

A Guide for Developing

Best Practices For Farming with Family



***Achieving Success in the Family Farm
Business... Improving Communication and
Decision Making***

The Canadian Farm Business Management Council

The Canadian Farm Business Management Council (CFBMC) is the only national organization in Canada devoted exclusively to developing and distributing advanced farm management information.

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A Guide for Developing **Best Practices For Farming with Family**

Achieving Success in the Family Farm Business... Improving Communication and Decision Making

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Dedication

This manual is dedicated to the Farmers of Canada. Firstly, the senior farmers who, through often difficult life experiences, provided valuable ‘time tested’ strategies. The Farmers of today, who continue to strive to achieve effective teamwork on their family farms, and the farmer of tomorrow, who will start by setting forth a plan for the family farm team. The winning edge goes to those families who together establish effective family farm business teams.

About the Authors

Jim Soldan is the principal in *The Family Furrow*, where focus is on the ‘people’ part of family business. With a lifetime of experience in working with farm and family business teams, Jim has aptly noted that the family ‘team’ is the real engine of the business; where ‘people flow’ statements prove to be foundational to cash flow statements. “Working closely with family business teams has enabled me to present a workable plan for farm family team operation.” My roots and continued involvement in our own family farm business (the 100th anniversary at time of writing) have given me the passion to work with farm family business teams. This manual contains the ideas, strategies, and ideals of many farm family teams that have made the journey to successful family farm business operations.

He has taken his formal training at the Northern Alberta Institute of Technology, the University of Alberta and the Justice Institute of BC. He considers it an honour and a privilege to be able to work with farm families.

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Forward

The process of planning should be undertaken by all family farm enterprises, from corporations to parents with adult children. Willingness to participate by all team members is essential. A positive attitude is key.

“I really didn’t think this pertained to us. But as we read through and assessed it, we actually found that this is great – every farm family ought to carry out the procedure as outlined in this text.

Stephen Higgs, Dairy Farmer, Abbotsford

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Preface

There is no end to operating procedures for the production components in family farm businesses. Guidelines exist for herd development and cropping strategies. Well-defined maintenance schedules exist for machinery. Herd health programs are strictly adhered to on a timely basis. The list goes on and on for the management of the all-important area of production. Likewise, it is crucial that farm family team members (the people), the core of your business, develop guidelines to help optimise the farm's relational health, growth and sustainability. Since the team members are the ones who carry out these operating procedures, it is fundamental that careful attention be paid to them.

Why would a family farm business concern itself with proper team operating procedures and guidelines? Simply put, today's farms are larger. Often several families now exist and work together whereas in the past there was just Mom and Dad. The resulting vast array of personalities dictates that guidelines for interaction be established, thereby ensuring that individual input and/or concerns are addressed. These guidelines will then serve to reflect the values of the team members.

Unless a defined structure that allows for and works with individual personalities, needs, and views exists, the multiple families and members will face difficulties in operating as a team. As long as the team can work together, they will avoid the often overlooked high cost (physical, emotional and financial) of splitting up a large farm. Thus, it is crucial that human relationships and business management in a family farm business be

guided by principles that promote healthy and respectful interaction.

This book follows the philosophy that the family, carrying out the various responsibilities is the ‘heart’ of the family farm business. People need to feel valued and team members need to have a common purpose. This is best achieved through a collaborative approach, where team members help to develop a shared vision and participate in the direction and decisions of the family farm business. Team members also need to understand the importance of their contribution and commitment to the success of the business. This participative approach builds on members’ skills, which in turn fortifies the business through the effects of harmonious and collaborative team member relationships.

This is not an easy process, though, and many choose to ignore it as a result. Those who choose to engage in this process find success demonstrated by increased profit and harmony, and the realization of leaving a positive legacy. Successful farm families have found ways to minimize the risk of adverse member relationships by establishing structured operating procedures. That is the focus of this book..

Introduction

The farm landscape of Canada is scattered with farms that have been in the family for generations. For some, keeping and maintaining that farm in the family over generations has been easy; for others, more difficult. And what works for some, doesn't always work for others. Maintaining and passing on a generational farm business has its challenges and triumphs. What can farm families do to improve their chances of continuing as a family farm business for generations?

What can farm families do to improve their chances of continuing as a family farm business for generations?

Why do we pose this question to family farm business? In the text that follows, we will see that it is a most critical question. First, the reality of the situation is that there are now many family members in the business, wherein the past, there was just Mom and Dad. The farm now includes a conglomerate of personalities, each with their own individual needs, beliefs, direction and concern. In addition, today we see many family farm businesses coupled with non-family employees.

It is difficult to commit to memory the procedures and arrangements required for effective operation of the farm. But by setting up schedules, work profiles, and guidelines, these can all be staffed by a person proficient in these areas. By entrenching these formalities it ensures management decisions are based on well thought-out rationale; not on emotion, whim or anger. With this thoughtful management process, the family farm business prevents such inevitable outcomes as resentment, confusion over responsibilities, development of poor attitude, and discontent based on lack of vision and goals.

When we examine our successful family farms, we see a variety of common occurrences.

- These families share common values, culture, history, and purpose. Not only do they share these, but they adhere to them with passion.
- Successful farm families also have well-defined and well-understood business practices and procedures, based on the collective input of all.
- In addition, these families embrace and strive for competence in communication and business skills, the source of real success.

An absence of effective communication and business skills are two of the greatest causes of family farm business failure.

