever before. Planning can no longer afford to be an infrequent, static exercise that is soon forgotten by day-to-day operations. An enduring and thriving business requires that strategy be a dynamic process that both predicts and responds to the changing environment and allows companies to strategically position themselves for long-term success.

This thesis honors both passions and ultimately strives to advance sustainable businesses' strategy acumen so that they can sustain themselves for decades to come. In order for individuals to make ethical choices, they need to have appropriate businesses to patronize now and in the future, and dynamic strategic planning is a critical means to that end.

Chapter 2: Analysis of Conceptual Context

The goal of my conceptual context is to uncover, align and make connections between themes in best practice strategic planning, small sustainable food businesses, leadership and ethics. To do this, I will tap into two primary sources: existing theory and research, and experiential knowledge (expertise that I bring). It is important early on to define key terminology used throughout this proposal. Feel free to reference the table below as you read through the proposal. It contains terminology and definitions.

Table 1: Terminology and Definitions

Key Term	Definition
Sustainability	Merriam-Webster online dictionary defines sustainability as "relating to, or being a method of harvesting or using a resource so that the resource is not depleted or permanently damaged." (www.merriam-webster.com).
Sustainable business	A business that strives to achieve both market and environmental sustainability (Parnell, 2008). One that takes a balanced view of economic performance, ecological performance and social performance and does not achieve one at the expense of another (Stead & Stead, 2004).
Sustainable food system	There is not a single definition of this phrase. Based on multiple sources and my own ethical beliefs, I will define it in the following way. A food system that: ▪ Practices sustainable growing, harvesting and production methods that are in balance with the earth's natural ecological systems and processes (e.g. avoiding chemically intensive cultivation). ▪ Is focused largely on a local/regional supply of food that is based on seasonal availability (e.g. Minnesotans eating fresh raspberries in July and preserved raspberries in January). ▪ Plans and acts in accordance with ethical beliefs and moral standards pertaining to the humane treatment of workers and animals, respect for the environment and commitment to providing healthy sustainable food to the communities in which they operate.

Strategic planning	Planning that allows an organization to strategically position itself for success by leveraging assets, neutralizing vulnerabilities and taking advantage of opportunities.
Strategic management (dynamic)	A continuous planning process that ensures strategy is linked to all parts of the organization and is dynamic, not static.
Sustainable strategic management (SSM)	An expanded view of strategic management that moves past the traditional (and often narrow) focus on economic performance (e.g. shareholder return, profit, market share growth, etc.). SSM is centered on a holistic view of business and the interrelatedness of a business and the environment in which it operates. Stead & Stead define SSM as: ▪ "Strategic management processes that are economically competitive, socially responsible, and in balance with the cycles of nature" (2004, pg. 6). The concept and frame work of SSM closely aligns with the above definition of sustainable business, with both offering a balanced view of business success.
Local	For the purposes of this research, local refers to Minnesota, Wisconsin, Iowa and the Dakotas (with the majority generally sourced from Minnesota and western Wisconsin).
Small business	The Small Business Administration (SBA) defines a small business as "an individual business having less than 500 employees." (www.sba.gov). The SBA reports that small businesses: ▪ Represent 99.7% of all employer firms. ▪ Employ just over half of all private sector employees. ▪ Pay 44% of total U.S. private payroll. ▪ Have generated 64% of net new jobs over the past 15 years.
Ethics of eating	Aligning ones ethical beliefs with his or her daily food choices. Personal awareness of the food systems that each of us financially support and the impact those food systems have on the earth, farmers, eaters, animals and the environment.

Strategy

The concept of strategy is rooted in war and, in this context, the ultimate goal is to always win. In this definition, strategy is just as applicable in a business environment as it is on the battlefields of war. As far as business is concerned, the goal of executing strategy is to outperform rivals while creating and sustaining unique differentiation (Porter, 1996). In short, strategy is about using your assets, neutralizing your vulnerabilities, taking advantage of opportunities and positioning yourself to succeed.

As Michael Porter suggests, strategy is about being sustainably different: "a company can outperform rivals only if it can establish a difference that it can preserve." (Porter, 1996, p. 62). Unique positions come in many forms including producing a sub-set of services, serving most or all needs of a sub-set of customers, and segmenting customers who access you in different ways, to name a few (Porter, 1996; Robert, 2006). The notion of sustainability comes to play here as well. In preserving a competitive differentiation, the business seeks to sustain itself in the long-term. However, many businesses have focused primarily on market sustainability and ignored the importance of environmental sustainability on long-term success (Stead & Stead, 2004).

Table 2: What is Strategy?

Strategy is…	Strategy is not…
✓ About tradeoffs – deciding what the organization will do, and more importantly, what they will *stop* doing ✓ About uniquely differentiating oneself from the competition – you want people to say "look what they are doing!" ✓ About taking a leap and positioning oneself to succeed in the current environment ✓ Gaining and sustaining competitive advantage ✓ Choosing a different set of activities to deliver a unique mix of values	— About being everything to everyone — About trying to compete on operational effectiveness and efficiency — About buying the latest and greatest technology (whether the technology is first in your market or is a move to keep up with competitors) — Values, mission, vision — Performance improvement (although this may be a component of the implementation plan) — A set of initiatives or implementation plan only

(Porter, 1996; Robert, 2006)

It is important to understand some of the top best practices in the world of strategy. Arguably, these best practices can be applied across industries, within small and large businesses alike, and are critical to the advancement of business success. I used the original research process to understand if these best practices are applicable to small, sustainable businesses. For this study I have highlighted five top best practices: vision casting; strategic management; alignment of finance and key organizational resources; knowledge management; and focused implementation.

Vision Casting

Vision is far bigger than just strategy; vision is a foundational element of leadership (Kouzes & Posner, 2002). Vision is about long-term value creation, not short-term performance. If an organization focuses solely on short-term gains and day-to-day operations, it runs the risk of missing opportunities (Roberts, 2006). More importantly, that type of short-sided view limits an organization's ability to monitor and predict changes in the environment restricting its capacity to proactively and strategically position itself to succeed in the market (Kouzes & Posner, 2002). This shows that vision is a critical component of sustainability.

Vision provides a clear picture of where the organization wants to be in the future. Without that picture of the "end game," it is very difficult to focus limited resources. When an organization lacks the focus a vision creates, initiatives and work can easily become scattered and ineffective. It is challenging to advance an organization if no one knows where it is ultimately headed (Kouzes & Posner, 2002). Without vision, it is nearly impossible for a company to maintain long-term, strategic success.

Strategic planning best practice organizations understand that the concepts of vision and strategy are inseparable (Roberts, 2006). Vision is a picture of what a company wants to become overtime. Roberts describes strategy as a "description of the 'business concept' that the enterprise will deploy to realize that 'picture' or 'vision' of itself in the future." (Roberts, 2006, p. 45-46).

Strategy without clear vision is likened to Christopher Columbus (Roberts, 2006, p. 50):

- When he left, he did not know where he was going.
- When he got there, he did not know where he was.
- When he got back, he could not tell them where he had been.

Strategic Management: ensuring the planning process is linked to all parts of the organization and that it is dynamic, not static

You can have the best processes and tools, but if you do strategic planning sporadically (or not at all), you are missing a main component of best practice. Best practice strategic planning organizations take an ongoing approach to planning and don't just plan at a single point in time (Zuckerman, 2007). The goal of strategic management is to create a more flexible and rigorous planning process (Rothschild, Balaban & Duggal, 2004). This flexibility and rigor makes for a more proactive organization that is able to leverage market opportunities when they emerge and not be left in a reactive situation.

In addition, strategic management is about connecting strategic planning to all parts of the organization (Zuckerman, 2007). There needs to be strong relationships between strategic planning and operations, finance, quality, marketing, etc. Just as planning should not happen in an external vacuum, so should it not internally. Strategic management marries management processes with the strategic planning process and does not see them happening in isolation (Gutierrez, 1998).

Zuckerman (2007, p. 29) describes strategic management like this: "advanced planning organizations have evolved so that they are neither episodic nor merely ongoing, but are interrelated in a continuous manner to operations and finance." What this equates to is continually evolving plans, ongoing and managed implementation, integration throughout key organizational functions, and finally, strategic focus imbedded within daily operations (Zuckerman, 2007). Adopting strategic management as a best practice creates an organization where strategic planning is a key element of how the organization is managed, not a onetime per year task or activity to be completed.

Alignment of finance and key organizational resources needed to achieve strategic goals

Strategy is about trade-offs; making decisions about what the organization will do and what it will stop doing (Porter, 1996). Best practice organizations focus limited resources (human, financial and otherwise) toward the implementation and continuation of strategic work (Zuckerman, 2007). If an organization's focus is on creating competitive advantage through the consistent delivery of the highest quality customer service, but it does not allocate resources to train employees in critical customer service behaviors, what is the point of the strategy? Saying, doing and funding are very different things (Sessions, 1998).

This best practice makes a great deal of common sense, however it is not easy to do. In large, complex organizations, at any given time there are numerous projects and initiatives happening at once. Some of them are overlapping, and some are even conflicting. Not only does this have the potential to waste resources, it can also slow down a company's ability to implement its strategy due to scattered focus (Rothschild, Balaban & Duggal, 2004). In some ways, small businesses have an advantage in this area due to their comparative simplicity (Fry, Stoner & Weinzimmer, 2005).

One way to ensure focus is to align investments with a company's strategy. Alignment can be accomplished through processes and structures that the organization puts in place to ensure that what is funded is clearly linked to one (or multiple) strategic priorities (Rothschild, Balaban & Duggal, 2004). The decision making processes need not be cumbersome, especially for small businesses with slimmer management structures. Without clear vision and strategies, aligning resources with strategic priorities is virtually impossible. It becomes easy to "prove" that any project is aligned to something when the true focus is unclear or unknown.

Without a disciplined approach to align resources to strategic priorities, a company can become easily distracted and diluted (Rothschild, Balaban & Duggal, 2004). This type of discipline, however, also requires a balance with flexibility. As described in the earlier best practices, strategic planning must be dynamic and not static (Zuckerman, 2007). As the operating environment changes, so might the strategic direction. Organizations must strike a balance between the two so that they do not miss out on any emerging opportunities because the budget has already been set or, conversely, not lose focus due to initiative creep.

Knowledge Management

A key element to successful strategic management is an organization's knowledge management capabilities. Knowledge management is about taking multiple data elements (from internal and external sources), analyzing the information within the context of the organization's current state and turning that analysis into knowledge the organization can apply to strategic planning and decision making (Schaefer, 1998). Another way to think of knowledge management is as the "so what?" of the data. We have gathered all this data…so what? What does it mean for the organization? What strategies can we assume our competitors might employ? What (if any) impact does this have on our strategic direction?

There are countless ways to advance knowledge management. Whatever tools and processes an organization puts in place, the bottom line is to develop a system that improves the organization's ability to capture critical data, identify strategic trends and position the organization to be strategically nimble on an ongoing basis (Gutierrez, 1998).

Focused implementation, measureable goals and the drive toward results

In my mind, the key question for this best practice is: "in light of our strategic plan, what should staff do differently tomorrow?" A strategy-focused organization is one in which every employee understands how his or her day-to-day work contributes to the strategy, and ultimately the vision, of the organization (Kaplan and Norton, 1996). Focused implementation, the translation of strategy into tangible action, is one such way to create a strategy-focused organization. A good strategy statement provides direction, but staff still needs to know what exactly needs to be done differently on a day-to-day basis to achieve the strategy.

The translation of strategy into tangible action is critical for the organization to achieve its strategic goals and move toward the vision. In "Closing the Gap Between Strategy and Execution," Donald Sull (2007, p. 31) captures the essence of strategic management, knowledge management and implementation well:

> "Strategy will remain stranded in the executive suites unless teams throughout the organization can effectively translate broad corporate objectives into concrete action by making sense of their local circumstances, making choices on how best to proceed, making things happen on the ground and making revisions in light of recent events."

