

AGRI-FACTS

Practical Information for Alberta's Agriculture Industry

Revised December 2015

Agdex 811-8

Define Your Goals: Personal and Family Considerations (Step One)

Agriculture Business Alternatives

Agriculture Business Alternatives is a series of factsheets designed to help you evaluate the feasibility of starting a new agricultural or rural-based business. The worksheets help you define the critical information needed to move your idea forward.

Maybe you have been running a successful business and want a new challenge. Perhaps your family wants to generate additional income beyond your traditional business. It could be that you are new to agriculture and want a way to support the rural lifestyle you seek.

If you fit any of these scenarios, you are not alone. Interest is growing in Alberta for new opportunities in agriculture.

This factsheet will help you evaluate how your family feels about starting a new agricultural business. It will provide a foundation for decision-making by exploring three areas:

- 1) Strengths and weaknesses: how will family skills benefit the business?
- 2) Family needs and preferences: what values and expectations drive you?
- 3) Future possibilities: what are the key collaborative goals going forward?

Worksheets are included with this factsheet as part of the assessment. It is best if all family members take part in these exercises, not just managers or those active in the business.

Working through the exercises in this factsheet can help families avoid conflict. The exercises should also generate open and honest discussions that will bring fresh thinking and new insights for the business.

*Your first step
is to assess
existing business
management skills*

Business Qualities Checklist

The first step of any new enterprise is to assess existing business management skills. This assessment includes an honest look at the management strengths and weaknesses of all family members. There are no

right or wrong answers, but certain personal attributes will be beneficial when running an independent family business.

Fill out **Worksheet 1: Business Qualities Checklist** before continuing. All family members should complete the exercise, even if they have little business experience or only a limited role in the farm business.

Evaluating the Business Qualities Checklist

Here is a look at what the checklist could indicate:

If you checked most items throughout:

Congratulations! You likely have exceptional business management potential, and these skills set you up for a good chance at success.

If you checked more than half the items in each section:

You have a good set of skills that will benefit a new enterprise. You may want to look at the areas where you checked fewer items and consider how to increase these skills or seek out others to help you.

If you checked only a few items in each section:

You may need to consider increasing your entrepreneurial skills in these areas or seek expertise in these areas before starting a new agricultural enterprise.

Other questions to consider: Although business skills can be learned or improved, would finding time for additional education bring more pressure to a new venture? Did you find qualities in a family member you had not seen before? Could a new or different role in the business be delegated to this person?

Family needs and preferences

An open discussion about individual expectations at the beginning stages of the business can lessen future problems. Family members will look at four categories
In Worksheet 2: Family Needs and Preferences:

- 1) satisfaction with your current business or employment
- 2) willingness to take risks with a new enterprise
- 3) hopes and concerns for the future of your business or employment
- 4) enterprise preferences

Worksheet 2 is a four-part worksheet that allows family members to evaluate both current satisfaction and future concerns. It is best if each family member completes his or her own worksheet before moving on to the evaluation.

Evaluating the family needs and preferences worksheet

Once each family member has completed the worksheet, compare responses with those of other family members. If your answers are similar in every category, your family may be well positioned for success. It is more typical for a family to disagree on several subjects, with some areas of agreement. Read on for additional insights into the responses.

Satisfaction with your current business or employment

Starting up a new enterprise can add stress to a family's relationships and finances. Evaluate the family's current situation and review areas of potential discord that came up in this satisfaction section of the worksheet. For example:

- Look for areas where family members are either very satisfied or dissatisfied.
- If someone is unhappy with family relations, it is a red flag for the new enterprise.
- If a family member likes his or her current role in the business, will that role change or stay the same?
- How do family members perceive financial stability, now or in the future?
- What is the importance of family downtime, now and in the future?

Managers may have a more positive attitude toward the business than others, but everyone's opinion is valid. Use the answers to start a discussion about limits and expectations, and come up with your family's personal guidelines for evaluating different enterprise options. You may want to discuss questions like the following:

- How much income can the family sacrifice, and for how long?
- How heavy a workload can the family tolerate?

Willingness to take risks with a new enterprise

Non-traditional and innovative enterprises tend to be more risky than other businesses, but profits can be higher. Business risk can bring uncertainty, and people react differently to this type of stress. This exercise gets feelings about risk tolerance out in the open. If two or more people with a financial stake in the business feel differently about risk, conflict is likely.

