

AG Strategies

Agriculture Business Strategies

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Choosing A Consultant...An Investment in Your Agricultural Business

The purpose of this factsheet series is to help producers and processors understand the key elements needed to manage a business. The factsheets also discuss some of the essential components used to develop a business plan and assess the profitability of a business venture.

As a business owner, you may at some time decide to use a consultant to help you with decision-making. Consultants can provide an objective, unbiased view of your business and their recommendations may improve the viability and profitability your business or an opportunity you are considering.

There is a wide range of consultants in the agriculture industry. They may specialize in production (field crops, horticulture, livestock and soils); finance (economics, accounting and farm financial management); human resources (farm succession); or, marketing.

If you are planning to use a consultant, it is important to choose the right one for your situation. This factsheet helps you with that decision.

Do you need a consultant?

If you are considering a new market opportunity, a new business venture or even preparing a succession plan, you will find that it takes a considerable amount of time to research, analyse and recommend alternative courses of action. Using a consultant may save you time and

money when making a decision. A consultant can play a number of roles for a client. These roles can include being:

- an expert advisor in a technical area
- a sounding board to help verify or challenge prior analysis
- as a creative source when difficult issues require fresh ideas to solve problems and develop effective strategies and action plans
- as a researcher in providing technical or economic analysis

A request for consultation (RFC)

It is easier to select a consultant if you know what results you want at the end of the consultation. You may want to consider writing a request for consultation (RFC). This document outlines the scope, objectives, requirements, timelines and budget of the consultation. It is invaluable for both you and the potential consultant to match talents and needs. Appendix one provides guidelines and a sample RFC.

Getting ready

Start by short-listing the consultants that appear to match your needs. Some excellent sources include:

- the Canadian Consulting Agrologists Association at <http://www.consultingagrologists.com/>
- the Alberta Institute of Agrologists at <http://aia.ab.ca>
- the Canadian Farm Business Advisory Service at http://www.agr.gc.ca/ren/cfbas/consult_e.cfm
- the taxation and financial specialists listed on Ropin' The Web at http://www.agric.gov.ab.ca/economic/taxation/cont_ind.html

Contact each consultant and ask for a detailed profile and a list of references. You may want to e-mail or fax them your RFC and ask them to respond with an executive summary. Then rank each respondent using criteria that you feel applies to your needs.

The interview

Shortlist no more than three firms and interview each one. During each interview, look for individuals who recognize your needs and demonstrate sound knowledge of the industry and your situation. Use the following questions during the interview:

Expertise of the consultant

- What area of agricultural consulting do you specialize in?
- How long have you provided this service?

If it is a short time period, you might also ask, *"What did you do before moving into this area of expertise?"*

- What is your knowledge of agriculture?
- What type of people do you work with/for?
- Will you work directly with us or do you assign an associate the work?

If an associate is to work with you, ask to meet them. Make sure the associate meets your expectations in terms of qualifications and experience.

- Do you have any examples of plans to show me?

Most professionals will have a sample plan against which you can measure quality of product and cost. Ask for an example that is similar to your situation.

References

- Can I have a list of references?

Ask for at least four references from people who requested the same type of work you are requesting.

- Do you do research on different solutions to individual problems or do you rely on the work of others?

Cost

- What is your fee?

Fees are charged in a number of ways. They can be charge on a time basis, by the hour or day. Some consultants are hired on a retainer, plus fees for time. Fees can also be charged on a lump sum or quoted fee basis. There can also be any number of combinations of the above.

- What is included in this fee?
- What is not included in this fee?

Items such as travel expenses, photocopying, phone calls, postage, soil testing and the sale of product may not be included in the fee schedule.

- What are your terms and payment of fees?

Common terms are: immediate upon receipt of invoice or 30 days after work has been completed.

Other considerations

- Are you a member of a registered professional association?
- Are you licensed to practice in the province?
- Do you work with other companies or advisors to provide service?

Who are they and are there costs involved?

- How can I keep in touch with you (phone, fax and e-mail)?
- If a problem arises, how will you handle it?
- If for some reason you are unable to work on my account, how will you handle it or will you turn over the account to someone else?
- Do you carry any liability insurance?
- Do you have a local business license?

Deciding on a consultant

- Check the references.
Ask the people giving the reference in-depth questions about the consultant's work. Ask if they were satisfied with the work done.
- Pick a consultant with whom you feel comfortable. Since you will be spending a lot of time with this person, a trusting and credible relationship is critical to success.
- Choose a consultant with whom you can communicate.
To gain the maximum benefit from a consultation, it is important that both parties are open and straightforward with each other.

The contract

- Specify the deliverables.
Identify the specific topics and issues you want the consultant to address.
- Be very specific in what you want from the consultant.
The more detail you can provide, the better.
- Develop a specific action plan and timeline.
Outline the work you want the consultant to do, how it should be done and when it should be completed. Specific penalties for not meeting the action plan and timeline should also be included.
- Define who will do the work.
Have the consultant identify who will do the work. This information should include associates, companies or other contracted individuals.
- Specify the reporting requirements.
Specify when, how and where reports will be presented. You may also want an interim report, as well as a final report.
- Specify the compensation arrangement.
While it is important that the consultant is paid in a timely fashion, do not make payment until the consultant's duties are completed.
- Include provisions for non-performance.
Identify non-performance in the contract and the consequences of non-performance. If possible, reserve the right to terminate the contract.
- Request a specific price.
Ask for a specific dollar limit or cap on all items, such as travel and out-of-pocket expenses.