From a measurement standpoint, one tool to consider is balanced scorecard (BSC). The BSC concept was developed by Robert Kaplan and David Norton (1996), and is a measurement tool that includes both financial and non-financial metrics. The approach uses a variety of measures to help monitor strategy implementation on four fronts: consumer, financial, internal business process, and learning and growth (employee focused) (Zuckerman, 2007). In many ways, BSC aligns with the concept of sustainability. It provides a broad view of organizational progress and success (past narrow focus on financial metrics and short-term gains alone) and offers a way for business leaders to focus the organization on both short-term gains and long-term business sustainability.

By adopting such a holistic view of performance, an organization is better able to stay focused on its strategic priorities and track progress. It seems silly to spend time and resources to develop a strategic plan, but not define how to do the work or measure progress. Measurement is a communication tool as well as a way for companies to "express the intent" of their strategies and show how strategy connects to everyday work (Schaefer, 1998, p. 12). Best practice organizations have a clear understanding of the impact they aim to make with their strategy, what needs to be implemented to make it happen and how they will measure success (Sessions, 1998).

While holistic in many aspects, BSC still falls short from a sustainable strategic management standpoint (this concept will be explored in detail later in this chapter). BSC does a good job of tying in employees, customers and the internal processes needed to be strategically successful. What is missing is a way to measure, trend and ultimately improve in the areas of social justice and environmental sustainability. I would challenge organizations to broaden their scorecard to include measures that represent the interconnectedness and relationship they have with the environment and society.

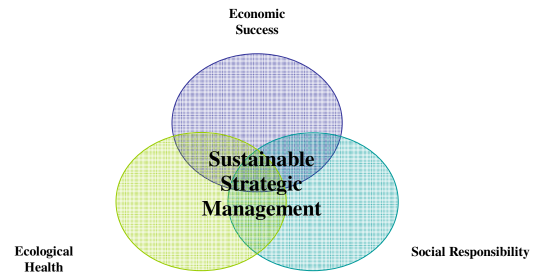
Ensuring the planning process is evolving, flexible and continuously improving

Although this is not included in the top five strategic planning best practices, it is still important to call out. In many ways this is common sense – benchmarking best practice is an ongoing effort. Just as business and strategy do not stand still, neither does the evolution of best practice. No matter what the industry (or profession, for that matter), best practice organizations are always looking for ways to be better and never think of benchmarking as a point in time or as the final answer. While some things may stay relatively constant in the long-term (e.g. mission), just as many may evolve over time. One of Kouzes and Posner's (2002, p. 204) leadership commitments says it well: "search for opportunities by seeking innovative ways to change, grow and improve."

Sustainable Strategic Management

Strategy and sustainability are fundamentally linked to one another. To advance the understanding of this intrinsic relationship, I will now offer an explanation and analysis of sustainable strategic management (SSM). As mentioned above, Stead & Stead (2004) describe SSM as strategic management processes and decisions that are designed to achieve both market and environmental sustainability. Parnell (2008) explains it this way: "SSM refers to the strategies and related processes associated with the continuity of superior performance – broadly defined – from both market and environmental perspectives." (Parnell, 2008, p. 39).

Figure 1: SSM



Stead & Stead, 2004

These two views of sustainability – market and environment – are often thought to be incompatible. The Industrial Revolution, for instance, was a time of extraordinary economic growth. With this growth also came well documented ecological damage including air and water pollution, soil degradation, war, and economic and social injustice to name just a few (Parnell, 2008). This is a prime example of achieving market growth at the expense of and disregard for many other stakeholders.

Critical to SSM is that businesses are "committed to both the needs for a vibrant free market system and the recognition that what is 'best for business' in the short-term is not always desirable for society." (Parnell, 2008, p. 40). In some ways, our traditional economic value chain pits market sustainability and environmental sustainability against one another. Stead & Stead (2004) describe a significant mental shift required for incorporating sustainability as a guiding value of business, profitability and success:

> "Under the economic wealth framework, the following assumptions are considered to define truth: the earth is passive, inert, mechanical, infinitely divisible, and legitimately exploitable…The earth is infinite with an inexhaustible supply of resources…Cost-benefit analysis is the appropriate tool for making decisions about the potential for human suffering and environmental harm." (P. 34).

In many ways, significant adaptive change is needed to move away from these assumptions and define a new truth for business. Heifetz and Linsky (2002) assert that there are two kinds of challenges: technical and adaptive. With technical problems the needed know-how, tools and procedures exist. Adaptive challenges, conversely, require adaptive change. People involved with the adaptive challenges must find new ways (or new truths); the answers do not already exist. They describe adaptive challenges like this: "Without learning new ways – changing attitudes, values, and behaviors – people cannot make the adaptive leap necessary to thrive in the new environment. The sustainability of the change depends on having the people with the problem internalize the change itself" (p. 13).

I believe that the concepts of market sustainability and environmental sustainability are indeed not mutually exclusive, but in fact, co-dependent concepts. Businesses rely on the environment for resources and raw materials. What would Cargill be without farmland and the crops that they produce? What would happen to a furniture manufacturer without forests? Could a jeweler survive without diamonds and the people who mine them? If environmental resources are severely damaged or completely depleted, businesses that depend on them will not be able to survive. SSM has a strong future focus and is concerned with the legacy we leave generations to come. Companies cannot continue to operate under the assumption that there is an unlimited supply of natural resources. To create market sustainability, a company must be acutely aware of its role in environmental sustainability.

Sustainable strategic management links moral and ethical responsibilities into the formulation and implementation of strategy (Stead & Stead, 2000). Just as ethics plays a critical role in SSM, so does leadership. Each of Kouzes' & Posner's (2002) five practices of exemplary leadership (modeling the way, inspiring a shared vision, challenging the process, enabling each other to act, and encouraging the heart) are critical to SSM's success.

The strategies that result from SSM provide competitive advantage by using sustainable practices as a way to cut costs, create differentiation and promote social justice (Stead & Stead, 2000). In many ways, SSM allows companies to define and communicate what they really "stand for" as it relates to their desired financial, environmental, moral and societal outcomes (Parnell, 2008). It is a framework for strategic decision making that calls for businesses to first ask "should" we do it and then ask "can" we do it.

Identifying key stakeholders is a pivotal step in strategic planning. When I begin any strategic planning process, I first have to identify specific people or groups who are impacted by the outcomes of planning. In my experience within a non-profit health care delivery system, stakeholders generally consist of internal customers, management, employees, administrators, senior leadership and the board of directors. External stakeholders play a role as well and include: patients, community groups, customers, insurance companies, and government organizations. In general stakeholders are all of the people who will be impacted by the decisions made in the strategic planning process and subsequent implementation.

The need to identify stakeholders also holds true for SSM. However SSM has a major distinction. In addition to traditional stakeholders, SSM also considers the Earth to be a key stakeholder in all strategic planning work (Stead & Stead, 2004). When businesses recognize the Earth as a legitimate stakeholder, the strategic plan (and overall strategic management system) recognizes and addresses the “interests” of the planet and other key environmental stakeholders (Stead & Stead, 2000).

Referencing Aldo Leopold’s 1949 work regarding land ethic, Stead & Stead discuss earth as a stakeholder in this way: “Only when humans accept that the ‘land’ has ethical rights will nature be elevated from mere property with economic value to an entity with aesthetic value, one to which the human community has an obligation” (2000, p. 316).

Wholeness is a fundamental value of SSM. “Conceptually, wholeness is about interconnectedness, relatedness, balance, mutual causality, and the connections between past, present and future” (Stead & Stead, 2004, pg. 133). Strategic managers that value wholeness and incorporate it into planning and implementation create strategic positions that strike a balance between market success, social responsibility and environmental sustainability. This awareness of wholeness encourages strategic managers and organizations to weigh their strategic decisions on more than just financial performance and market share (Stead & Stead, 2004). Without this value it is nearly impossible to achieve a balance between short-term gains and long-term sustainability (both market and environment).

Environmental sustainability is more than just an ethical value to espouse for the "common good;" a growing consumer base is increasingly demanding it. For U.S. adults, 16% are what advertising firms call "deep greens." These are consumers who will pay a premium for sustainable products (McManus, 2008). Corporations are responding to the trend in a variety of ways including hiring CSOs (chief sustainability officers), changing business processes and heavily marketing the ways in which they claim to be "green" (McManus, 2008). For some companies, these efforts are driven by profit alone (often referred to as "green washing"). For others, however, this is truly a way for them to declare – through actions – what their business stands for. Now, more than ever, sustainability is an increasingly powerful competitive advantage in countless industries.

For businesses to maintain long-term market sustainability they can no longer ignore the role the environment and its finite resources play in their capacity to succeed and be profitable. As public interest and demand increases, can a company, particularly a small business, even maintain competitive advantage without focusing on both market and environmental sustainability?

Sustainable Small Business

Small businesses are foundational to the U.S. economy. According to the Small Business Administration (SBA) website, small businesses employ just over half of private sector employees, pay 44% of total U.S. private payroll, and are responsible for generating 64% of net new jobs over the past 15 years. It is hard to deny the important role that small businesses play in the U.S.

Throughout my research on small business strategic planning, a common theme was present: strategic planning is critical for small businesses and cannot be ignored. They need it to survive. Just as it is for large businesses, small firms need to see strategic management as an ever-present tool for their business and not see planning as a goal in and of itself (Small Business Notes, 2009).

When it comes to small businesses and strategic planning, there are advantages and disadvantages that come with size. As far as advantages, small businesses tend to have less turf battles between internal stakeholders. Large organizations, on the other hand, often have multiple individuals and/or groups vying for limited resources based on (in some instances) biased interests. Another advantage is that it is generally easier to communicate the plan and align staff efforts to its success. Lastly, in comparison to large organizations, small businesses have far fewer "moving parts" to manage (e.g. multiple business units, divisions, product lines, corporate support functions, etc.).

In a recently published study on small business strategy, Armstrong & Drnevich (2009) highlight the following strategic planning advantages for small businesses: a) managers and/or owners have the ability to directly influence the performance of their firm, b) owners are generally personally involved in the vision and operations of the business, and c) small size lends itself to the company being better able to adapt quickly and take advantage of changing market/environmental factors identified through planning.

While in some ways the smallness of a firm is an advantage for strategic planning, it is also a major constraint. Dynamic strategic management describes an ongoing planning approach that is both flexible and rigorous (Rothschild, Balaban & Duggal, 2004). To do this requires focused resources, time away from operations, and funding. When one, or a few, individuals own and operate a small business, time and resources are often very limited. There is no strategy department. There is no one to remind you or hold you accountable to key strategic decisions and the implementation plan. The business owner is fully accountable for planning, implementation, day-to-day operations and the business' overall success (Armstrong & Drnevich, 2009).

Competition is a constant in business, no matter the size of the company. Strategically, small businesses can create and maintain competitive advantage by leveraging their simplicity and flexibility in order to respond to emerging opportunities more quickly than their larger rivals. They are also better positioned to take advantage of niche specialization (whether the niche is in product, service, geography or customer segment) in areas that larger corporations cannot focus and/or address effectively (Armstrong & Drnevich, 2009). Without planning, how can a small business consistently position itself for success in a rapidly changing business environment?

Strategy is about establishing and sustaining competitive differentiation over the long-term. Unlike most small businesses, many of their larger competitors have dedicated strategy resources whose purpose is to create and maintain the company's strategic position. While a small business may not warrant its own strategy department, the owner does put him or herself at a serious disadvantage by not taking on the commitment and responsibility of strategic planning (Fry, Stoner & Weinzimmer, 2005). I read once, "Fortune favors the prepared mind." A small business can benefit from a few lucky decisions for a while, but one would be hard-pressed to believe that successful companies do not use strategy to create and sustain competitive advantage in the long-term.

