

AG Alternatives

Agriculture Business Alternatives

Revised April 2003

Agdex1834-10

Personal and Family Considerations

Where do You Want to Be?

Ag-Alternatives is a series of factsheets designed to help you evaluate the feasibility of a new agricultural or rural based business. Worksheets in each factsheet help you personalize the information.

Interest in alternative enterprises has increased in recent years. Many farmers are looking for new ventures to generate additional income, to bring in other family members or to better utilize resources. Others are looking to non-traditional enterprises as a way to get started in commercial farming or to help support a rural lifestyle. Here are examples of a few farming alternatives: non-traditional crops, livestock and other farm products; service, recreation, tourism, food processing, forest/woodlot, and other enterprises based on farm and natural resources; production systems such as organic farming or aquaculture; or, direct marketing and other entrepreneurial marketing strategies.

Personal and family assessments are important when you evaluate various enterprises as any decision impacts each family member. Each person has different expectations for the new enterprise, including the role he or she will play, what management skills are needed and the expected results. Sorting out personal and family goals in advance prevents confusion and perhaps even conflict in the future. The goals also help develop specific criteria for evaluating alternatives.

This factsheet helps you evaluate your most critical assets: you and your family. In the first part, checklists and self-tests assess limitations and opportunities related to business skills. The activities help you identify the needs and lifestyle preferences of your entire family.

The second part asks you to identify specific goals and objectives that you and your family would like a new enterprise to fulfil.

Business Qualities Checklist

Certain personal qualities are correlated with the ability to succeed in an independent family business.

Worksheet 1: The Business Qualities Checklist (page 6) helps identify your strengths and weaknesses. These strengths and weaknesses can make a big difference to your new enterprise choice. All family members should complete the exercise, even if they have little business experience.

Fill out your copy of the Business Qualities Checklist before continuing.

Evaluating Personal Business Qualities

So, how did you do? The more check marks the better, but only someone with exceptional business management potential will have checked all of the qualities. If you placed at least a few checks in each section, you have a good set of skills that will help greatly as you start a new enterprise.

If you currently operate a farm business, you likely checked quite a few items. If not, consider this question:

Is an independent farm-based business really right for you? If your business qualities are weak, operating a farm business will be difficult, and developing a new enterprise will be even harder.

If you are considering a change from full-time or part-time employment to the ranks of farming entrepreneurs, review your checkmarks. If you have very few personal business qualities, ask yourself the same question: Is an independent farm-based business really right for me?

It's possible to develop the personal qualities needed to succeed in business, but it's an additional challenge that requires determination and persistence. You may find that another family member has more of the personal qualities needed to succeed in business. If so, consider delegating the management of the new enterprise to that person.

Family Needs and Preferences

The family is going to be affected by whatever enterprise change you make. After all, farm-based businesses are usually managed and operated by families, and the business often shares yard and household space with the family. Right now, many of your family's desires may be satisfied by the current business or job. To prevent family resentment, a new business must satisfy more of their needs and lifestyle preferences than the present business. What happens if you ignore family members needs and preferences?

Example:

Kathy and Bill want their son Jim and his wife Bonnie to join the family farm business. Jim has been interested in and has helped operate the native fruit business since he was a teenager. Together they researched new enterprises opportunities. They settled on a bed and breakfast because Kathy had always wanted to operate one.

One year after they had started the bed and breakfast there was tension, anger and exhaustion. Kathy enjoyed the new business and resented the demands of the native fruit operation. Bill was exhausted with the extra demands placed on him by visiting guests and the lack of peace and quiet he once enjoyed on the farm.

Jim was frustrated by the lack of responsibility he was given in either enterprise. Bonnie felt like a maid to the bed and breakfast business and was amazed at the low income she and Jim had to survive on.

These are examples of problems that can be avoided if families openly discuss their strengths and weaknesses, wants and needs before a new enterprise decision is made. All family members have strong opinions about their own roles in a business.

Worksheet 2: Family Needs and Preferences (page 7) has four different categories:

- satisfaction with the current farm business or employment situation
- willingness to take risks with a new enterprise
- hopes and concerns about the future of the farm business and family roles in it
- types of enterprises that are preferred

The exercise gives each family member a chance to compare their present satisfaction and future concerns in an organized manner. The exercise is most effective when all family members are included and each complete the exercise on their own. An evaluation and discussion guide follows the exercise.

Remember, there are no right or wrong answers.

Evaluating the Family Exercise

After you complete the exercise, sit down as a family to compare responses. If your answers are similar in every category, the family is exceptional and will experience smoother sailing than most. The more typical family disagrees on many subjects, but also has areas of agreement. The following discussion helps you understand your responses.