What can you expect from the consultant?

An advantage to working with someone who specializes is that they will have greater sensitivity to the problems and issues that form this part of your plan. The following points are guidelines for "best practices" that a consultant should provide when working for you.

The consultant will:

- repeat what they heard you say, and then ask for clarification
- communicate with respect and a caring attitude
- guide you toward being specific about your situation
- use concrete examples
- be honest and sincere about your situation
- be able to share relevant information to relate similar experiences
- tell it like it is
- explore how the working relationship is going between you and them

Being the right client

While selecting the right consultant is important, being the right client is just as essential. Ask yourself the following questions before signing the contract:

- Am I willing and able to pay the quoted fees?
- Am I willing to provide all the information necessary for the consultant to propose alternative courses of action?
- Am I willing and able to commit to a course of action recommended by the consultant?
- Do I understand that it will take a lot of my time and the consultant's time to complete this project and there is value to this time?

Conclusion

Consultants can be an invaluable resource in making sound decisions. Properly selecting a consultant is not easy and may take a lot of time. However, the payoffs can be enormous. The time and effort spent choosing a consultant is a good investment.

Sources

Hofstrand, Don, *Considerations When Selecting A Consultant*, Iowa State University, University Extension File C5-400 February, 2003

Meyer, Susan and Margurite Thiessen, *Handout for Interviewing The Professional Session*, Alberta Agriculture, Food and Rural Development, unpublished document

Canadian Consulting Agrologists Association <http://www.consultingagrologists.com>

Australian Association of Agricultural Consultants <http://www.aiast.com.au/>

Appendix 1

Guidelines for preparing a request for consultation (RFC)

1. Background information
 - Determine why are we doing this?
 - Business background – prepare a brief outline of the history and current situation.
 - What events, circumstances and issues led to requesting this consultation?
2. What is the goal of the consultation?
 - Write a brief statement about what you want to accomplish as a result of the consultation.
3. What objectives must be met?
 - Write three or four detailed items that you can take action on in the future.
4. What is the start and end date for this consultation?
5. What is the budget for this consultation?
 - Provide a maximum cost that you will pay. The old adage, “you get what you pay for” applies here. A quality consultation may start at \$2,500.
6. What are the outcomes (deliverables) of this consultation?
 - List the items you want to see come out of the consultation. Examples may include a written final report and/or a presentation.
7. How will deliverables be assessed?
 - Describe how you would like the consultant to keep you “in the loop.” Examples may include meetings and interim reports.
8. What process will be used to achieve deliverables?
 - Ask for a preliminary work plan with activities, deliverables, time estimates and a schedule.
9. How will the consultant be selected?
 - Describe how you will pick the consultant – the interview process, criteria, etc.

Sample Request for Proposal

IMA Farmer – Anywhere, Alberta

1. Background information

Why are we doing this?

- Our family has decided that the time is right to pass the farm on to our 28-year-old son who has been working on the farm for the past 10 years. However, we have three other children who live off the farm and we would like to treat them equally when dividing up the estate.

Business background

- Our farm is a mixed operation in central Alberta. We run a 250 head cow-calf operation and have four sections of land. It has been quite profitable over the years and we have almost no debt.

What events, circumstances, issues, etc. led to requesting this consultation?

- Since getting married last year, our farming son has told us he wants more say in running the farm.
 - We really haven't thought about retirement plans or how we will have money for our retirement, but maybe it's time.
2. What is the goal of the consultation?
 - We would like three options in deciding how to pass the farm on to our children.
 3. What objectives must be met?
 - The farm is passed on to our son at minimal tax cost.
 - The three children that live off the farm must have a fair and equal share of the farm estate.
 - We must have enough money for our retirement.
 4. What is the start and end date for this consultation?
 - Start date: November 1
 - End date: April 30
 5. What is the budget for this consultation?
 - No more than \$5,000.

6. What are the outcomes (deliverables) of this consultation?

Products

- A farm transfer proposal with comprehensive descriptions of:
 - current business situation
 - requirements for transfer
 - a minimum of three options for transfer that will meet our objectives
 - an analysis of all options considering tax, ownership and family implications
 - A checklist of questions for our use when we visit our accountant, lawyer and financial planner.
7. How will deliverables be assessed?
- Meetings: We see at least three meetings with the family – an initial data-gathering meeting, an interim meeting and a final, wrap-up meeting.
 - Reports: To coincide with the meetings, we require written reports in three stages: after the initial, data-gathering meeting; before the interim meeting and before the final meeting
 - You can keep in touch with us by phone, fax or e-mail.
8. How will the consultant be selected?
- We will use a thorough interview process to select the consultant. He/she must demonstrate a sound knowledge of farm estate planning and have experience with somewhat confrontational atmosphere during family meetings.

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