Specific to planning models and tools, my research did not uncover any major differences between small and large businesses. The books, articles and websites I reviewed all agree that small business' success and long-term sustainability requires planning. The Small Business Administration (SBA) website has a section dedicated to templates and high-level instructions for planning (www.sba.gov). They discussed the major components and stressed the importance of mission, vision, goals and planning in general. "If you don't plan for the success of your business you will likely fail." (http://www.sba.gov/smallbusinessplanner/index.html).

Some of the resources used slightly different terminology or made minor changes to the order of steps and/or components, but overall there was consistency. With large and small businesses, all the same elements apply: articulate mission; understand your operating environment; understand your business (S.W.O.T. analysis, et al.); become intensely familiar with your competition; know your customers intimately; cast vision; craft strategies and establish long-term objectives; communicate the plan and build buy-in from your stakeholders and employees; establish a scorecard, set targets and monitor progress; focus on ongoing implementation (translating strategy into tangible action); and stay nimble so you can respond to environmental changes and competitor moves.

Big or small, ignoring or dismissing the need for strategic planning is dangerous, especially considering the current economic climate. Often strategic planning seems complicated and time consuming, but as Dryburgh explains, it doesn't have to be. "…it simply means understanding what you sell, who you sell it to and why customers come to you rather than someone else." (2009, p.14). While I think the previous quote over simplifies the totality of strategy, I still believe that even a solo business owner can engage in some level of strategic planning (with the right tools, resources and commitment). Planning allows small businesses to save time (i.e. use the vision and strategic plan to make trade-off decisions about what work to do and not do), avoid being blindsided by competitors and focus leadership on the business' "sweet spots" (its unique differentiators) (Dryburgh, 2009).

A subset of small businesses, and the focus of this thesis, is local, sustainable businesses. As mentioned in the definition table, for the purposes of this research sustainable business is defined as one that takes a balanced view of economic performance, ecological performance and social performance and does not achieve one at the expense of another (Stead & Stead, 2004). Sustainable businesses have created a business model, product and/or service that aim to be profitable while simultaneously advancing some aspect(s) of environmental sustainability. An example is an independently owned restaurant that supports local, sustainable food systems by offering a seasonally changing menu (with food that is in season in the area), sourced from local organic farms that embrace sustainable farming practices.

In general, these business owners have built their organizations around their core ethical beliefs. There is often a unique interrelatedness between small businesses and owners. One could argue that sustainably focused businesses are an extension of who the owners are and what they stand for. In many ways, the "business is the owner" and the "owner is the business." They have committed their life's work to not only make a profit, but to do it in a way that aligns with their core beliefs. In other words, their values drive their business. They have adopted sustainability as a central business value (McManus, 2009).

Based on research and experience, I argue that there is a strong relationship between Kouzes' and Posner's (2002) five practices of exemplary leadership and sustainable business owners. As discussed throughout the conceptual context, both sustainable businesses and SSM view sustainability in terms of market and environment. This relatively new concept requires a paradigm shift from the traditional economic framework of production and consumption (Stead & Stead, 2004) to one of wholeness. To take on such a massive, cultural change effort requires exemplary leadership and committed people. Without modeling the way, inspiring a shared vision, challenging the process, enabling others to act and encouraging the heart, a meaningful shift toward sustainability is not possible.

The Ethics of Eating

There are many businesses that meet the definition of small and sustainable. As discussed earlier, I have narrowed the focus to small businesses that support sustainable food systems. These businesses have grasped the concept of the ethics of eating and have incorporated it into their business models in a variety of ways. To better understand the concept of the ethics of eating and its relationship to these specific businesses, let's now take a look at our prevailing industrial food system.

Over the years, large agricultural corporations have taken control over much of our food chain and stifled competition (Kimbrell, 2002). Family farms are disappearing at a frightening rate – the U.S. has lost roughly a third of its farmers since the 1970's (Pollan, 2006). Farmland biodiversity is vanishing too, being filled instead with acres upon acres of just a few crops. These monocultures are intensely cultivated with toxic chemicals and unsustainable practices.

For most Americans, eating is not something they think too hard about. For many, there is little thought or knowledge about where their food comes from and how it affects other people, animals and the environment. We tend to judge our food on cost, convenience, and because it tastes good, not on its global impact. Our society is bombarded with processed foods, packaged neatly in cellophane shrink-wrap; most people, if asked where their food came from, would likely reply, "the grocery store." And rightfully so, seeing how disconnected we are from our food's source.

When most of us think about farmers, we often conjure up images of small, family farms, sustaining small-town America. But that is not the reality; much of the independence disappeared a long time ago. Many farmers no longer own their land, instead they rent from corporations headquartered far away (Pollan, 2006). Most farmers have been driven off the land – the total number of farms in the U.S. has declined from 6.5 million in 1935 to around 2 million in 1997 (Kallen, 2006). Between 1987 and 1992 an average of 32,500 farms were lost every year, about 80% of which were family-run. A mere 50,000 farming operations now account for 75% of U.S. food production (Kimbrell, 2002).

Wealth is increasingly concentrated within a small number of large-scale industrial farming operations, and competition is shrinking. These operations use chemically intense farming practices and genetically modified seeds to produce very large quantities of a few crops year after year, not food you or I could "pick from the field" and eat, but inedible raw materials that are essential in livestock and processed food production. Industrial farming practices allow today's conventional farmers to produce four times more per acre than their grandparents' generation could (Cheney & Ellis, 2006). Unfortunately, the negative impact of this efficiency is taking a huge toll on the planet and all of those who inhabit it.

Economists generally agree that once four companies control 40 percent or more of a market, real competition – what we consumers rely on for fair prices and practices – is ruined. With the 40 percent benchmark in mind, consider that:

- In meat…the four largest beef producers control 84 percent of the market, pork manufacturers control 64 percent, and poultry manufacturers 56 percent.

- In food processing…the four largest companies process 63 percent of flour and 80 percent of soy beans.
- In commercial seeds…four companies – Cargill, Monsanto, Novartis and ADM – control 80 percent of the market.
- In GMO seeds…roughly 90 percent of the market is controlled by one company, Monsanto.
- In pesticides…six companies – BASF, Bayer, Dow, DuPont, Monsanto and Syngenta – control between 75 – 85 percent of the world pesticide market. That's half the number of ten years ago.
- In retail food sales…the top five supermarkets now control almost half of retail sales, almost double what their market share was five years ago. Wal-Mart, which entered the food sales market only fifteen years ago, now collects roughly one out of three of our food dollars (Lappe, 2006).

As new farm policies have been established over the years, federal subsidies are increasingly (and quietly) padding the pockets of ADM, Cargill and food conglomerates like them. The subsidies allow conglomerates to consistently buy commodities at artificially cheap prices, selling them for profit to food companies (conglomerates as well), who in turn process food products that are sold to all of us for huge profits. A startling fact is that nearly half of ADM's annual profit comes from products subsidized by our taxpayer dollars or protected by the U.S. government (Lappe, 2006).

Government subsidies – our tax dollars – play a considerable role in these corporations' quest for profit. For the few, large food corporations that process the majority of grain, "engineer" processed food and "produce" the majority of livestock in the United States, current farm policy has served them well. It has provided a continuous supply of cheap commodities used in a plethora of processed foods with high profit margins. Over production and low crop prices mean huge profit margins for food processors and grain exporters (Pollan, 2006). On the contrary, very little government aid is given to small and/or organic farmers, leaving them at a serious disadvantage.

The earth and animals are suffering right alongside small farming operations and consumers. Consider the following environmental statistics:

- Researchers from the CDC estimate that food-borne pathogens now infect up to 80 million people a year and cause over 9,000 deaths in the U.S. alone (Kimbrell, 2002).
- One billion pounds of toxic pesticides and 12 billion pounds of nitrate chemical fertilizers are being applied to America's farmlands every year, devastating the rural environment. Meanwhile, weeds and pest damage continue to eat up the same proportion of our food crops as they did fifty years ago (Kimbrell, 2002).
- The large-scale use of toxic chemicals in agriculture is causing concern over increased cancer risk. The EPA has already identified 165 pesticides as potentially carcinogenic. Pesticides are left behind on many fruits and vegetables – in 1998 the FDA found residues in over 35% of the food tested (Kimbrell, 2002).
- Fish kills caused by factory farm discharge have become epidemic: in ten states, more than 1,000 documented manure spills wiped out an astounding total of 13 million fish between 1995 and 1998. The EPA estimates that *pfiesteria piscicida,* an organism in manure, has killed more than 2 billion fish in rivers, estuaries and coastal areas in the Chesapeake Bay region of North Carolina, Maryland and Virginia (Kallen, 2006).
- It takes 10 – 20 times more land to feed people meat as it does to feed them grain. It takes 16 pounds of grain and soy to produce just one pound of beef (Kallen, 2006).
- The average American meal travels at least 1,300 miles from farm to table (Pollan, 2006). Based on fossil fuels, the massive global transportation infrastructure is causing catastrophic environmental damage.

The majority of our eggs, milk and meat are produced in concentrated animal feed operations or CAFOs. Animals are packed in as tightly as possible so as to maximize production and minimize cost. An operation can house tens of thousands of animals, even millions, at any given time. Confinement requires less people to tend to the animals and lowers the production cost for agribusiness.

Most animals in CAFOs never see light, touch ground, breath fresh air or get any form or exercise. They are kept in intensive confinement; many in such tight confinement that they are unable to turn around. To illustrate this point, of the 95 million hogs born every year in the U.S., 80% will live their lives confined in crates the size of their bodies (Kallen, 2006).

To combat disease, factory farmed animals are fed a constant diet of antibiotics. Each year, 20 to 30 million pounds of antibiotics are used in agriculture – by volume, about 7-10 times the total antibiotics used in human medicine (Kallen, 2006). The reality is that we eat everything that these animals experience: we eat the food and antibiotics they eat, we eat the hormones they are injected with, we eat how they live and we eat how they die.

Every year around 10 billion animals are killed in U.S. slaughterhouses (Singer, 2006). Working in meat processing plants has the dubious honor of being one of the most dangerous jobs in America. Workers are low wage and dispensable, earning an average of $10 an hour. Due to the speed and nature of the work (slaughtering and butchering), many workers experience debilitating wounds, crippled hands, amputation and in some cases, even death. It is reported that the line moves so fast (strict quotas are enforced), that manure leaks from carcasses and regularly contaminates meat (Kallen, 2006).

Inhumane speed, filth and industrialization have caused massive infectious disease issues. The bulk of non-organic beef, poultry, turkey and pork coming out of America's slaughterhouses and processing plants is riddled with dangerous pathogens including e-coli 0157H, salmonella, campylobachter and listeria. Even the USDA has recommended that all U.S. beef be irradiated and that consumers treat their kitchen surfaces as "bio-hazard" zones to limit contamination (Kallen, 2006).

The goal of industrial farming (whether it be animals or plants) is to produce "final products" as quickly and cheaply as possible. As a consumer, fast and cheap are not the values I want to associate with the food that sustains me. Fast and cheap are not valid arguments against having an ethical obligation to the sentient beings that we raise for food or the planet that sustains life. I believe that each of us has a responsibility to understand where our food comes from and decide if the food systems we currently support truly align with our ethical beliefs and values.

To say it simply: *We are what we eat. Eat ethically to live ethically.*

Ethics, Leadership and Food

So how do these bodies of knowledge fit together? I argue that the common denominators are ethics and leadership. The ethics of eating is a strong passion of mine for many reasons. It is about sustainability of earth, family farms, environment and self. It is also about supporting healthy living for eaters and animals alike. Each and every one of us has the power to effect change through our actions and choices. The daily food choices we make might seem insignificant, however the reality is that what we demand and what we spend our money on directs what is available in the market.