In order to help improve their chances of continuing as a family farm business for generations, family farm businesses need to develop an Instruction Guideline that optimises the effectiveness and cohesion of the team. This book is designed to help this process by guiding the team toward assessing the present state of the business. With objectivity in mind, strategies in this book are formulated around five distinct areas. These are:

- Assessment and Audit
- Policies and Procedures
- Recruitment and Development of the Team
- Internal Compensation System
- Planning and Review Systems

This Instruction Guide is designed to be used by a facilitator to assist the family farm team through the process. Still it can also be effective in the hands of the family farm team itself, although movement through the steps will be more difficult.

It is recommended that the previously published series “*Managing the Multi-Generational Family Farm*” and “*Employers’ Handbook for Agriculture & Horticulture*” be referred to as you develop your own Instruction Guideline. These manuals further detail the ‘how to’ for many of the skills and processes mentioned in this book.

It is imperative to note that the success of any initiative is tempered by the desire to effectively embrace change.

Change, through professional management, as laid out in this book, will require extra involvement on the part of the family farm business team.

The benefits of developing your *Best Practices For Farming with Family* are determined by two things:

First, the extent of realizing the importance of this initiative for your family farm business, and

Second, following through; taking action, acting on the initiatives stated here and refining them to the point where they fit your family farm business specifically, effectively and comfortably.

Best Practices For Farming with Family is for anyone who farms with family members. It is designed for those who want to make their team function better, and be better prepared to deal with management issues of the family farm business. Having started the process, their desire is to build on that development. This guide provides the needed framework upon which to develop an effective operating mechanism for the team members. Additionally, this guide is especially good for managers who want to know how to build on what they have

This directive is guided by the belief that there exists a desire to improve on the success that is present within the business today.

already started towards creating real team success in the business.

The range of benefits from establishing your Family Farm Operating Guideline includes:

- improving the recruitment and development of team members
- establishing sound and proactive planning; thereby eliminating ad hoc decisions
- bringing clarity and understanding to pay and overall compensation
- formulating procedures, which provide guidelines for orderly functioning
- establishing fruitful team member relationships and interpersonal harmony

The initial process of setting up this Guideline could take four to six months to complete. Still, to be effective once established, it will require continuing and dedicated follow-through. Overall success of this initiative is determined by the amount of continuing work, desire and will to carry on with the plan and make it happen.

For the purposes of this guide, when the term employee is used, it refers to BOTH family and non family, unless otherwise stated. Some sections will have Planned Activities and Examples; these are guides to help you start the process.

Take the journey into developing your own Guideline, initiated by the family, for the family farm business, by following this step-by-step process. Ultimately this procedure has within itself the basis for effective farm family business management for generations, the result

being the development of an effective, harmonious and well-managed family farm business.

The development of your ‘Best Practices’ is not at all meant to be a daunting task; rather, an enjoyable challenge involving ALL of the team.

Take one Step at a time, and work it through to completion before proceeding to the next Step.

Begin by first reading this Instruction Guide through in its entirety.

Join us now as we present . . . ‘Instruction Guidelines’; assisting you in achieving success in your family farm business

Step One

Beginning the Process... how and where do we start?

As a family farm business grows and develops, it moves through phases. At the beginning, the business structure is usually simple, with the team consisting of only Mom and Dad. Then, as the farm grows, it begins to encompass siblings and their families, employees, and sometimes, grandparents. Thus begins a dynamic business state.

As your family farm business grows, the complexities that come with growth (ownership issues, roles and responsibilities, who decides, etc.), dictate the need for formalized management. Through the introduction of organized systems (policies and procedures based on collective input), the family farm business can experience a much greater probability of continued successful business.

This now large and multi-member family farm business requires organized and proactive handling of the complexities presented through changing consumer demands, free trade, non-family employees, multi-generational teams, succession, and a host of other hurdles and challenges. A short analogy follows:

When Mom and Dad had two cows, they could be housed in the chicken coop, along with the chickens. Along come 200 cows. Now there exist cattle barns, employees, time sheets, job descriptions, sons working with their sons, working agreements, performance reviews, and so on.



*A positive attitude is
critical for success!*

Inherent in the need to meet these challenges lies the need for purposeful planning, establishing goals, and implementing effective management procedures for the team, just to name a few.

Effectiveness of operating this new state of family farm business comes through open consultation with the entire team. Now then, one might say, *“that is fine for you to say, but we don’t talk about business things.”* This may be true; and it may very well be that certain things at this point are not easy to talk about. In fact they may be downright difficult, especially if a long period of time has passed without significant discussion about important family farm issues. Where do we go from here? Nowhere; unless talking and encouraging fully open discussion, is part of all team members’ daily activity.

“The absence of communication is NOT an option”. Communication is the KEY to all successful family farm activity!

If you have become a member of the family farm business team, you do not have the luxury of disassociation. If you have no desire for association, or do not want to talk or listen, you must excuse yourself from the team. Your responsibility as a family farm team member is to acknowledge the other members’ needs and help build a cohesive team relationship. **The family farm business requires a team approach and if you are serious about keeping the operation going, making it a family affair, making improvements and wanting to have plans in place to deal with important issues, you must develop and maintain effective, respectful team interaction.**

To help in the development of this ‘Instruction Guideline’, it is recommended that different members select areas in which they would like to take the lead role in putting together both the required information and framework.

Background to the Process

The family farm unit comprises over 87% of farms across Canada, and is the driving force behind this initiative and this manual. This book provides the basics for sustained growth of the family farm business (developing an efficient team). It draws on the findings of many involved in farm family business and tells what successful families in business do.

