

A Strategic Approach to Regulatory Changes

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During a planning meeting for a cooperative education program I recently suggested the topic “Creating a Competitive Advantage through Proactive Regulatory Compliance”. The proposed topic was met with some level of disbelief. That’s understandable since regulations usually increase costs and reduce efficiency. Still there are firms that are better able to make lemonade when they are served a batch of lemons. The cooperative sector, like most of the agribusiness industry has always had a pretty straightforward approach to regulation. Cooperative trade organizations work to examine proposed regulations and oppose those which are perceived to adversely affect their member constituents. The industry fights the good fight, one issue at a time. We tend to lose more than we win and eventually find ourselves complying with the regulatory changes that we opposed. Most cooperatives have not incorporated regulatory changes into their strategy.

Regulations are in essence a formal contract between businesses and society which requires businesses to meet certain responsibilities. It is also a contract that is being continually rewritten. In a perfect world the contract would reflect the consensus views of a well informed public. In reality it is much messier. Many regulations are not well thought out and are supported by individuals and groups who do not understand the resulting impacts. However, in a democracy, the preferences of the public, informed or not informed, often eventually prevails. Cooperative members represent slightly over half of one percent of the U.S. populations while the entire number of farmers, large and small account for nine tenths of one percent. Despite our best communication efforts, we are often outnumbered and regulatory compliance becomes a major cost drain and risk component for cooperative firms.

Some companies have taken a different approach and made regulatory change a key element of strategic planning. Doing so requires an understanding of the values, goals and agendas of other stakeholder groups. That can lead to a more realistic long-term view of the regulatory landscape. Considering the future regulatory environment without the blinkers of “what it should be” helps those firms identify the key regulatory areas that could disrupt their operations. That information can be incorporated into their strategic planning process. Taking a proactive view to regulatory changes can minimize the challenges and costs of compliance. It can also allow you to capitalize on opportunities created by the new regulatory environment.

I’ll discuss more about forecasting the regulatory landscape in my next newsletter.

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