Supporting businesses that support sustainable food systems is one of the best ways to get connected to the food that sustains us and insure that our food choices align with our leadership and ethical beliefs. In order for these businesses to drive environmental sustainability, they must find ways to establish and maintain market sustainability simultaneously. I argue that without strategic planning, more specifically sustainable strategic management, these companies will not have the tools and focus to successfully deliver on their business and ethical goals in the long run.

By interviewing owners of small business that support sustainable food systems, I uncovered the role that ethics and leadership play in their business vision and strategy. The interviews shed light on each business owner's current strategic planning needs and the barriers to strategic management he or she regularly encounters. This information, coupled with my expertise in strategic planning, was used to develop a set of strategic management recommendations that promote ongoing market and environmental sustainability and the long-term success of local, sustainable businesses.

Chapter 3: Methodology and Validity

My thesis research was designed to answer the following question:

- What are strategic planning recommendations for small, local businesses that support sustainable food systems?

The sub-questions I explored are:

- What strategic planning needs exist?
- What are the current barriers to strategic planning?
- Are the five strategic planning best practices identified in this proposal applicable to small, local businesses that support sustainable food systems?
- What is the business' competitive differentiation?

My overall research was based on three main data sources: an extensive literature review, my professional expertise and interviews with small, sustainable business owners in the Twin Cities. The purpose of the literature review was to understand the current body of knowledge related to my study. It served to both inform and justify the study's focus. My professional expertise is an equally important data source in that it represents almost eight years of hands-on experience in strategic planning. This intimate knowledge and on-going learning lab assisted me in analyzing the research findings and customizing specific recommendations.

To assess the strategic planning needs of each small business, I used an interview process to gather information related to each of the five strategic planning best practices (detailed in my conceptual context). The best practices are as follows: 1) vision casting; 2) strategic management; 3) alignment of finance and key organizational resources; 4) knowledge management; and 5) focused implementation.

In total, I interviewed nine owners/managers of small businesses that support local, sustainable food systems. I focused on independently operated restaurant owners (6) who offer seasonally changing menus (menus that are created based on what is available and in season in our area) and who source locally by developing relationships with small farmers and food producers. I also interviewed lead managers from area co-ops (3).

I sought out successful, sustainable businesses with strong reputations in the community. The research participants do not represent a statistical sample size or a random sampling of small businesses. My goal in interviewing owners and managers of small businesses that support local, sustainable food systems was to gather first-hand, specific data as to the current state of strategic planning in these types of businesses. This information was critical in anecdotal benchmarking and the development of applicable recommendations for best practice.

Each participating business and respective owner/manager has been given a pseudonym. All potentially identifying information is masked and/or removed. All information obtained in connection with this research study was kept confidential. The names of the businesses included in the study are listed in Chapter 3, but no particular business or individual has been identified with any particular finding. In any future written reports or publications, no one will be identifiable and only group data will be presented.

In order to capture accurate, detailed information from each interview, audio recording was used. Each participant gave permission to use an audio recording device to capture our discussion. No participant declined. Recordings were reviewed after each interview in order to fill in critical details that may have been missed in my written notes. All interview information, whether written or recorded, was kept confidential and stored in a secure file cabinet and/or computer in my home. Only I and my advisor had access to the records while I completed the thesis. The thesis project was completed on April 30th, 2010 and all original reports, notes, audio recordings and identifying information that could be linked back to research participants was destroyed on May 1st, 2010.

Table 3: Research Participants

Restaurants	Co-Op Grocery Stores
▪ Birchwood Café ▪ Corner Table Restaurant ▪ The Craftsman ▪ Heartland ▪ Spoon River ▪ Trotter's Café	▪ Linden Hills Co-Op ▪ Mississippi Market ▪ Seward Co-Op Grocery and Deli

I formally contacted each potential interviewee by email and followed-up by phone within three business days if needed. Prior to each scheduled interview, I emailed the participant an overview of the interview objectives including key focus areas for the discussion. I brought a definition of strategic planning best practice to each interview and if questions arose I offered the definition. This helped to ensure the validity of the data collected and gives credibility to the uncovered themes.

I gathered rich qualitative data through the interview process. Analysis of this data identified themes across businesses. The information gathered, and subsequent analysis, focused on three major buckets: 1) current awareness and/or use of strategic management, including their perceived need for/value of strategic management (i.e. have you articulated and communicated your vision and goals? Do you have a strategic plan? Do you have an implementation plan? How often is planning completed?). 2) Organizational needs and barriers as related to strategic management. 3) Common leadership traits and ethical principles found in sustainable, local business owners and managers (see appendix for interview instrument detail).

Once data was sorted within the three major buckets, I searched for themes across interviews and found many (detailed in Chapter 4). Based upon the data analysis and my professional expertise, I developed a set of strategic planning best practice recommendations (detailed in Chapter 5) specific to small businesses that support sustainable food systems (the culmination of original research findings, extensive literature review/conceptual context and personal expertise).

Validity

In research, there are many threats to the validity of findings and conclusions. As a researcher, it is my job to employ specific and targeted strategies to minimize and eliminate (where possible) the risk that my conclusions are wrong and/or compromised. Two primary threats to validity are: a) researcher bias (our tendency to seek out information that reinforces our own viewpoints), and b) reactivity (the impact the researcher's behaviors, reactions and questions can have on the interviewees' responses).

To ensure validity, I utilized the following strategies:

- Respondent validation
- Collection and analysis of rich data
- Search for "outliers" and discrepant information

My final interview question stated: "If I have questions or would like to validate any of the information I heard today, may I contact you at a later date?" Each participant gave permission to be contacted after the interview if questions arose. Respondent validation provides an opportunity to verify findings and clarify questions about the data. This option provided a critical way to check my assumptions and ensure that what I thought I heard, saw and understood was truly what the respondent intended.

Through an in-depth, face-to-face, qualitative interview process I gathered rich data from multiple sources. Interviewing nine business owners and managers provided an ample view of strategic planning needs, barriers and best practices for small local businesses that support sustainable food systems. This detailed, first-hand data helped focus the final recommendations and avoid mass generalizations that may or may not be applicable to these types of businesses.

Lastly, throughout the research process I sought out discrepant information that challenged and/or disproved my assumptions. Ignoring information that is contrary to assumptions is dangerous in that it threatens the integrity of the research on a whole, and skews the findings and subsequent recommendations. Instead of viewing “outlier” results as a setback, I used critical thinking skills to analyze them with an open mind in order to fully understand their importance to my findings.

Chapter 4: Presentation of Results and Discussion

In total, nine interviews were conducted for the original research component of this thesis. I interviewed two Co-Op grocery general managers (GM), one Co-Op marketing and membership manager, five restaurant owners (one of whom is also the executive chef), and one restaurant executive chef (non-owner). Eight out of the nine respondents have worked in the food industry for the majority of their careers (restaurants, co-ops, farming, teaching, health care/nutrition, etc.). Katie stated, "I've been working in restaurants since I was 14." Deborah commented on her career as a restaurant owner and chef, "This is what I do. I've been doing it for 30 years." Both Co-Op GMs have worked and/or volunteered in Co-Ops for most of their adult lives.

The Small Business Administration (SBA) estimates that small businesses have an annual turnover of about 10% (SBA, 2010). That is to say that each year approximately 10% of small businesses close and exit the market. In regard to survival rate, the SBA estimates that seven out of ten new small businesses last at least two years and that about half survive five years (SBA, 2010).

I was unable to find conclusive data specific to independent restaurants and co-op groceries, although the SBA reports that survival rates are similar across all major industries and states. A great deal of anecdotal information was available specific to independent restaurant survival. While there is no concrete data to prove it, many believe that restaurants, in particular, have a much higher failure rate than other small businesses citing low margins, a highly competitive industry and limited disposable income as primary drivers. During the interview, Sam remarked, “If your restaurant is open for a year, you’ve done pretty good. If you stay open three plus years, you are seen as successful. If you’re open five years you can pretty much do what you want.”

Co-Ops operate in a similarly challenging environment (comparative data and failure rate information has been collected, but Co-Op insiders keep it relatively private due to increasing competition). According to *Cooperative Grocer,* “Retailing groceries and related consumer goods is typically a highly competitive business, with moderate margins and little room for businesses that lack elements such as adequate capital or a strategic focus or a good location.” (Gutknecht, 2007). The same article went on to explain that food Co-Ops are losing market share as more retailers offer organic and local items, and that new start-up Co-Ops tend to be at greatest risk for failure (Gutknecht, 2007). To grow market share there is a strong need for new Co-Op development and for existing Co-Ops to invest in their own future stores.

With both concrete data and anecdotal information in mind, consider the years in operation of the nine businesses interviewed.

Table 4: Years in Operation

	< 5 Years	**5–10 Years**	**10–20 Years**	**> 20 Years**
Restaurants	1	3	2	
Co-Op Grocery				3

Eight of the nine businesses have outperformed more than half of all small businesses in the U.S. by successfully staying in business more than five years. This proves, in part, the business acumen of the sample size overall and demonstrates their ability to build and maintain profitable, sustainable businesses.

During the interview process a number of themes emerged related to the five best practices. In addition, themes around leadership and ethics came into light. The following section details each of the major themes uncovered through my original research and offers thoughts regarding implications.

Vision Casting

In my career as a strategic planner I have always viewed mission and vision as two different and equally important components of strategy and business success. Mission, as I've known it, is who you are and why you exist. Another way to think about it is as the business' purpose in the context of the larger environment. Vision, on the other hand, refers to where you want to be in the future. It is a destination the business is trying to get to. Contrary to my long-held beliefs, many of the interviews challenged my viewpoint that mission and vision are two separate ideas.

Very few of the six restaurant respondents had ever written down or communicated a vision statement, however five of the six respondents clearly spoke about their businesses' vision. When they talked about the vision it was not about arriving at a certain destination, say to open two new locations in a set amount of time, but instead the vision was about doing what they do best every day. In essence, the core purpose of the business' existence.

After mentioning that in 20 years they had never formally written down a vision statement, Jan commented, "it's who we are and how we act everyday. We've been acting from this from the beginning." Sam said, "This is a ride, not a destination." He also commented, "I'm always connecting what we do with who we are."

As the interviews continued, I became more aware that in all instances the respondents talked about their businesses as extensions of themselves and their values. "This is it. It's an extension of who I am and what I care about." In the conceptual context I hypothesized that these businesses are outward expressions of the leaders' passions, values and ethical beliefs, and not just a pay check or means to some other ends. Clearly put, Deborah said, "It's what I do. It's who I am." Throughout the interviews I heard (and saw) leaders using their businesses as vehicles to consistently live, prove and demonstrate their values. That, subsequently, was also their ongoing vision for the future.

While this is powerful, no doubt, it is not necessarily best practice vision casting. The major gap I identified in this best practice is in the communication of vision and mission. In order to communicate vision and mission (even if they are merged in some fashion), the leader must first be clear on what they are. This does not necessarily mean you need a "perfected" statement that is plastered on the wall. As a leader, however, you must be able to clearly and simply articulate what your business stands for and where you see the business going in the future. While many respondents guessed that staff knew the mission/vision of the business, and subsequently acted accordingly, many commented that there was room for improvement. Katie said, "I think employees know the vision, but transparency is missing."

Kaplan & Norton (1996) explore the idea of a strategy focused organization where all employees understand how their work contributes to the achievement of the business' success (however defined by leadership). Without clarity and focus, efforts can be diffused and strategic success challenged. Kousez & Posner (2002) also stress the importance of casting a vision, which includes not only defining the vision, but also creating clarity, support and excitement around a common, worthwhile destination.