As you begin this process, pay attention to the following guidelines:

DO:

- Come to terms with the need for this initiative by objectively examining your situation
- Assign a 'leader' to this process
- Establish a plan; who, what, where, when, how
- Involve EVERYONE from the very start; inform them of the initiative
- Ensure everyone understands their role and what is required of them
- Match roles with corresponding expertise
- Set in place an accountability process.

- Reward members with recognition for work done in this area
- Commit the process to action
- Understand it will take time before results are seen; stick to it
- Consider an outside facilitator to help you through the process
- Understand it will take regular review and refinement

- Understand that this must become a regular part of your management process

DON'T

- rush it; the initial set-up will take 4 to 6 months to complete
- direct; do give members options and ensure participation
- make it difficult for yourself; stick to the outline
- write a book; your goal is a simple, readable and useable document
- just talk; do it, act on what you say

As you work through this guide, begin to develop your 'Guideline' by using the same outline, and just filling in your specific information. Insert your own names, needs, values, beliefs and ideas of how the farm business ought to operate. Some sections will require individual thought before ideas are presented for the development of the 'whole'.

Statement of Family Farm Business Values

Successful farm families must adhere to a statement of values (see definition, page 86) for both business and family. Often these are passed down from generation to generation and are understood, although most often, not written down. Values, in order to be understood and lived out, by all involved, need to be written down and documented. This is especially helpful for the incoming in-laws.

In a meeting with your family farm team, discuss what each member values in terms of several pre described

areas important to your family farm team. It is of little sense to work as a family farm team unless an acceptable level of agreement and acceptance around values exists. In fact it is dangerous to physical health and relationships if people working together in the farm business have deep divisions along value lines. In situations where individuals working together have differing values around important issues these differences need to be recognized and action must be taken toward resolve. Talk about it and try to learn what is at the heart of another's beliefs. This exercise brings group understanding and creates a greater tolerance for another's position. The farm needs group values which govern how it operates; individual values and business values are needed to mesh for strong relationships and a successful operation.

Planned Activity

The following are some examples where clarity of individual team member values needs to be discussed. Ask yourselves, and document, for example, “What do each of us value in terms of:”

- | | |
|--------------------------------------|--|
| <input type="checkbox"/> Teamwork | <input type="checkbox"/> Money |
| <input type="checkbox"/> Power | <input type="checkbox"/> Size of operation |
| <input type="checkbox"/> Recognition | <input type="checkbox"/> Amount of work |
| <input type="checkbox"/> Competence | <input type="checkbox"/> Recreation |
| <input type="checkbox"/> Family | <input type="checkbox"/> Learning/upgrading/training |

Then go about developing your own collective list of guiding values. If there are deep differences in major areas, examine the issue in-depth. Often issues are not clear or words mean different things to different people; take the time to analyse fully through purposeful and focused discussion.

The reason for first defining all the members’ values, is that these values will be reflected in the goals that you as a team will develop collectively.

Writing the History of Your Business

Most successful family farm businesses have a clear understanding of the path the generations have travelled to get to where they are now. A documented and written history helps to achieve this. The following is a step-by-step procedure to take you through the first exercise of purposefully carrying out a team task. This process can be applied to all other required tasks.

1. Keep it simple, as this is your first step. It does not have to be a book, but it needs to have contribution from all, thus making it complete.

2. Ensure commitment by involving all members of the team from the beginning.
3. Let everyone take a part in the project work.
4. Put action to your words; set dates to discuss problems, concerns, needs, first draft completion and organization of material.
5. Celebrate your accomplishment; start by thanking each other.
6. Begin the next task in a similar fashion.

At your first meeting, begin discussion around these points:

Planned Activity

- Start by each person telling a family story or a remembrance of the time past of the family farm business.
- Contact members of the older generation, or friends, and add their input.
- Recount and document the feelings and emotions of the stories.
- Gather as much relevant information as possible.
- Record all information and decide who will be responsible for what area; eg. writing, taping, research into dates, times, places, pictures, geneogram and someone in charge (organizer) of the entire project.

Is There Another Option?

After completing the statement of values and written history of your business, you are ready to discover the exciting area of developing an Instruction Guideline for your family farm business. Before we begin however, we ought to ask a question.

Is there another option to developing an Instruction Guideline for family farm business?

Yes!! Simply, not being in business together!

We approach this initiative from the point of view that there is a strong desire to be in business together, and there also is a strong desire to make it work. Realize that it is far better to be in the farm business together than apart, understanding that the benefits far outweigh any downside, and any downside can be worked through to the satisfaction of all, is the premise to build on.

Planned Activity

Beginning the Process of Developing your Instruction Guideline

1. Members should have already reviewed this Instruction Guide on their own and answered the initial questions “What Successful Family Farms Businesses Do” (page 12).
2. Schedule a block of time when and where all can meet.
3. Select a team leader for the development of this Instruction Guideline.
4. Introduce the project; ask for thoughts, ideas, and record input.
5. Establish an ‘accountability’ process (page 33)

Step Two Assessment and Audit... “where are we TODAY?”

The Business Structure

Before you and your farm family team can begin to make the necessary changes and implement any structured process, it is essential to view the situation as it exists presently.