Satisfaction With Current Farm Business or Employment

The way you rated each statement in the first section shows how satisfied you are with your role in the farm business.

In family businesses, the main manager often has a more positive attitude toward the business than other family members. Look for areas where family members are either very satisfied or dissatisfied. A family member who is unhappy with family relations is expressing a need which may or may not be fulfilled by a new enterprise.

Starting up a new enterprise usually adds stress on the family's personal relations and finances. What will happen if income drops and there is less spending money? What if less time is available for family? Can that be tolerated for six months? Six years? If family members like their current roles in the business, will they be unhappy if the roles are changed?

Family members should discuss these questions and set some limits as to:

- how much income may be sacrificed for how long?
- how heavy a workload will be tolerated?

These limits will become part of your family's personal guidelines for evaluating different enterprise options.

Willingness to Take Risks With a New Enterprise

Are all family members equally comfortable taking risks in order to reap higher profits? People react differently to risk. If two or more people with a financial stake in the business feel differently about risk, conflict may occur when high risk enterprises are developed or when savings or borrowed money is used.

Nontraditional and innovative enterprises tend to be more risky than other small businesses. When a product or service is developed to meet a new market demand, the chances of receiving high profits are better than if the "same old" products and services are offered to the "same old" marketplace. However, the greater the level of innovation, the greater the risk.

Family members must discuss the question: what would happen if the new enterprise failed? Take the time to agree on an acceptable level of risk or an amount of money everyone is willing to lose. For example, are you all willing to risk losing the entire farm business? Will you limit risk to a \$1,000 investment on a trial basis?

Hopes and Concern for the Future of the Farm Business

This section tells you about the motivations behind family members interest, or lack of interest, in developing a new enterprise. Are profit and high income important? Is maintaining a farm lifestyle more important? Or are all of these issues important? What are family members willing to sacrifice to stay on the farm? How do family members perceive their own individual roles in the business? What role does each wish to play in the future?

In discussing areas of agreement and disagreement, make sure family members understand and respect each other's concerns. Although family members may not be able to reach complete agreement, having common goals and expectations for the future helps you work together as a team.

Enterprise Preferences

Questions 27 to 30 identify the types of commodities family members like to work with. Questions 31 and 32 identify the preferred work pace. If the steady pace of a dairy is appealing, for example, you may not like the hectic seasonal pace of bedding plants. Questions 33 and 34 concern labour management. Some enterprises require so much labour that outside workers may have to be recruited, trained, supervised and even housed. How do family members feel about this?

Questions 35 to 37 indicate how interested family members are in a "people business."

While most farm enterprises involve livestock or crops, many provide a service. Examples of innovative service enterprises are listed on the following page. To be successful, service businesses need people who are outgoing and genuinely enjoy all types of people. Which family members would enjoy this type of enterprise? Are there any who couldn't tolerate a people business?

Questions 38 to 41 identify what features in the new business are important to family members. What common feature is most important to all family members? If no common feature is identified, it may still be possible to think of an enterprise that satisfies the different needs of all family members, so do not despair!

Dealing With Conflict

Worksheet 2: Family Needs and Preferences has probably brought to light some areas of agreement and disagreement among family members.

Conflict is normal. In fact, it's healthy! It's also important to find ways to work through conflict, otherwise the conflict may grow more serious.

The following recommendations are based on a study (Rosenblatt, 1985) of successful family-operated businesses:

- **Keep communications open**
Find a way to keep information flowing and allow family members to express concerns. Try holding a regularly scheduled family meeting.
- **Involve all family members in decision-making**
Even if not directly involved in the business, all family members are affected by it.
- **Set a limit on the time required to operate the new business**
Agree on a set amount of time, separate from business hours, for family or individual activities.

Examples of Service Enterprises

- Bed and Breakfast
- Cross country ski trails farm
- Farmers' Market vendor
- Pick-your-own marketing
- Farm stands
- Seed and supplies distribution
- Hay rides and sleigh rides
- Tours of the farm
- Petting zoos
- Kennels
- Farm festivals and special events
- Small engine repair

Goals and Objectives for a New Enterprise

Family members should understand each others concerns and preferences. You are now ready to draft specific goals and objectives for a new enterprise using *Worksheet 3: Goals and Objectives for a New Enterprise* (page 10).

Family members should work together on this section, because all must agree on what's expected of a new enterprise.

Defining family goals and objectives gives you some guidelines to assess your options. Refer to these personal guidelines frequently as you work together through the decision making process.

Example:

The Amber family was searching for a new enterprise to add to its mixed grain and cattle operation. After all family members completed *Worksheet 1: Business Qualities Checklist*, they sat down for a chat. They discovered that Jim, the oldest son, had excellent leadership skills.