Co-Ops consistently demonstrated best practice in this area. Each Co-Op has a clearly defined "ends statement" which details the ends they are working towards. For the Co-Ops, the ends statement functions as the business' vision. In each of the Co-Ops there is a concerted effort to communicate and educate staff and customers alike on the vision and mission of the store. The ends statement is part of the board governance policy (which guides how the Co-Op is managed), part of all employee orientation and education, part of the strategic planning process and published in the annual report. As with some of the restaurant respondents, Co-Op managers consistently commented that a large majority of employees seek out jobs at their businesses because the vision and mission align with their ethical values.

Only one respondent, Paul, stated that there was no vision for the business. “It’s a huge gap.” During the interview he described an unfocused business that has taken a “whatever happens, happens” approach to the business’ future. “You’ve got to make sure that you’re growing the way you should be growing.” Unfortunately, he acknowledged, this did not seem to be happening. While the restaurant currently appears to be successful (from my outside perspective, at least), how reliable will this laissez faire, or leave alone, approach be to the long-term sustainability of the business? How will employees know how to act – what to do and what not to do – if they are unclear about the vision of the restaurant?

Strategic Management: ensuring the planning process is linked to all parts of the organization and that it is dynamic, not static

Without exception, every interviewee responded that strategy must be dynamic. “The key to survive in this business is flexibility,” said one restaurant respondent. A Co-Op GM commented that strategy “must be ongoing and dynamic if we want to stay relevant to owner-members.” No one saw strategy as a one time event at a single point in time.

Many of the survey questions spoke to components of strategic management. In fact, strategic management is not possible without all of the best practices identified in this thesis. In a way, it is a culmination of all the best practices and, when fully achieved, becomes an ongoing management practice linked to all parts of the organization. As I moved through the survey questions, I continually heard this best practice come alive. In some ways it is as if it is part of the DNA of the small business owners and managers I interviewed. In fact, some interviewees had difficulty answering certain questions. Not because they did not practice a particular best practice, but because the best practice was so entrenched in how they operated it was difficult to see it in isolation. They saw the connectedness of the five best practices.

Most organizations have parts of a strategic management system in place (e.g. budgeting, HR planning, strategic planning), but they often function in isolation, losing much of their potential value due to lack of integration (Kaplan & Norton, 1996). As explained earlier, strategic management marries management processes with the strategic planning process and does not see them happening in isolation (Gutierrez, 1998). This was particularly evident when I asked about resource allocation (further detail can be found later in Chapter 4). An example that illustrates this on a granular level is how Jan does menu planning. Since her restaurant has a seasonally changing menu, it is modified regularly depending on availability, cost and customer preference.

Jan gave the example of strawberries in winter. "Customers love our spinach salad," she said, "but organic strawberries are really expensive in the winter and they don't taste very good either." She described her mental process to weigh out customer wants (and price sensitivity), supply costs and the restaurant's ethical standards. All of them are important factors and no single factor influenced her decisions in isolation. "Prices got too high so we decided to take it off the menu for a month. We don't want to disappoint customers, but the quality wasn't worth the additional cost." Jan mentioned that she would continue to monitor price and customer feedback so that she can add it back to the menu as soon as possible. When the management team does future planning for the restaurant, this information on customer demand, cost and ethical alignment will inform future decisions for the menu and key supplier relationships.

Jan could have looked at the bottom line alone to make the decision. The spinach salads will sell as long as they are within a certain price point and the strawberries are tolerable, thus I will buy less expensive, lower quality strawberries to keep sales up. Instead, Jan took a strategic risk to remove the salad. It was a calculated risk, however, by balancing customer needs, price sensitivity and mission. This example illustrates aligning day-to-day operational decisions to the overarching vision, mission and strategic direction of the restaurant.

The manifestation of this strategic planning best practice isn't a complex or formal process. Jan didn't use meetings or workgroups to figure it out either. This rigorous attention to reducing waste and being frugal with resources while simultaneously connecting to vision, purpose and strategic positioning is how Jan runs her business. It aligns with her business' vision and is information that will drive future planning.

Another theme that emerged around strategic management was the role of intuition for leaders of small businesses. Almost all respondents made comments about the intuitive element of small business ownership and management, and the evolution of the business over time. Sometimes you plan strategy and change, and sometimes you just know it's time to act. Deborah said, "Like with the St. Paul restaurant, we just knew it was time to move, and we were right." Sam described it this way, "There's a fine line between planning to do something and actually doing something." The take away I gathered from this theme is that both planning and acting are equally important; a business cannot survive on one alone.

Alignment of finance and key organizational resources needed to achieve strategic goals

As mentioned earlier, many of the restaurants respondents had difficulty answering this question. Their facial expressions seemed confused as if to say, "How can you not do that?" For four out of the six restaurant respondents, this best practice is a part of how they run their businesses. In addition, all three Co-Ops demonstrated best practice in resource alignment.

In both operational and strategic decisions, there was a keen awareness of what resources were needed. For businesses operating with thin margins and very limited resources, this best practice is increasingly important.

There were multiple comments about the comparative simplicity and straight forwardness for small businesses and this best practice. Resource alignment was part of their management style opposed to a certain tool or process. Explaining the simplicity of resource alignment in Deborah's restaurant she said, "We have discussions." Will commented, "I weigh out options and decide the best way to use capital." Katie described holding regular meetings with front-of-house and kitchen staff and commented, "I strive for awareness so action can be taken when needed." In essence, resource alignment was hardwired into how they managed day-to-day operations. Without layers of management, multiple business units and service lines, and internal competing interests, resource allocation becomes more simple and practical.

In comparison, each Co-Op had focused efforts specific to aligning resources to ensure achievement of strategic goals. Through policy governance, each Co-Op general manager (GM) has a frame work from which to make decisions on where to use limited resources. Unlike the restaurants interviewed, Co-Ops have a board of directors that establish policies and strategically guide the organization. The board and GM identify key priorities (both longer-term and year-to-year) and ways to measure effectiveness. The GM and management staff are then responsible to figure out how to implement the work and deploy resources accordingly. To illustrate this, I will now offer a few examples.

At one Co-Op, the GM, Sally, discussed the importance of employee training to ensure that each employee is seen as a "food expert" by customers. Sally discussed the Co-Op's work on the five most common food allergens (such as gluten and peanuts). For some people, these allergens can have fatal consequences and strict processes need to be used to avoid cross contamination. The Co-Op management team took responsibility to build employees' expertise. Training was developed and incentives put in place to meet customer expectations and live up to the Co-Op's ends statement.

Another Co-Op GM, Nate, described a recent recycling training program for employees. The Co-Op tracks and publishes key business metrics, one of which is the percent of materials that are recycled. Nate explained that they had seen a noticeable decrease in the percent of recycling between 2008 and 2009. Recycling is a core value of the Co-Op and the management team knew that focused efforts were needed to improve performance.

The first step was to understand what drove the decrease. "We found out that sorting was the main problem." Because the Co-Op recycles many different items (food and non-food), sorting can sometimes seem complicated. When there was confusion some employees opted to throw away items instead of finding out how to properly sort them. When the management team discovered this they developed a mandatory training program. As a result, the recycling rate is back on target. This is an excellent example of setting strategic goals and allocating the needed resources to not only meet the goal initially, but maintain it over time.

At the third Co-Op, Lily talked about the role that planning and resource alignment had in the Co-Op's ability to move to a new, LEED Certified building. "New space is the number one priority of the board." The move is a significant financial investment and Co-Op management began to focus on "financial fitness" to streamline processes and achieve margin goals. Lily relayed, "our past rigor positioned the Co-Op to be financially viable for the move."

Two restaurants were at a significant disadvantage in this area. For example, at Paul's restaurant there was little management structure (e.g. no front-of-house manager). He described the restaurant's approach to management as "self organizing." In addition, no resources are allocated for any staff training and development. "It's a huge gap," Paul stated. He gave the example of wine training (or lack there of). Referring to the wait staff he said, "They don't know how to recommend and sell wine to enhance the dining experience." At a restaurant of this price point, it is generally expected that the staff have a strong grasp of the wine offerings and can indeed recommend appropriately. In addition, what is the lost revenue associated with this lack of training?

At Sam's restaurant, resource alignment was described as being done, "very loosely." With both restaurants, there seemed to be a gap in resource alignment and resources in general. "I don't have a co-pilot," commented Paul, "it's just me." Each had little to no opportunity to remove themselves from day-to-day operations. Compared to the other research participants, these two respondents lacked an adequate support infrastructure, potentially preventing them from spending needed time to vision and plan for the future of their businesses.

Whether you hire employees or build partnerships outside of the company, owners of small businesses need to establish and sustain key resources and support. The Co-Ops' larger size and annual revenue facilitate a larger management structure, but they have also forged relationships outside the business (e.g. professional groups with other Co-Op managers) that build their "co-pilot" network. Katie discussed the importance of "building support for yourself" and stressed the importance of leadership and management development for her own personal success. Katie's restaurant has grown so that she can afford to hire a limited number of managers and she has begun to delegate more work to staff. This allows her time to focus on big picture work, such as strategy development and business expansion. She has also brought in an organizational development consultant to guide some of this work. This investment was not easy and required that she make financial trade-off decisions, however, she recognizes that her business' success and own work-life-balance is well worth the investment.

Knowledge Management

Interviewees were asked: "In what ways do you monitor changes in the larger operating environment (e.g. competition, consumer trends, economic environment, etc.)?" The responses included a plethora of resources such as industry publications, networking, competitor price comparisons, tracking social media sources (Facebook, Twitter, etc.), customer feedback, business journals, food distributors and farmers. Consistently, respondents stressed how important knowledge management is to their business' success. "I'm scanning every day. It's constant," Deborah replied. "You can't lose track of what people want," said Nate. "You have to invest a fair amount of time in being aware," was one of Jan's key points. Katie stated, "I pay attention and talk to a lot of people."

One of the first rules of best practice strategic planning is that you cannot do planning in a vacuum. This means that you have to fully understand the environment in which you operate in order to develop a solid plan that can be successfully implemented. Each of the businesses have brought alive this best practice as it pertains to the collection of data. No one had a specific process or tool to capture, organize and analyze data. Instead, they incorporated this best practice into their management style and used it to guide the many operational decisions they face on any given day.

The next step in this best practice, and a potential area for improvement, is to find ways to not only consistently feed knowledge into the day-to-day operations of the business, but to also intentionally tie it to the ongoing strategic planning process. The restaurant owners I interviewed did a great job of using the constant stream of information to guide their operational decisions. For example, Deborah relayed a story about the economic downturn and menu selections. "When the economy started to tank we took a hard look at the menu and took off the most expensive items." Deborah knew that customers were going to be increasingly price sensitive and, recognizing the trend, proactively modified the menu to maintain current business (and potentially bring in new customers at a lower price point).

When it came to strategic planning, however, they generally only looked out one year and used the budgeting process as their means to plan for the next year. While it may be happening in some form, none of the restaurant respondents talked about using environmental data (including competitive intelligence) to inform strategic decision making, long-range planning efforts or strategic positioning. The Co-Ops, however, with a more structured, ongoing planning process (and board oversight), intentionally used this information as part of the planning work, thus better utilizing data to shape their desired future and define the best way to implement critical strategic projects.

Focused implementation, measureable goals and the drive toward results

In my current career, I find that implementation of strategy is one of the biggest challenges and opportunities for my organization. We are a large company with approximately 7,000 employees, eight major business units and multiple service lines that run across the organization. Translating strategy into tangible action, setting expectations for execution and holding each other accountable to performance is critical. This seems to hold true for less complex, small, local businesses as well. Strategy experts generally agree that execution is one of the biggest failures of strategy (and most all of us have seen real life examples of this in our own workplaces).

Paul went as far as to say, implementation planning is the "biggest failure of small independent restaurants." Four out of six restaurant respondents had no implementation plan or consistent way to translate strategic goals into actions that lead to desired results. "I have mental plans for things that need to be created," said Deborah, "I know what I need to get done and I do it." Sam stated, "when I'm about 80% ready…let's go."