This audit is done to more clearly understand the present situation so that remedial action can more accurately meet the need. It is very important to note the following. Concentration on the past is not part of this; however, acknowledging and understanding the past is crucial. If a business does not understand past situations and the reasons for them, it stands to repeat them. Knowing that we cannot change yesterday, it is imperative that we do not dwell on the past, rather we should seek to understand what may have gone wrong and commit to not allowing that same to happen again. We do this by purposely concentrating on tomorrow. Laying a foundation (an Instruction Guideline) will go a long way to preventing a repeat of the past.

In addressing the assessment area, you will be documenting things as they actually are. This is important to note, as it is very easy to view certain areas of your farm family business, and view them, as you would like to see them, rather than how they really are. Thus document all as it actually exists right now.



What are we? A business description

In this section, summarize what your business is. Include the physical, production, and human resource components. An example of a business description of a family farm business may look like the following:

Example

“We are a second generation nursery; our business consists of 5 thousand feet of poly green house situated on 15 acres in east Surrey. The business involves 3 families and their adult children, along with 2 full time non-family employees and 8 casual employees. We produce 100,000 stems of roses and manufacture clay vases ... etc.

Planned Activity

To help you clearly present your family farm business as it exists today, answer the following questions.

Today's date: _____

1. How many employees? FT. __ PT. __ Seasonal __
Family __ Non Family __
2. List employee names with corresponding positions.
3. Type of farm business: _____
4. How long has the business been in operation? _____
Date / year started _____
5. Number of generations involved: _____. Number of family members involved _____.
6. Size of farm business? _____

7. Location: _____
8. Overall condition of farm: poor __, moderate __, or well kept and maintained _____
9. Condition of equipment: old __, moderate __, up-to-date _____

10. Overall proficiency of operation: lacking____, moderate____, high____.

11. Production measurements and level of efficiency:

12. Facilities and equipment effect on farm business: negative____, effective____, positive____.

13. Additional statements of description:

What are our business assets?

A full assessment is incomplete without a detailed description of the financial status of the business and a clear understanding of it, by all family members.

Describe the farm's financial structure, including: share structure if present, balance sheets, cash flow, income and expense statements for the last few years, and debt structure. Ensure that the statements and numbers are fully understood by all family members. This may require the services of an accountant to clearly explain what the numbers actually mean. The key is accuracy of numbers presented and understanding of these numbers by all team members.

Planned Activity

How does our business team function?

Gaining a solid understanding of the workings of the business leads to a greater degree of ability to begin to see where improvements are needed.

Planned Activity

Rate your family farm operation in the following areas on an increasing scale of 1-5, and discuss as a group.

- | | | | | | |
|-------------------------------------|------------------|--------|--------------|---|---|
| | adhoc / reactive | | proactive | | |
| 1. Overall operating procedure: | 1 | 2 | 3 | 4 | 5 |
| | adhoc / reactive | | proactive | | |
| 2. Working Procedure (everyday) | 1 | 2 | 3 | 4 | 5 |
| | closed | | open | | |
| 3. Communication: | 1 | 2 | 3 | 4 | 5 |
| | Uncomfortable | | comfortable | | |
| 4. Emotional climate | 1 | 2 | 3 | 4 | 5 |
| | strained | | effective | | |
| 5. Working Relationship | 1 | 2 | 3 | 4 | 5 |
| | never | seldom | regular | | |
| 6. Planning and Review (individual) | 1 | 2 | 3 | 4 | 5 |
| | never | seldom | regular | | |
| 7. Planning and Review (business) | 1 | 2 | 3 | 4 | 5 |
| | never | seldom | regular | | |
| 8. Family / team members meetings | 1 | 2 | 3 | 4 | 5 |
| | unsatisfactory | | satisfactory | | |
| 9. Present operating condition | 1 | 2 | 3 | 4 | 5 |

Illustration 1

**What Successful Family Farms Businesses Do:
Do you,**

- | | Yes | No |
|---|-------|-------|
| 1. develop written policies and guidelines for operation? | _____ | _____ |
| 2. hold regular and purposeful meetings for family and business issues? | _____ | _____ |
| 3. keep journal account of meetings? | _____ | _____ |
| 4. have a structure for training and development? | _____ | _____ |

5. participate in regular training and/or upgrading? _____
6. purposefully and regularly plan and carry out recreational events with all members? _____
7. move to resolve conflicts quickly; don't invest in a culture of conflict? _____
8. implement programs to build production, management and communication skills? _____
9. have written policies and procedures exist for all areas of operation? _____
10. develop compensation systems that show why people get paid what they do, and what they can expect to get paid? _____
11. have fun and enjoy each others company; recreate together regularly, and purposely? _____
12. maintain and encourage a 'two way' feedback for ALL employees; family and non-family? _____
13. develop job descriptions and maintain them, for all positions? _____
14. strive to ensure that the most capable person fills the position? _____

Date _____

How many of these 'initiatives' does your farm family business carry out? _____

Do you find these 'do's' difficult to carry out?

Why would some teams and or members find this difficult to do? Often team members view these initiatives with scepticism because:

- they don't understand them;
- they look at something like this as another means of someone or something else controlling them;
- pride;
- perceive no benefit; or
- and lack of skill or know-how.

Do written and detailed procedures and policies exist for the following?