Each family member then completed *Worksheet 2: Family Needs and Preferences*. As they discussed their answers they learned many things. Margaret, the mother wasn't interested in learning a new enterprise because she was very busy with her off-farm job. Younger son, Hal, wasn't interested in farming. Paul, the father, was willing to risk a moderate amount of money in the new enterprise. Grandma Jean's enthusiasm to work with people, surprised no one but Jim's comfort with supervising workers and dealing with customers was a surprise.

On Saturday night the family sat down together and filled out their *Worksheet 3: Goals and Objectives for a New Enterprise*. Paul, Grandma, and Susan decided they wanted to be actively involved in a new enterprise, but they wished to leave the leadership role to Jim. Their first choice was a horticultural enterprise, with service and livestock enterprises as second and third, respectively. The dairy and Margaret's off-farm job would be maintained at about the same level, with the new enterprise providing supplementary income. They set \$8,000 as their goal for profit, \$5,000 of which would be used for additional family living expenses.

The Ambers decided to risk losing Jim's, Grandma Jean's, and Susan's labour for one season, and in addition, an investment of a couple thousand dollars, if the enterprise failed. They would start the new enterprise on a small scale so the dairy operation wouldn't suffer. Everyone seemed satisfied with the results and agreed to go on to take an inventory of their resources.

Summary

Before you evaluate and select a new enterprise you need to assess the business management skills and personal qualities of the family members. The family's needs and lifestyle preferences also should be explored before a new enterprise is chosen. Identifying differences of perception or opinion in the beginning can prevent conflicts later.

All family members should be included in the early discussions, not just those who will have a management or labour role. Once the manager's skills and the family's needs and preferences are identified, a list of goals and objectives for an enterprise should be completed. This list will identify which enterprise ideas fit the desires and needs of family members.

References

Rosenbalt, Paul C. "The Family in Business" 1985
San Francisco: Josey – Bass Publishing

The Ag-Alternatives factsheets have been adapted with permission from: *Farming Alternatives – A Guide to Evaluating the Feasibility of new Farm-Based Enterprises* (NRAES-32, October 1988, ISBN 0-935817-14-X). This publication was a project of the Farming Alternatives Program, Cornell University, Warren Hall, Ithaca, NY 14853 (607) 255-9832; and Natural Resource, Agriculture and Engineering Service (NRAES), Cornell University, 152 Riley-Robb Hall, Ithaca, New York (607) 255-7654.

For More Information

Ag-Alternatives Series:

Personal and Family Considerations: Where do You Want to Be? (Agdex 1834-10)

Identifying Alternatives: What are the possibilities? (Agdex 811-2)

Marketing: Will it Sell? (Agdex 848-5)

Production Requirements: Do You Have the Resources? (Agdex 811-4)

Financial Feasibility: Can You Afford to Do It? (Agdex 811-3)

Profitability: Will it Make Money? (Agdex 811-6)

Decision Making: Will You Start a New Enterprise? (Agdex 811-5)

For these factsheets and other publications, call Alberta Agriculture, Food and Rural Development's Publications Office at 1-800-292-5697.

Websites:

Alberta Agriculture, Food and Rural Development's website at <http://www.agric.gov.ab.ca>

Diversification information at <http://www.agric.gov.ab.ca/diversify>

Phone:

To access specialists, information and services within Alberta Agriculture, Food and Rural Development, contact the Alberta Ag-Info Centre at 1-866-882-7677.

Worksheet 1: Business Qualities Checklist

Each family member should complete a copy of this worksheet.

Directions: Check those that describe YOUR personal qualities:

1. Drive

- I am curious and enjoy taking a chance.
- I am enthusiastic and a self-starter.
- I have plenty of energy and vitality.
- I persevere and finish what I start.
- I have self-confidence and courage to take risks.
- I am able to and like to work on my own.
- I enjoy working hard on my own projects.

2. Clarity of thought

- I am organized and have a thorough plan of action.
- I seek advice for areas in which I lack knowledge and expertise.
- I am capable of making good decisions in a short space of time.
- I have the ability to acquire knowledge about business and finance.
- I can perform several tasks at the same time.
- I have self-discipline and can stay cool under pressure.

3. Imagination

- I often think of innovative ways to solve problems.
- I have creative ideas relating to business.
- I enjoy doing things differently.

4. Leadership

- I work well with people.
- I genuinely like people.
- I enjoy supervising other people.
- I am responsible and enjoy providing leadership.
- I keep pledges and enjoy people's trust.

5. Experience

- I have a high degree of proficiency in a technical area.
- I have managed a business before.
- I keep good records of production and finances.
- I use and understand financial statements.