Katie was one restaurant owner that had some degree of structure and focus on implementation planning. While she acknowledged that there was still room for improvement, she had many tools in place to support implementation efforts. For instance, they have an action/decision register to track what decisions have been made and the subsequent actions being taken to implement a specific decision. In addition, when goals are set during the budgeting process, each manager is required to develop a specific plan to achieve the goals they are responsible for. The plan is then presented to the management team for feedback and approval.

Jan provided another example of bringing this best practice alive through her restaurant. Each time goals are set for the restaurant, for instance sales growth targets, Jan (or whoever is accountable) lays out the steps she will take to reach the goal. Many of the restaurants described menu planning as another form of implementation planning best practice. Many restaurant leaders conduct pre-planning with farmers before the growing season begins. This partnership and planning on the front-end provides restaurant leaders the ability to influence the type and quality of the ingredients they will offer customers in the months to come. It also ensures that farmers will have buyers for their products come harvest time.

While I agree that too much planning can slow action and results (a common response from respondents that did not approach implementation with rigor), there must be some element of structure, organization and accountability to ensure that strategies are executed and business goals are achieved. Structure should never stifle creativity, nimbleness or action. Without some degree of it, however, how can a leader make critical trade-off decision about what to do and what not to do strategically? What tools can they rely on to keep work organized and focused on a common goal? If the plan is not articulated, how can a leader hold employees and themselves accountable to implementing key projects?

Each of the three Co-Op respondents had a more focused and rigorous approach to implementation planning. At Nate's Co-Op, not only do they do implementation planning as part of the strategic planning process, but they also have a project manager who helps the management team and staff organize and execute key strategic projects. While this is not financially viable for all small businesses, it is a potential model to learn from. For instance, what if for one day per month each restaurant owner put on their project manager "hat" and simply focused energy and time on only implementation. Dedicating even a small amount of time and attention can get you a long way. Besides, why go through all the work to develop a strategic plan if you are not going to take the time to ensure that it is successful?

Sally discussed a variety of implementation tools used at her Co-Op, including the use of activity logs and action plans. She also mentioned the risk of documentation becoming static, stressing that there is a fine line between structure and rigor, and busy work. That said, just like any great plan, you have to work it. If you spend the time to create and communicate the plan, but do nothing with it, all it will do is collect dust on your shelf (and potentially damage the leader's credibility with staff if they talk, but do not act accordingly).

Sally mentioned that celebrating success is a part of the Co-Op's approach to implementation. Even though it was only brought up once, it is an important theme to explore. In my experience, pausing long enough to celebrate successes does not happen nearly as much as it needs to. The overarching culture in most businesses is to move fast and be productive. We move from one project to the next and rarely stop to recognize the great things that have been done. In my opinion, celebration and recognition give people encouragement and confidence, and fuel them to take on the next challenge.

Lily discussed a variety of ways that implementation plans are used at her Co-Op, including the creation of quarterly action plans for management team initiatives. She stated that implementation planning has been "pretty successful," and that on average they achieve a 70% completion success rate. She also discussed that "plans are dynamic" and that what they set out to do at the beginning of the year sometimes evolves due to changes in the internal and external environment. Implementation planning has also played a critical role in the Co-Op's current move to a new location. Due to the scope of the project, a Co-Op leader has taken on a project manager role to ensure success.

Beyond the Five Best Practices

In addition to uncovering information specific to the five best practices, the interview process also allowed me to collect rich, qualitative data specific to leadership, ethics and each business' competitive differentiation (a core element of strategic success). The following section highlights the key findings in the above mentioned areas.

Competitive Differentiation

Talk to most any strategic planner and sustainable, competitive differentiation will likely be mentioned as one of the most critical elements of long-term success. One might argue that being “better” than your competition is the ideal way to achieve success. The reality, however, is that “better” is very subjective whereas being “different” is quite objective (Horwath, 2009). A dessert pie can provide an illuminating analogy for the better or different debate. If you compare blueberry pie to chocolate cream pie and ask the question “which pie is better?” The answer could easily be, “it depends.” Can you really argue that one is better than the other, and what does it even mean to be better? It depends. On the contrary, you can make a strong argument about what is uniquely different about each pie. One has fruit and one does not. One has more calories and one has less. Blueberry pie, you may argue, has a higher level of antioxidants. If you are a health conscious consumer that unique differentiator could sway your final dessert decision (Horwath, 2009).

Local sustainable businesses are unique in that they have taken a broader view of business success and have built ethical beliefs into their business offering. As mentioned in chapter two, there is a rapidly growing “green” target market and with that comes significant growth in competition. Moving forward, establishing and maintaining competitive differentiation will be more challenging and increasingly important to long-term success.

To identify respondents' perspective on competitive differentiation, I asked, "What differentiates your business from the competition?" Interestingly, four out of the six restaurant respondents reported paying little to no attention to competition. "I don't spend a lot of time thinking about the competition," said Will. Some respondents felt they were so unique that they did not have real competition and, subsequently, did not pay attention to competitive forces. "This is just what we do, we don't think a lot about competition" commented Deborah.

I agree that each restaurant and Co-Op is indeed unique, but the market is changing and becoming more crowded. There is a lot of competitive "noise" that can distract customers from what you are doing. Increasingly, it is not good management practice to ignore or discredit the growing competitive landscape. As more competitors (both genuine and imposters) enter the market, can these restaurants stay unique and relevant enough to maintain and grow business without awareness of the competitive environment?

Leadership and Ethics: The Core

When I began my thesis research, I hypothesized that ethical beliefs and leadership style would be tightly woven elements of the managers and business owners I interviewed. The businesses that they own and manage align with their values, and their leadership styles are in many ways reflections of these values. In other words, they align their words with their actions. "Owning this business allows my values to shine through," said

Katie. Lily stated, "This is a values driven business." Will commented, "It's really important that the values of the business match my values."

A list of ten ethical values (see appendix) was provided to each respondent. I asked, "As an owner/manager of a sustainability-focused business, what ethical values have driven your business and strategic decisions?" In addition, I asked each respondent, "In your opinion, what are the top 3 leadership traits that are critical to the success of small, local businesses?" The following table describes the responses to both questions.

Table 5: Top Ethical Values and Leadership Traits

Ethical Values	Leadership Traits
▪ Honesty (7 votes) ▪ Respect (6 votes) ▪ Integrity (6 votes) ▪ Accountability (4 votes) ▪ All (4 votes) ▪ Fairness (3 votes) ▪ Caring (3 votes)	▪ Integrity and commitment to sustainability (6 votes) ▪ Communication (6 votes) ▪ Partnerships and relationship building (4 votes) ▪ Clear vision/big picture thinking (3 votes) ▪ Follow-through and consistency (3 votes) ▪ Flexibility (2 votes)

At the Co-Ops, all ten ethical values are part of the ends statement and are transparent throughout the stores, marketing materials and employee training information. The ethical values can also be found in the bylaws and govern how the GM leads and makes decisions. Many respondents commented that all of the ethical values were important and a part of how they lead and make decisions (some even added their own such as gratitude and collaboration). The leadership traits identified were in alignment with the ethical beliefs and even overlapped in some instances. The following paragraphs describe the other ethics and leadership themes uncovered in my research.

Respect for all was a common theme uncovered through the interviews. Many commented on the importance of teams and believe that goals are not achieved by individual contributions alone, but instead by the efforts of the whole. This shows another tight connection between sustainable strategic management (SSM) and leaders in that they recognize, advocate for and leverage the concept and power of wholeness. These leaders saw their businesses intrinsically interwoven into the fabric of the community and served as connectors on many levels.

The respect theme came out consistently from an employee perspective as well. For instance, at the Co-Ops fair, living wages are fundamental to their business model. They stress wage fairness and training is seen as essential for success. I also heard many examples of employees being promoted from within the business. On the restaurant side, the comments around respect of employees were plentiful. Paul stated, “There is nothing I won’t ask someone to do in the kitchen that I won’t do myself. You sweep up today and I’ll do it the next.”

Another noteworthy theme is around the change movement these businesses are a part of. The people I interviewed are not only business leaders, but also leaders of a growing movement to advance and promote sustainable eating. Just as each of their businesses are unique, so are respondents' perspective on sustainability and food. Some came from a global perspective and were concerned about creating sustainable food systems that are just for eaters, farmers, animal and the environment. Others approached the issue from a health standpoint, feeling that good nourishment is critical to good health and can only come from a healthy food system. One person was passionate about elevating regional food identity in the area and wanted to achieve this by sourcing the "best" ingredients from artisanal producers and educating consumers through his cooking.

Overwhelmingly, respondents felt that sustainable eating is not a fad, but a growing mass of people who want to not only get better connected to their food, but also align their food choices with their ethical beliefs. The interview respondents used their businesses to connect farmers and food producers with consumers in a variety of ways. Sam commented, "We need more people to drink the cool-aid," and Katie declared, "The choir needs to get bigger." These businesses provide ways for consumers to better align their food dollars with organizations that espouse their values regarding ethical eating.

Critical to the above theme's long-term success is education, another common theme identified through the interviews. In order for more voices to join the choir, education and awareness must be widespread. Every one of the respondents talked about this theme and discussed how they strive to connect eating, sustainability and health in meaningful ways. "We need to create a tipping point of education," commented Nate. "Education is key," stated Jan.

Another significant theme was around building and sustaining long-term relationships with customers, farmers, suppliers and the community. When asked to describe one of the top reasons each respondent owned and/or managed the business, Katie stated, "It's the relationships with people I serve and work with," and continued by saying, "Making connections keeps me doing what I am doing." When talking about the people he sources ingredients from, Paul said, "I've been to these farms. I've eaten dinner at their tables. They are my friends." "We live and work in this community," commented Jan, "I love being part of the community."

Trust, promise keeping and truth telling emerged as another theme throughout the interviews. When discussing ethical values and leadership traits, many respondents commented on the need to be consistently transparent with their work and to always "do what you say you'll do," as Sally put it. Many respondents discussed how important trust is to their relationships with customers. Consumers must trust the "claims" that these places make (whether through ads, menus, websites, face-to-face interactions or otherwise) before they decide to spend a premium for their food. As more competitors enter the market, trust and transparency will be increasingly important to long-term success.

The last theme that I will touch on relates to the complexity of business decisions when ethics and values are seen as key stakeholders. Decisions become far more challenging when you look beyond the bottom line and shareholder return. A great example of this was provided by Sally when she described a recent decision she was faced with pertaining to the organic flour used to make many of the restaurant's made from scratch menu items. In one month a 40 pound bag of flour went from just under $20 to more than double the cost. "What do you do, charge $17 for a loaf of bread?" quipped Sally. "Do you buy a lesser quality ingredient and risk the integrity of your product," she added, "or do a 5% increase across the menu?"

With only the bottom line in mind, your choices are relatively simple: raise prices and/or find cheaper ingredients. However when you pull in things like ethical values, mission and vision, impact to supplier relationships, customer and community trust, reputation, and integrity, the decision is far more complex. Operating a small, sustainability-focused business requires that you constantly make these complex decisions. Talking about sustainability and integrity, Sam said, "You have to be all in. You can't be a little bit pregnant."

Chapter 5: Summary, Recommendations and Conclusions

This has been an amazing experience for me. At the time of my final presentation I will have worked on this thesis for eight months. First and foremost, I have had an opportunity to meet savvy business owners who successfully lead profitable businesses; businesses that are extensions of their values and public displays of what they really care about. They have found ways to do what they love doing – nourish people, build trusted relationships, be an economic force in their community, educate, connect people to farms - and get a pay check while they do it.

The following quotes capture the essence of my thesis research and the talented business leaders I had the opportunity to interview. They also speak to my personal journey of ethics and leadership and are reflective of my ongoing quest to better align my actions with my values.