1. Compensation program (what we get paid and why)
Yes ___ No ___
2. Employee performance review system Yes ___ No ___
3. Job descriptions - activities, skills and results expected. Yes ___ No ___
4. Training and new employee orientation Yes ___ No ___
5. Operating agreement Yes ___ No ___
6. Ownership arrangement . Yes ___ No ___
7. Hiring Yes ___ No ___
8. Planning and Review Yes ___ No ___
9. Business agreements . Yes ___ No ___
10. Succession strategy Yes ___ No ___
11. Advisory board Yes ___ No ___
12. Dispute resolution process Yes ___ No ___

Regarding the twelve (12) statements above, state the number(s) for those that fit in each of the following categories: Enter 'position' rather than 'name'

a) Details have been communicated to appropriate team members:

written: _____

verbal: _____

b) Which team members are involved in this process?

List appropriate member for each of the 12.

c) Reasons for decisions within each explained to the team:

Yes (state numbers) _____

No (state numbers) _____

Does an Employee Communication Book exist?

Yes ___ No ___

Do team members initial the entries after reading them?

Yes ___ No ___

How much are we paid and why?

What is the rationale for pay in your family farm business? Describe the reasons and/or basis for the pay each of your members receive. Note all contributing factors including bonuses, profit share, housing, vehicle use, product/produce contribution, etc. Enclose grids if available.

Document your system of wage determination. Break it down for the various levels of employment that exist within your family farm business.

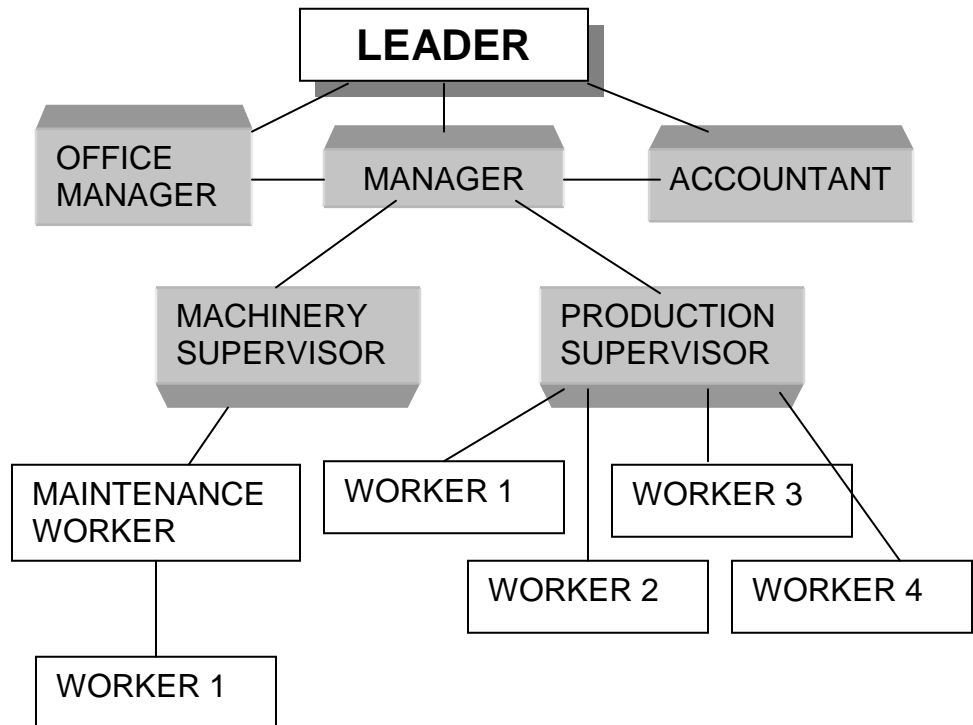
Planned Activity

What is our business' organizational structure?

An organizational chart shows clearly and quickly the chain of command or who is responsible to whom and for what.

Illustration 2

ORGANIZATIONAL CHART



Planned Activity

Prepare a similar flow chart for your farm family business team thus outlining who reports to whom. There are many different possible charts.

The Team

Family farm team members need structure (eg. agreement on vision and goals, job descriptions, evaluation, etc.) and policies (eg. code of conduct) to guide interaction in working and family relationships.

Lacking structure often leads to disputes over such areas as roles and responsibilities, decision-making, performance expectation and individual worth to the business.

Roles, responsibilities and teamwork. Whose job is it?

Unless family farm business team members know who is responsible for what, many jobs either do not get done or are done without the realization of their impact on the whole. Often then leading to ineffective work and activities.

For all team members, document their 'title', the activities they perform, responsibilities they hold and skills required.

Planned Activity

Overall assessment:

	Yes	No	Some- -what
a) Responsibilities clearly defined	_____	_____	_____
b) Employees possess skills required for job	_____	_____	_____
c) Employees understand how their responsibilities impact other team members	_____	_____	_____
d) Employees understand how their responsibilities impact the overall business	_____	_____	_____
e) Team work is evident ...	_____	_____	_____

Analyse your assessment in this manner:

1. Are positions held by the most qualified people?
2. Do employees know their specific roles?
3. Do employees understand their responsibilities?
4. Do employees know how their responsibility affects the entire operation?
5. Do employees understand how their responsibilities impact the rest of the team?
6. Does harmony exist amongst and between all the team members?

Discussion of the above points amongst the entire team will provide clarity and point out where improvements need to be made.

How do we handle decision-making?

Good decision-making paves the road to sound management, and the means by which members make those decisions is one of the vital keys to family farm business survival.

Four types of decision-making styles are listed below:

1. Autocratic – One person, usually the leader, making the decisions with or without consulting others. Favoured by the military and patriarchal organizations. It is well suited to emergencies.
2. Majority – The democratic approach stipulates that 51% carries the decision. This style is used extensively in companies with shareholders and directors, and in politics.