Worksheet 2: Family Needs and Preferences

Directions: Read each statement and circle the appropriate number on the scale to rate the extent to which you agree with the statement. Each member of the family should complete this exercise on their own using a separate copy of the worksheet.

Section 1: Satisfaction With Current Farm Business or Employment

	Agree Strongly	Agree	Disagree	Disagree Strongly
1. Our family spends too little time together.	1	2	3	4
2. We usually have enough spending money.	1	2	3	4
3. I would rather spend less time working at my off-farm job.	1	2	3	4
4. The farm business is too much to handle now.	1	2	3	4
5. When our family gets together, we spend too much time talking business.	1	2	3	4
6. When we're busy, friendliness in the family disappears.	1	2	3	4
7. I like my present role in the farm business just the way it is.	1	2	3	4
8. Family relations are strained because there isn't enough money.	1	2	3	4
9. I too often sacrifice things I like to do for the sake of the farm business.	1	2	3	4
10. The current farm business doesn't hold my interest or use my skills very well.	1	2	3	4

Section 2: Willingness to Take Risks With a New Enterprise

	Agree Strongly	Agree	Disagree	Disagree Strongly
11. I wouldn't mind if our new enterprise took a few risks to make more money.	1	2	3	4
12. If the new enterprise fails, I'd like to try another.	1	2	3	4
13. When there's a chance we'll lose money, I'm tense.	1	2	3	4
14. I would risk losing our savings on a new enterprise.	1	2	3	4
15. I would be willing to borrow money to finance the new enterprise.	1	2	3	4
16. I prefer low risk/low profit venture to a high risk/high profit venture.	1	2	3	4
17. If our new enterprise fails, I'd consider getting out of farming.	1	2	3	4

Section 3: Hopes and Concerns for the Future of the Farm Business

18. It's important to me that the farm provide more income in the future.	1	2	3	4
19. Being able to stay on the farm is more important than making lots of money.	1	2	3	4
20. The family should always come before the business.	1	2	3	4
21. It's important that the children do other things besides farming.	1	2	3	4
22. A break or vacation once a year is needed to keep up my spirit.	1	2	3	4
23. It's very important for the children to work on the farm.	1	2	3	4
24. I'd like to maintain my present role in the farm business or off-farm job.	1	2	3	4
25. I don't want to work any harder than I work now.	1	2	3	4
26. I would like to have more responsibility in the business.	1	2	3	4

Section 4: Enterprise Preferences

	Agree Strongly	Agree	Disagree	Disagree Strongly
27. I like to work with livestock.	1	2	3	4
28. I like to work with crops.	1	2	3	4
29. I like to work with machinery.	1	2	3	4
30. I like to do a variety of farm tasks.	1	2	3	4
31. I like to have a steady workload over the year.	1	2	3	4
32. I like to work real hard for a few months, then take a few months of rest.	1	2	3	4
33. Supervising workers is unpleasant.	1	2	3	4
34. I could easily supervise more workers.	1	2	3	4
35. I enjoy meeting different kinds of people and making them feel "at home."	1	2	3	4
36. Having people drop by unexpectedly and at odd hours annoys me.	1	2	3	4
37. I would be good at sales because I enjoy seeing a satisfied customer.	1	2	3	4
38. The new enterprise must use my talents and skills more than the present one does.	1	2	3	4
39. The most important quality that a new enterprise should have is the ability to make a good profit.	1	2	3	4
40. It's important for our business to be unique.	1	2	3	4
41. I would enjoy an off-farm job.	1	2	3	4

Worksheet 3: Goals and Objectives for a New Enterprise

1. List the family members who would like to be actively involved in the new enterprise.

2. List the types of commodities or businesses the family is considering in order of preference (livestock, crops, service, etc.)

1st choice _____

2nd choice _____

3rd choice _____

3. If you already operate a farm business, what are your goals over the next three to five years for the enterprise you are currently involved in? (Check one or more.)

___ Maintain at about the same level

___ Expand (Explain) _____

___ Cut back some (Explain) _____

___ Other: _____

4. What role will the new enterprise play over the next three to five years in terms of income and employment? (Check one or more).

___ Provide supplementary income to existing farm business(es) or off-farm job(s)

___ Replace your present farm business(es)

___ Replace your off-farm job(s)

___ Other: _____

5. After your new enterprise is established, what amount of family living income would you like the following sources to contribute annually? (Use this year's dollars.)

Current farm business _____

New enterprise _____

Off-farm employment _____

Other _____

Total _____

6. What special features does the family want the enterprise to possess? (level of risk, labour requirements, seasonality, use of special skills or resources, etc.)