In this section, you should be asking key questions:

- Are all family members equally comfortable taking risks?
- If your new enterprise requires an infusion of cash – from savings or financing – is everyone comfortable with this action?
- What is the plan if the new enterprise fails, and how does that affect the current income?
- Should you limit risk to a set amount, like a \$10,000 investment on a trial basis?

Hopes and concerns for your business or employment future

Although family members may not be able to reach complete agreement, having common goals and expectations helps you work as a team. This section uncovers the family's key motivators:

- How important is profit and high income?
- How important is having or maintaining a rural lifestyle?
- What are family members willing to sacrifice to stay in a rural community?
- How do family members perceive their individual roles in the business?
- Which role does each wish to claim in the future?
- What is a reasonable family balance of all motivating factors?

In discussing areas of agreement and disagreement, make sure family members understand and respect each other's concerns. Be sure to focus on the common ground.

Enterprise preferences

This section explores which areas of the business interest each individual and provides insight into which people skills pair with which business duties. Here are questions to consider:

- Do family members prefer one type of agriculture over another?
- Does the family want to look beyond traditional crops and livestock to other ventures like food processing, woodlot, aquaculture or marketing direct to customers?
- What pace do family members prefer: the steady pace of a year-round dairy operation, for example, or the hectic pace of growing seasonal bedding plants?
- Is your business labour-intensive, and is the family prepared to commit the time to recruit, train, supervise and possibly house staff?
- Many new farm enterprises provide a service to the public and need people who are outgoing and genuinely enjoy others. Which family members prefer this type of business (or not)?

Here are a few examples of service-based businesses to get you looking at the possibilities for your family:

- bed and breakfast
- on-farm recreational opportunities, like cross-country ski trails

- vendor at a local farmers' market
- u-pick or pick-your-own opportunities or on-farm produce stands
- Community Shared Agriculture projects
- seed and supply distribution
- farm tours, hay and sleigh rides
- petting zoos
- kennels
- farm festivals and special events
- online gift business using farm-based products
- small engine repair

After completing this section, you may find that it is hard to create a new enterprise that everyone can get behind. There are many different business opportunities available in agriculture. See the factsheet *Consider your Options: Identifying Possibilities (Step Two)*, Agdex 811-9 or *Farm Direct Marketing for Rural Producers*, Agdex 845-6, for more ideas.

Dealing with conflict

By this point in the process, you may have uncovered disagreements among family members. It is important to remember that conflict is normal, and even healthy, sometimes. Still, conflicts need to be identified and worked through, so they do not become something bigger later on.

The following conflict recommendations are based on *Resolving Family and Business Conflicts*, an online article from the Extension and Outreach Department at Iowa State University.

1) Initiate communication

Find a way to keep information flowing and allow family members to express concerns in a non-judgmental environment. Try holding regularly scheduled family meetings.

2) Involve all family members in decision-making

Listen to everyone's needs – even those not directly involved in the business – since all family members are affected by the business.

3) Reinforce and solidify agreements, while negotiating disagreements

Recognize what you have in common before focusing on areas that you do not agree on. Once you have addressed what you agree and do not agree on, gain commitment to a course of action that the entire family can support.

Goals and objectives for a new enterprise

Here is where you move from evaluation to creating concrete action steps. Worksheet 3 will help families define their goals and objectives. Remember, there is more than one way to move forward or set goals for your business. Find out what works best for you.

Fill out **Worksheet 3: Goals and Objectives for a New Enterprise**. Have all family members work on this section to ensure there is basic agreement on the new enterprise.

Bringing it all together

The following example guides a fictional family through the process using the information in the worksheets.

The Amber family wanted to add a new enterprise to their mixed grain and dairy operation.

All the family members completed **Worksheet 1: Business Qualities Checklist** and discovered their oldest son, Jim, had excellent leadership skills.

For **Worksheet 2: Family Needs and Preferences**, the Amber family learned the following:

- Paul, the father, was willing to risk a moderate amount of money for the new enterprise.
- Margaret, the mother, was not interested in a new enterprise because of her busy off-farm job.
- Hal, the younger son, was not interested in farming once he was out of school.
- Daughter Susan was enthusiastic about trying something new and loved anything to do with growing fruits and vegetables.
- Grandma Jean's enthusiasm for working with people was clear to everyone.
- Jim's comfort in supervising workers and dealing with customers was a surprise.