Has this action positively or negatively affected:

a) the family, or b) the business?

Family	1	2	3	4	5
Business	1	2	3	4	5

Negative affect positive affect

e) Do you usually have enough information when a decision is needed? Yes ____, No ____

Has this action positively or negatively affected:

a) the family, or b) the business?

Family	1	2	3	4	5
Business	1	2	3	4	5

Negative affect positive affect

f) Are the people who will have to implement the decision involved in making that decision?

Yes ____, No ____

Has this action positively or negatively affected:

a) the family, or b) the business?

Family	1	2	3	4	5
Business	1	2	3	4	5

Negative affect positive affect

As one can see, changes may be required in certain areas. The answers to the previous questions will demonstrate where and how your team can engage in more effective decision-making.

What is the emotional climate?

The emotional climate of the team is the outward expression of what is going on inside of the people, and has the power to affect the family and/or the business. A

positive emotional climate is essential in the development of an effective team and a sustainable and profitable farm business.

Team members of this family farm:

	disagree				agree
1. are happy and content.	1	2	3	4	5
2. share a lot of laughter as a team.	1	2	3	4	5
3. recreate a lot together.	1	2	3	4	5
4. can talk about any issue in absence of fear.	1	2	3	4	5
5. seek advise and help from one another regularly.	1	2	3	4	5
6. willingly provide advice and help without being asked.	1	2	3	4	5
7. have confidence in each other, and are trustworthy.	1	2	3	4	5
8. demonstrate respect toward one another.	1	2	3	4	5
9. demonstrate goodwill towards one another.	1	2	3	4	5

<i>Planned Activity</i>

It may now be evident that there are areas requiring disciplined and well thought out action, leading to a better work environment. Open and honest, yet respectful dialogue is the key.

After completing your ‘Guideline’, you will find that the emotional environment will improve on its own accord. In addition, situations will begin to turn around and look more hopeful, because of changes made in operative procedures.

You have now audited and assessed your business and team according to some very definite principles and gauges. From here, you and your team can begin to

develop specific 'Practices' to fit your family farm team and business.

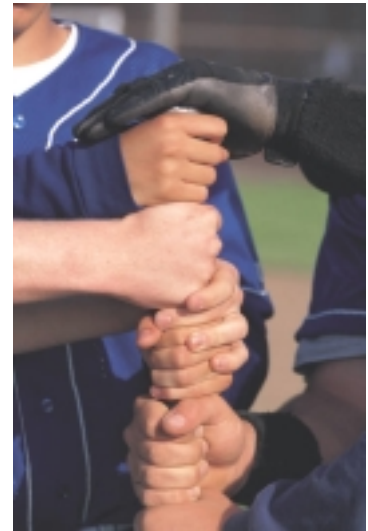
Through the development of these 'Practices', your team will achieve two great milestones in your family farm business. First, you will be on the road to overcoming the struggles that you may presently have, and secondly, you will have laid the framework for handling future issues as they arise.

As you develop Steps 3 to 6, you will keep analysing the parts that you have just completed, so as to determine and implement changes that are needed.

Step Three

Policies and Procedures...the systems and rules that guide our work and relationships

Every business, regardless of size, requires definite systems and rules to abide by. This allows for consistency in operation, freedom of expression without fear, and top managerial performance. For best results, these need to be developed with the contribution of all team members.



Step 3 lays the framework for written statements of operation, which foster good team member relationships and move the business to a higher level of operational efficiency. Previous to this, any existing ‘Practices’ were kept in someone’s head. In addition, they often evolved from emotion rather than well thought out plans with all team member input.

Written policies should exist for such purposes as: Mission Statement, Business Charter, and Code of Conduct.

Written procedures are required for such areas as: Hiring, Discipline, Dealing with Conflict, Upgrading of team skills, Orientation, Meetings, Teamwork, and Accountability.

Policies

Policies can be divided into two parts: important and essential. The Mission Statement and Business Charter are important to develop, though they are not as essential as the Code of Conduct, Qualification for Entry and

Family Member Participation. Nonetheless, both groups serve a purpose.

Mission Statement

Mission statements typically contain three parts:

1. Vision – The purpose of the farm. Where and what it will be in the future.
2. Business definition – The product produced, services rendered, customers sought, and geographic area.
3. Values – Desired attitudes and behaviour that direct your farm business; attitude you will carry out through policy, programs, procedures, personnel selection. It clearly shows “what is important to the team”.

Illustration 3

Mission Statement

We are dedicated to the production of quality milk through organic systems and reflective human resource management to ensure the highest level of safety and flavour for our customers and sustainable employment for our employees.

Or

To achieve the highest customer satisfaction through producing top quality beef produced by organically managed cows within a system of soundly managed employees.

Assign team members the task of individually coming up with what they think would be a good Mission Statement. Later, come together as a group, consider everyone's ideas and develop one statement from them.

Planned Activity

Family Farm Business Charter

The business charter outlines guiding principles for family membership in the family business. With such guidelines, conflicts arising from differing value systems, expectations and overlapping roles between family and business can be minimized. Consistent application of these guidelines brings clarity to production and peace to the team.