- "I want to put my energy into something that makes the world better."
- "I love good food."
- "This is not just a business, this is my lifestyle. I'm teaching a lifestyle."
- "I want to change the world."
- "This is a traditional restaurant; I just chose to buy from different people."
- "Food is a common denominator for people."
- "We are growing on purpose."
- "Owning this business let's my values shine through."

The parallels between Sustainable Strategic Management (SSM) and the business leaders that I interviewed were plentiful, striking and impressive. While I did not specifically ask, my educated hunch is that none of the nine interviewees have studied SSM and used that knowledge to shape their business' strategy and their own personal management style. On the contrary, I wonder if it is leaders similar to these who have shaped the body of knowledge that now is SSM. Areas for improvement did come to light, but these nine business leaders consistently represent examples of best practice in sustainable, strategic management.

Each of them showed commitment to the continuity of superior performance from both a market and environmental view point. Each person talked at length about the strong and intentional way that he or she linked their leadership and ethical values into business strategies and decisions. Their answers described their future focus and concern for the legacy they hoped to leave for generations to come. Each of the leaders appeared to be acutely aware of the relationship between the long-term market success of their business and its inextricable tie to environmental sustainability (Stead & Stead, 2004).

During the interview, each respondent was asked to explain how valuable they thought strategic planning was to the long term success of their business. Without hesitation, each respondent stated that strategic planning is indeed important to their long-term success. "It's essential," replied Nate.

“It’s very valuable,” said Lily, “the move to the new store was only possible because of planning.” “More and more it’s crucial,” reflected Sam. “For sure,” stated Sally, “you need to have a strategic direction.”

To make appropriate and realistic recommendations it is important to also understand the current barriers that exist. The two most common responses given when I asked about barriers were time restraints and limited financial resources. In addition, respondents repeatedly mentioned communication and execution of strategy; striking the right balance between planning and doing; creating and maintaining meaningful documentation; and lack of planning tools and knowhow.

The following section details the recommendations I have crafted based on rich, qualitative data, an extensive literature review and experiential knowledge. This triangulation of data focused me on five key recommendations:

- If you’re not already, make the five best practices a part of how you run your business…and start today.
- Take time every year to “retreat.”
- Build your “co-pilot” network.
- Start looking at competition in a new way.
- Be transparent – tell your story loudly and proudly.

<u>If you're not already, make the five best practices a part of how you run your business…and start today.</u>

This does not mean that you need to spend a lot of money or run out and hire a team of consultants to "fix" your business. What it does mean is that each of these best practices are vital to any businesses long-term sustainability and it is imperative that leaders find appropriate, realistic ways for these best practices to manifest within their businesses.

Each of the businesses profiled in this thesis are unique – leadership style, offerings, strategic positioning – and require their own unique application of best practice. So remember, there is no one "right" way to bring each best practice to life. The following section provides simple, straight forward actions that you can take tomorrow, next week and next month (maybe not all of them at once, but tomorrow is a good place to start).

<u>Vision</u>

Take time, either as an individual leader or with a small team of managers and staff, to clearly articulate your vision for the future. Generally, vision is something that is internally focused and looks out five to ten years. It is a way to communicate a common destination to the people who work within your business. It provides focus, clarity and direction, and is a framework to guide decision making.

You may opt to craft a well structured vision statement or you may decide that it is most important to identify and communicate the core elements (themes) of the vision. Either way, the most important part is that you define the future clearly and communicate it effectively. You want staff and managers to know where the business is headed so that they can help you get there.

A great way to start articulating your vision is by answering this question (as an individual or with a planning team): "What do I want to see in place in the future as a result of my actions?" Establish a timeframe (e.g. five years, seven years, etc.) and brainstorm answers to this question. Look for themes within your ideas. Then use the themes to help define the core elements of your vision. If interested, this thinking can serve as the beginning of a well worded vision statement.

Strategic Management

Once you articulate your vision and know where your business is headed, you can more effectively align critical business processes to best drive strategic results. Applying this best practice to your business takes rigor and holistic, systems thinking. It takes practice. The goal is to understand how all the components of your business connect and how to best align and leverage them to achieve your strategic goals.

When you do long-range planning, identify every critical management process and connect it into the planning process. Good strategy is always grounded in reality; it is your dream for the future, not a near impossible fantasy. Your planning will be much richer and realistic if you plan with finances, marketing, staff, suppliers, etc. in mind. A great place to start is with your staff. With your vision in mind, assess your staff's skills and expertise to understand if they are prepared to help you reach your strategic goals. Once this gap analysis is completed, create training, resources and accountability tactics to make any needed improvements. Your staff is the face of your business and they need to perform and represent it in the best possible way.

Lastly, every leader must strive to keep strategy dynamic. Just because you created a three year strategic plan doesn't mean that you don't have to do planning and strategic thinking for the next three years. For strategy to be successful it has to be fluid and flexible. This is not to say that you change your vision and strategic direction every time your competitors do something new, but you do need to do regular check-ins to make sure your still heading the in right direction. Reviewing the plan regularly can also serve to affirm that you are making needed progress. I challenge each small business owner to build their ability to think "big" and "small" on an ongoing basis, connecting day-to-day operations with the long-term strategic goals and success.

Alignment of finance and key organizational resources

It is critical to align funding with strategic goals or the work will not get done. For small businesses, this is more about common sense than it is about a certain tool to use or formula to follow. When you build your implementation plan (further detail to follow), make sure that you can gather and align all the needed resources to the most critical and catalytic work. Paul's earlier example of inadequate wine education for the wait staff provides a prime example of misaligned resources. Look around your business today and identify gaps between what you say you want to do strategically and what you are actually funding (or not funding in some cases). Start closing the gaps. As you move forward with this best practice, build it into the strategy and implementation planning processes to ensure future work is appropriately funded.

Knowledge management

To begin with, assess how well you fair with this best practice. Are you gathering business intelligence (enough and from the right sources)? How are you applying this information to short-term operational decisions and long-term strategic plans? Does this information inform your yearly budgeting process and/or your implementation plan? Have you fully tapped into your staff and other knowledge holders as sources of intelligence?

One tactic to advance knowledge management in your business is to devote a small portion of your existing management meetings to "word on the street." Ask the team to come to each meeting prepared to share information that pertains to the operations or strategic direction of the business. This may include competitor openings and closings, new trends, customer comments or any other information that could impact the business' success. The managers and staff of your business are great sources of information.

By setting aside time on a regular basis, information sharing becomes a "habit" for the team. You can take this tactic one step further by taking notes of the discussion. This makes the information more valuable in three key ways. First, it allows you to track and trend information over time which helps to identify issues and opportunities as they emerge. Next, it encourages open communication in your business and taps into multiple information channels. Lastly, by compiling the information, you can easily use it to inform planning (strategy, budgeting, marketing, etc.).

If you are "flying solo," set aside time every week to search out information and ask yourself "so what?" Think through whether or not this information means anything to your business' strategy. Stay connected through networking with peers in- and outside your professional circle. Capture important information on a regular basis so that you can reference it as new information is gathered and feed key knowledge into your strategic plan.

Focused implementation

I cannot stress this enough, your strategic plan will be nothing but a dusty knickknack on your bookshelf if you do not translate your strategy into tangible actions and execute the plan. You will waste time and resources spent planning if you do not find effective and efficient tactics to ensure focused implementation.

Once you know your strategic direction, figure out what needs to get done to make movement towards the goals you have set. Here are a few other simple steps to keep implementation relevant, effective and dynamic.

- Write down your implementation plan and commit to updating the written document on a regular basis.
- Review and revise the plan on a regular basis. Build it into your management meetings if you have them. If you do not, dedicate one hour per month to think about implementation, put it on your personal calendar and hold yourself accountable.
- When you review your plan think through any changes in the internal or external environment which may have an impact on what you are trying to implement. Changes in the environment may require that you revise your plan to capture a new opportunity or ward off an emerging threat (as previously discussed within Knowledge Management).
- Complete a look-back every six months to a year. Analyze your progress (what worked, where there were missed opportunities, celebrate success) and use that knowledge to shape next year's implementation plan.

Figuring out the "right" work to focus limited resources on is often a challenge. The table below offers a simple template to guide your thinking. Instructions for use are located within the template in italics. The tool can be used for individual thinking (on a sheet of paper) or can be used with a larger team (on flip charts). In addition, keep the S.M.A.R.T. acronym front and center to help you develop a strong implementation plan. S.M.A.R.T. stands for: specific, measureable, action-oriented, realistic and time-bound. Everything that makes it on your implementation plan must meet the S.M.A.R.T. criteria or you will set yourself up for failure (for example, if you cannot measure success or the project is not realistic, why would you focus limited resources on it?).

Figure 6: Implementation Planning Template

Strategy: *List strategy you are building implementation plan for*		
1. Current Reality Describe the current reality of this strategy. What have you got going for you? What is missing? Where are opportunities?	**3. 1st Year Accomplishments** What do you need to accomplish in the next 12 months to move from the current reality to where you want to be in 2-3 years?	**2. Success Indicators** What will be in place in 2-3 years if you really MOBILIZE behind this strategy / strategic focus?
▪ *Begin the brainstorming process around the above questions first* ▪ *Next move to section 2*	▪ *What work will move you from where you are today with this strategy to where you want to be?* ▪ *Use the S.M.A.R.T. criteria* ▪ *Be careful to not add more work that can realistically and successfully completed*	▪ *Describe what success will look like* ▪ *Use both qualitative and quantitative measures of success* ▪ *Be specific* ▪ *Finish with section 3*

The next step is to put dates and assignments on the work you defined in the "first year accomplishment" column. As discussed in chapter four, make sure to check in on the plan regularly, make course corrections, create accountability and celebrate success. If you are so inclined, you can create a calendar that breaks down the work in appropriate and chronological time periods (weeks, months, quarters, etc.). Update the calendar after each monthly meeting (or as a part of your individual review).

Take time every year to “retreat”

This is likely the simplest, most straightforward of all the recommendations, yet might prove to be one of the most challenging to take on. Why? Because it requires busy, time strapped leaders to make in an investment of time. The reality of running a business is that there is always something to do. Fix a problem, hire new staff, revamp the menu, put out a “fire,” market the business, take care of payroll, meet with suppliers…the list goes on. If you let it, this can become your whole life.

It is vital to give yourself permission to stop, even if it is only for a day or even eight hours. If you never remove yourself from operations you will never be able to think about the big picture of your business, passion, goals and direction. You may think about these things already; they may cross your mind during your commute or when you have a spare moment of quite. To give this thinking justice, however, you must “unplug” and give it the full, uninterrupted attention it deserves.

Your retreat might be an overnight at a favorite bed and breakfast. You might hideaway at home with all your favorite creature comforts (but no phone, PDA or other known distractions). You might pull a small team of thinkers together for a more formal retreat. You might decide that it is time to pull in an outside expert to help create a 3 or 5-year strategic plan.

No matter how you decide to retreat, make sure you include these key elements as a part of your thinking:

- **History – knowing where you are coming from.** To effectively plan for the future of your business, you must first understand its evolution so that you can apply wisdom and learning from the past to your future thinking.
- **Current state – knowing where you are right now.** To build a strong plan it is vital that you have a clear understanding of your operating environment and industry. Understanding current state also includes a close internal look at your business (strengths, weaknesses, opportunities and threats). Understanding the current state helps to clarify what it takes to succeed and thrive in the future.
- **Visioning for the future – knowing where you want to be in the future.** Vision can be extremely powerful and motivating, and when stated objectively, fuels you (and your staff) with energy, focus and endurance. Reference earlier details.
- **Crafting strategies – discovering how you will get to your desired future.** If vision is the destination you want to arrive at, think about strategies as the vehicles that get you there. Strategy is focused on the big picture. It is what makes your business unique, creates competitive advantage and provides direction.
- **Implementation – knowing and implementing the details of how you will achieve your desired future.** As stressed earlier, a plan is nothing if you do not execute it. Focused, dynamic implementation leads to results. Reference earlier details.