After completing **Worksheet 3: Goals and Objectives for a New Enterprise**, the family brainstormed several business ideas and set a rough financial goal:

- Paul, Jean, Jim and Susan decided they wanted to be involved in the new enterprise.
- Everyone agreed to leave the leadership role to Jim.

- The first choice was a horticultural enterprise with a farm-event business as a second choice followed by a farmers' market business enterprise as a third choice.
- The current grain and dairy operation and Margaret's off-farm job would be maintained.
- The goal of the new enterprise was to provide supplementary income for the family.
- They set a profit goal of \$10,000 per season and designated \$8,000 of the total to be put towards family living expenses.
- The Ambers made a family decision that Paul would work in a supervisory capacity while Jim, Jean and Susan would be actively involved in the new enterprise.
- The family agreed that Jim, Jean and Susan would not work in the dairy operation for one season.
- If the enterprise did not succeed, the family agreed they would fund the new venture to a maximum debt of \$3,500.
- They agreed the new enterprise would start on a small scale so their primary income – the dairy operation – would not be greatly affected.

The process was a positive experience because everyone's needs were recognized, and the family members found a path forward that satisfied all.

Your next steps forward

Congratulations on completing this first important step of defining your goals and making sure your family is part of the decisions.

Identifying your family's strengths, weaknesses and differences of opinion is just the beginning of an exciting journey to bring your new agricultural enterprise to life. Now that you have sought the input of your family early in the process, you are well on the way to achieving the success you hope for.

This factsheet is one in a series of Agriculture Business Alternatives factsheets that help you evaluate the feasibility of starting a new agricultural or rural-based business.

For the next step in this process, see the factsheet *Consider Your Options: An Inventory of Possibilities (Step Two)*, Agdex 811-9.

References

Hofstrand, D. (2009). *Resolving Family and Business Conflicts*. Retrieved from <http://www.extension.iastate.edu/agdm/wholefarm/html/c4-74.html>.

The Agriculture Business 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

Agriculture Business Alternatives factsheet series:

Define Your Goals: Personal and Family Considerations (Step One), Agdex 811-8

Consider Your Options: An Inventory of Possibilities (Step Two), Agdex 811-9

Identify Your Market: Right Buyer, Right Price (Step Three), Agdex 811-10

Assess Your Resources: Examining Production Requirements (Step Four), Agdex 811-11

Review Your Finances: Making the Money Work (Step Five), Agdex 811-12

Analyze Your Profitability: Managing Your Growth (Step Six), Agdex 811-13

Launch Your Business: Time for Action (Step Seven), Agdex 811-14

Build Your Network: Reaching Out for Support and Advice (Step Eight), Agdex 811-15

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Step 1 - Worksheet 1: Business Qualities Checklist

Each family member should complete a copy of this worksheet.

Directions: Check the statements 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 technical areas.
- I have managed a business before.
- I keep good records of production and finances.
- I use and understand financial statements.

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Step 1 - 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 like to spend less time working at my off-farm job.	1	2	3	4
4. The current farm business or employment 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 my current farm business or employment the way it is.	1	2	3	4
8. Family relations are strained because there isn't enough money.	1	2	3	4
9. Too often I sacrifice things I like to do for the sake of my current farm business or employment.	1	2	3	4
10. My current farm business or employment 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

	Strongly Agree	Agree	Disagree	Strongly Disagree
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

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

18. It's important to me that the farm provides 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 a 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 do now.	1	2	3	4
26. I would like to have more responsibility in the business.	1	2	3	4

Selection 4: Enterprise Preferences

	Strongly Agree	Agree	Disagree	Strongly Disagree
27. I would like to work with livestock.	1	2	3	4
28. I would 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 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 do is have 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

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Step 1 - 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 ag-business(es) or non-agriculture job(s)

_____ Replace your present ag-business(es)

_____ Replace your non-agriculture job(s)

_____ Other: _____

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

Current Ag-Business _____

New Enterprise _____

Non-agriculture employment _____

Other _____

Total _____

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