Some of what a charter should include are:

- Who of the family will we allow to be part of the business and why.
- An accountability process that is fair and consistent with business needs.
- Employee needs of the business considered before needs of family team members
- Supervision criteria; who, what, where, when, how, how long.
- Defining criteria for job security

Business Charter - Family Member

Illustration 4

Family members:

- *Must meet the same criteria for job requirements and level of performance as non-family members.*
- *Are required to have training and experience prior to being considered for permanent employment.*
- *Will be compensated only at fair market value.*

- *Must complete the normal application form for position available, and will be considered the same as other applicants.*
- *Must complete ** hours of approved continuing education each year.(** set through team discussion and based on policy decision)*

Planned Activity

Develop your family farm business charter.

Code of Conduct

The Code of Conduct is a written statement that clearly points out what's important in conducting business affairs. It reminds members of their commitment to and interaction with each other. In addition, it reaffirms what is important in conducting family business affairs, both between the team, and others dealt with outside the business. It must be designed to suit a family's specific needs and situation. Some areas of conduct to be considered are the need for: respect for each other, fair treatment, harmony and loyalty, open, professional communication, and the opportunity to be heard. It is important to note that the code of conduct be understood and accepted by all members and standard disciplinary procedure apply to it as to any other area.

Illustration 5

Code of Conduct

Employees must:

- *Conduct themselves in a professional manner appropriate to the work environment*
- *Maintain a pleasant atmosphere for customers and other staff*
- *Be courteous, friendly and cooperative*
- *Show respect and understanding to consumer*
- *Exhibit open and honest communication*

- *Treat each other fairly*
- *Respect each other in word and action*

Develop your Code of Conduct during a meeting of all family team members. You must also seek input from your non-family employees as well.

Leadership and Management Philosophy

Every business requires a head or top person. This person is not there to TELL everyone else what to do; rather they are there to remove obstacles and provide support so that employees can carry out their responsibilities efficiently and effectively. Lastly, they carry out their own responsibilities and catch tasks that have fallen through the cracks.

Management Philosophy

We commit to:

- *An open, transparent and approachable management style that is 'inviting' and not casting fear*
- *Communicating our decisions so that they are understandable*
- *Encouraging all employees to achieve their potential*
- *Supporting our employees in both their professional and personal lives*
- *Assisting employees to be comfortable with change*
- *Accountability to the people we serve*
- *Ensuring that employees have the tools and abilities to perform their jobs with efficiency; a management that serves the workers*

Illustration 6

Planned Activity

Through a brain storming activity, lead the team through formulating your leadership and management philosophy.

Procedures

Procedures are those carefully worded, well thought-out statements that provide a step-by-step framework for specific tasks.

The procedures listed below include minimum level guidelines. Your family farm team can use these as a guide, and add any other guidelines that are deemed necessary to form effective procedures for your particular situation.

The main requirement is to have procedures for your farm. The second is to use them.

These procedures give both employees and employers a basis from which to operate. This framework then promotes harmony and unity.

Hiring

It is our philosophy that the hiring procedure should be the same, whether the individual is family or non-family. The following are points to consider in writing this procedure:

1. Follow a pre set Job Description (refer to page 37)
2. Review resumes to determine applicant qualifications
3. Interview all applicants you deem qualified
4. Select most qualified person

5. Check and discuss any special needs of employer or potential employee
6. Set up start date, and organize orientation

Discipline

Employees must be made aware of inappropriate behaviour and the subsequent consequences. With inappropriate action, the employee needs to be spoken to, a) as quickly as possible and b) in private. List behaviours deemed inappropriate with corresponding consequence. Approach carefully, have clear, written records to provide in your defence. Handle professionally and in a fair manner. Note, discipline NEVER occurs during a Performance Review.

*It is imperative that discipline **not** be done during the performance review.*

The following are points to consider in writing this procedure:

1. Timeliness; disciplinary discussion must occur soon after the incident
2. State the purpose of your meeting with the identified employee.
3. Describe specifically what you have observed, or heard.
4. What do you want to reinforce or correct.
5. What are the consequences of these actions.
6. Describe your reactions.
7. Give the other person an opportunity to respond.
8. Offer specific suggestions.
9. Summarize and express support.
10. Record for reference.

If a verbal warning fails, corrective action must be taken, possibly in the form of a written warning, suspension without pay or dismissal.

Dealing fairly with family and non-family employees

Adherence to performance standards must be the same for family or non-family employees. Owners cannot expect good performance from their non-family employees if family employees who act inappropriately, or do not perform up to standard, are not dealt with.

Dealing with conflict / dispute resolution

Conflict and dispute in family business are a natural occurrence, and are basically a difference of opinion. At the onset one must understand that conflict is inevitable and even essential for complete healthy communication. The problem arises when conflict is not dealt with and the resulting tension is allowed to brew continuously. Family and business are negatively impacted as a result. How well an organization handles conflict will determine how successful and productive it will be over the long run.

Dealing With Conflict

Purpose:

The purpose of this procedure is to settle a conflict as quickly as possible, in the least disturbing manner. Discussions around the conflict must occur in private. This will then eliminate disruption to other employees and over all business operation.

Procedure:

1. Using “I” statements, describe the problem and the effect on yourself from your perspective.
2. Seek the other’s perspective.
3. Together formulate a statement outlining the issue. i.e. *“The issue we need to discuss is not the amount of work you have, but how the work schedule affects your life”*.
4. Together explore potential solutions with no judgement.
5. Together discuss and shortlist the solutions.
6. Decide cooperatively and document what each person will do to resolve.
7. Decide on a date for a follow up meeting to check for progress and state of resolve.