Build your "co-pilot" network.

In most businesses, especially in the current economy, there is a constant battle with "lack of." Sometimes there is a lack of time, often a lack of money or lack of human resources, and sometimes there is a lack of everything. Some people see this as a burden or use it as an excuse. A better approach, in my opinion, is to deal with it. Sometimes it takes creativity to make things happen. With that said, building a co-pilot network in a small business, will likely take some creativity (especially if you can't afford to hire support).

During the interviews, there was a stark difference between those leaders who built support networks and those who were flying solo. As described earlier, Katie was finally finding work-life balance through hiring support staff and delegating work. Not only could she find time for family, it also freed her up to focus on strategy and advancing her own business and leadership skills. If it makes sense for your business, and you can afford it, consider hiring support staff. After 15 years in business, Jan was able to hire one manager and started outsourcing the restaurant's accounting work. It took years of hard work to get to a point where she could bring on additional resources.

If the timing is not right to hire, think about how you can build an external co-pilot network. What professional organizations would add value to your business? What training could you complete to enhance your skills? Are there mentors in your industry that would be able to coach you in certain areas every month or quarter? Can you outsource any specific tasks at a reasonable rate? Be creative. Find resources and be proactive. Remember, you do not need to fly solo.

<u>Start looking at competition in a new way</u>

The reality is that being "green" and sustainable is hot right now. It's everywhere. Turn on the television and watch a few commercials. Peruse the aisles of your local big box retailer. Notice the increasingly large amount of "real estate" organics now command in your grocery store. Check out some new restaurants and see if they tout local and organic ingredients. Whether they have proof to back the claims or not, businesses and marketers have latched on to the green movement. Where there is potential for profit, there is generally fierce competition.

I do not recommend that local, sustainability-focused businesses take a traditional approach to "battling" competition. Adopting cut-throat tactics and a "win at any cost" attitude is a bad fit. In my opinion, doing so would actually put these businesses at a strategic disadvantage. It is contrary to their values around developing community partnerships, building relationships and contributing to the common good. These values are a large part of each business' competitive advantage. Many consumers opt to patronize these businesses, in large part, because of the values they espouse. It also has the potential to damage reputations that many of these businesses have worked years (even decades) to build.

What I do recommend is that leaders become increasingly and regularly aware of their competitive landscape. This includes new market entrants, emerging trends in offerings and services, opportunities for partnerships and alliances, and "imposters" making unfounded claims. In some cases, as highlighted through the interviews, this new view of competition has to start with acceptance that competition even exists.

Understanding your competition does not mean that you have to change what you're doing or chase the next hot trend that the masses are paying attention to. What it does do is position you to make proactive decisions when and if they are needed, and not leave your business in a reactive stance. Knowing your competition is a key component of the knowledge management best practice. Without it, it becomes difficult to identify new opportunities and puts your customer base at risk.

Be transparent – tell your story loudly and proudly

All three Co-Ops and all six restaurants practiced some form of transparency specific to the businesses' values and commitment to sustainability. At Will's restaurant, they maintain and publish a scorecard that tracks key metrics (it is hanging in the restaurant and can be found online). The scorecard lists the percent of organic and local ingredients used, recycling statistics, education offerings and the number of community meetings held in their meeting room (in addition to other measures). At Jan's restaurant and on the website, she lists what farms they are currently getting specific items from (the list is always changing based on the season and what the farms have to offer). The Co-Ops publish and display performance on key metrics in stores, online and in their annual report. All metrics are tied back to their ends statement (vision). At Paul's restaurant, the menu highlights the names and locations of the farms he sources from.

For the most part, consumers are savvy. They pay attention (to what is important to them) and look for businesses that meet there needs and are trustworthy. As competition increases, consumers have more and more ethically aligned places to patronize. As discussed earlier, consumers are also at an increased risk of imposters. Whether the competition is true to its word or not, the market is getting increasingly loud and crowded, which makes it harder to capture people's attention.

For continued strategic success, I recommend sustainability-focused businesses get really good at telling the community what they do, why they do it and what makes them different from the rest. If you are doing great things, do not be afraid to talk about it. In addition, be transparent about what you are trying to get better at; there is always room for improvement. Being transparent involves both successes and areas for improvement. Take every opportunity you have to let current and potential customers know about your business. Identify effective communication channels and use them. A variety of examples have been provided, some may work for your business and some may not. Find the most appropriate tactics to reach your target customers and start telling your story to as many people who will listen.

CONCLUSION

The recommendations provided in this thesis offer practical, realistic suggestions for customizing and applying strategic planning best practice for small, sustainable businesses. Adopting these best practices has the potential to strengthen business leaders' effectiveness and arguably has a role in the long-term success of their companies. As mentioned earlier, start today and start somewhere. You do not need to take on all of the best practices at once and it does not need to be a large undertaking. Be creative in how you adapt these recommendations to best suit your particular business and leadership style. The most important part is that sustainable business leaders not forget the importance of both long-term value creation and short-term performance. Striking the right balance between the two is critical for success.

This body of research highlights an emerging business model that has the potential to radically change the definition of business success. By taking a holistic view of success that encompasses not only economic performance, but also ecological performance and societal performance, business leaders have an opportunity to expand their definition of net worth. Financial net worth will always be fundamental, yet is it not possible that community net worth and environmental net worth can be seen as equally important?

The research participants represent a growing number of business owners and managers who are not satisfied with profit alone. They operate within business models that reflect their ethical beliefs and simultaneously facilitate profitability. Imagine the potential impact if large corporations took a more balanced view of business success. How could Target or Best Buy or General Mills change the world if they adopted a business model similar to that of the Birchwood Café or Seward Co-Op? A business model that is not only highly profitable, but also builds healthy communities, creates sustainable environments and contributes to the betterment of generations to come. Just think of the possibilities.

The preceding thesis is a culmination of academic pursuit, professional advancement and ethical alignment. It has provided me an opportunity to explore topics I am passionate about and hopefully will contribute to the growing movement of ethical eating. I see this thesis as both an ending and a beginning. It marks the end of this graduate degree and represents years of hard work, passion and dedication. As this chapter ends, however, a new one is emerging. My journey so far with leadership, strategy, ethics, business and sustainability is proving to be exciting and fulfilling. I am eager to see what comes from the next chapter of my life as an ethical, enduring and effective leader.

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Appendices

A Research Instrument

B List of Ethical Values

C Sample Consent Forms

Appendix A: Research Instrument

<u>Thesis Interview Inventory</u>

Interviewee:
Date:

Thesis Title:
Advancing Sustainable Food Systems in Minnesota:
Strategic Planning Recommendations for Local Businesses

Overarching research question:
What are the top strategic planning recommendations for small, local businesses that support sustainable food systems?

Purpose of interview:
My goal in interviewing owners and managers of small businesses that support local, sustainable food systems is to gather first-hand, specific data as to the current state of strategic planning in these types of businesses. I will also gather data on the role of ethics and leadership. This information, in addition to the extensive literature review and my professional experience, is critical in the development of applicable and effective best practice recommendations.

Objectives:

- Learn about each business' history.
- Understand the current state of strategic planning for small, local businesses that support sustainable food systems.
- Uncover barriers and needs related to strategic planning.
- Understand the role of ethics and leadership in these types of businesses.

Strategic planning definition (if requested by interviewee during interview):
Strategic planning is a process that allows you to articulate how best to use your assets, neutralize your vulnerabilities, take advantage of opportunities and position yourself for long-term success. Ideally, it is a continuous process that ensures strategy is linked to all parts of the business and is dynamic, not static. The goal of executing strategy is to outperform rivals while creating and sustaining unique, competitive differentiation. Strategy is…

- ✓ About tradeoffs – deciding what the organization will do, and more importantly, what they will *stop* doing
- ✓ About uniquely differentiating oneself from the competition – you want people to say "look what they are doing!"
- ✓ About taking a leap and positioning oneself to succeed in the current environment
- ✓ Gaining and sustaining competitive advantage

Interview Questions:

1. Tell me about your current business…

    a. Years in business (current business and "food" industry overall)?
    b. Brief overview / history of current business? (2-3 points in business' history that are key to where you are today.)
    c. What is one of the top reasons you own and/or manage this business?
    d. What differentiates your business from the competition?

2. Tell me about your experience with strategic planning…

    a. If you have cast a vision for your current business, describe it for me. Timeframe of vision? How and to whom have you communicated the vision?
    b. How often do you engage in strategic planning? Whom do you engage in the planning process?
    c. Do you view strategy as an ongoing management tool or as a single "event" at a point in time? Explain.
    d. In what ways do you focus limited resources (human, financial or otherwise) to ensure strategic goals are achieved? For example…
    e. In what ways do you monitor changes in the larger operating environment (e.g. competition, consumer trends, economic environment, etc.)?
    f. Do you have an implementation plan? (Yes = how successful has it been? No = in what ways has this limited and/or enhanced your ability to implement strategy?)

3. What barriers (in addition to any already mentioned) does your business have related to strategic planning?

4. How valuable do you think strategic planning is to the long-term success of your business?

5. As an owner/manager of a sustainability-focused business, what ethical values have driven your business and strategic decisions? *(Provide list. See next page)*

6. In your opinion, what are the top 3 leadership traits that are critical to the success of small, local businesses?

7. If I have questions or would like to validate any of the information I heard today, may I contact you at a later date?

Appendix B: List of Ethical Values

Top 10 Ethical Values
(A printed list was provided to each interviewee.)

Ethics refers to standards of conduct based on universal moral duties and obligations which indicate how one should behave; it deals with the ability to distinguish good from evil, right from wrong. A fundamentally synonymous term is morality.

Contrary to popular notion that ethics vary over time and cultures, implying ethical relativism, the study of history, philosophy and religion reveals a strong consensus as to certain universal and timeless values essential to the ethical life:

1. Honesty
2. Integrity
3. Promise-Keeping
4. Fidelity/Loyalty
5. Fairness
6. Caring for Others
7. Respect for Others
8. Citizenship
9. Pursuit of Excellence
10. Accountability

Appendix C: Sample Consent Form

Information and Consent Form

Dear research participant,

You are invited to participate in a research study investigating strategic planning best practices for small, local businesses that support sustainable food systems. I, Mia Taney, am a graduate student at St. Catherine University and a full-time strategic planner. I will be conducting this research study under the supervision of Neil Okerlund, faculty with the Master of Arts in Organizational Leadership program*.* You were selected as a possible participant in this research because the type of business you own and/or operate.

The purpose of this study is to understand the strategic planning needs of small, local businesses that support sustainable food systems. Ultimately, I aim to develop a set of best practice recommendations that can be realistically and effectively implemented within businesses such as your own.

Approximately 8-12 people are expected to participate in this research. If you decide to participate, we will meet (face-to-face if possible) for a 45 minute interview at a location of your choice. With your permission, the interview will be recorded. If you prefer that the audio not be recorded, written notes will be taken.

All information obtained in connection with this research study will be kept confidential, unless you indicate otherwise. In any written reports or publications, no one will be identifiable and only group data will be presented. The research results will be kept in a secure file cabinet in my home and only I and my advisor will have access to the records while I work on this project. Data analysis will be completed by April 30th, 2010 and all original reports and identifying information that can be linked back to you will be destroyed by May 1st, 2010.

If you have any questions, please feel free to contact me, Mia Taney, at XXX-XXX-XXXX or my faculty advisor, Neil Okerlund at XXX-XXX-XXXX.

Statement of Consent:
You are making a decision whether or not to participate. Your signature indicates that you have read this information and your questions have been answered. Even after signing this form, please know that you may withdraw from the study at any time.

I consent to participate in the study and agree to have the audio recorded.

____

Signature of Participant Date