Upgrading of team skills

For top business functioning, employees need upgrading to keep abreast of technology and/or their specific position demands. Training can take the form of on-the-job or formal courses. Examples of upgrading required could be: an employee moving from a team hand to a supervisor position, or the implementation of new equipment or technology into the farm. The following are points to consider in writing the procedure:

1. For on-the job training, ensure the trainer is qualified. Often farm families attempt to do the training themselves; more often than not they are not qualified.
2. Clearly establish who will pay for the training.
3. Set up annual training programs from identified needs of regular performance reviews.

4. Maintain a balance between production and human resource training.

Orientation program

An orientation program is a purposeful procedure set up by the employer to see that a new employee is given every opportunity to succeed at his or her job through initial on-the-job instruction on activities to be performed. The following are points to consider in writing the procedure for orientation:

1. Set up an orientation sheet by outlining all activities to be performed by employee.
2. Assign a qualified trainer for the respective activity areas.
3. Trainer and trainee initial sheet upon completion of activity.
4. Note date of completion for that activity.
5. Rate employee as per scale set up.
6. Provide a space for comment from trainer and /or trainee, (ie. Need more training in this area).

Meetings

Family team member meetings play a very important role in the family farm business. They are one of the few structured events that assist in:

- uniting the family,
- building a stronger business,
- developing meaningful communication,
- opening the door to discussions on important issues, and
- providing a formalized means to discuss and resolve conflict.

The following are points to consider in writing your procedure for carrying out an effective business meeting:

- Hold meetings at regular prescribed dates and times, at one or two week intervals. Meetings in the morning are best; 10:30 a.m. to noon.
- Establish ground rules and stick to them.
 - start on time
 - end on time
 - stay on topic
 - everyone to provide input; responsibility of chairperson to ensure that all members get equal time
- Develop an agenda that is explicit: statements that show intent, i.e.
 - for decision
 - for information
 - for discussion
- Ensure the members know what the agenda items are at least one week in advance. This helps team members to come prepared.
- Record proceedings in a permanent record book; note content and emotion.
- Hold members accountable to project work that they were to do as requested or volunteered for at the last meeting.

Teamwork

Effective team member interaction is vital for efficient team operation. Different families and team members have different decision making styles; these also vary according to circumstance. As you work in a team, learn the different styles of decision-making and utilize the one that best meets the objective or satisfies team members in terms of input, contribution and participation. Refer to decision-making discussion on page 18.

Accountability

Accountability is a statement of personal promise to one individual or those around you, to deliver a specific and defined result. In the farm family business, each other's activities have a direct impact on others in the farm, thus there is the need to 'account' for what we each do, or don't do.

Purpose: To bring about positive change in individual, family and or business.

The following are points to consider in writing the procedure:

- ❑ Declare who will be responsible to whom.
- ❑ State clearly the expectations and distinguish between results and activities.
- ❑ Allow for personal judgment and decision-making.
- ❑ Take a hard stand, no allowance for less than 100% responsibility.
- ❑ Provide encouragement and constructive feedback for movement forward.
- ❑ Responsibility must be to the entire team.

- State consequence for failure to account, and carry out consequence.

Baseline Development and Criteria

There come times in the farm business when major occurrences take place. This could be the marriage of one of the farming siblings, a sibling starting to farm with a parent, or a sibling starting a partnership with another sibling, etc.

At these times it is imperative that a clear picture of the business be documented in terms of physical, financial and emotional standing. This gives a clear indication for the beginning statement. Then all calculations in growth since that time can be calculated, showing the true effect of the change at that time.

For times where change will be in the making in your family farm business, establish a base line as outlined in previous section (Step Two).

Planned Activity

Step Four

Recruitment and Development of the Team.... strengthening the human capital towards business sustainability



The farm family business requires individuals who can meet the goals of the business. This often conflicts with the needs of the farm, where simply being a member of the family gives one a ticket for employment. Family farm businesses are often in this difficult position, in that there is a strong tendency to take on unqualified family members. This can often be a mistake, both in terms of the individual and the business. This potential mistake can be dealt with by initiating job descriptions for all positions, along with required training programs as needed. Thus we ask ourselves, *“Do I have the right skills, experience and or training for our family farm business, or the desire to gain them?”*

Another paradox exists. To view a business objectively and have its’ needs met, it is essential to view the team members with no differentiation between family and non-family. Technically this is the right way to do it. However, is it realistic, and in reality, can it exist? To a certain degree it can’t. For example, it may well be that the farm needs an absolute top-notch accountant to be employed, but one of that type simply is not affordable. Instead, a family member is hired and nurtured along. That does not mean though, that this family employee does not have to abide by rules of conduct like arriving at work on time. In essence, what this says is that ALL team members are to be treated the same and have the

same expectations of them. However at certain times, and as noted above, there is some bias toward a family member.

This step discusses recruitment, including defining your farm's and employees' needs, creating job descriptions, hiring and family member participation; employee development, including training for new and existing employees, and communication and other skills development; selecting a leader and training up the successor.

Recruitment

Defining your needs

What are the personnel needs of the family farm business in terms of existing needs and goals (short, intermediate and long term), skills required, education level required, and years of expertise related to experience?

Planned Activity

Recruitment is defined as 'what the business needs' and the 'hiring process'. Hire individuals only after a job description exists, and that based on what the business needs. This can be established only after a close examination of the workings of the farm business.

Placement- Consider the positions that each employee holds and critically evaluate if in fact they are in the right area of work. Judge this by their response to your questioning of their thoughts on the situation and your evaluation.

Define the farm business employee needs

Are you providing your team with the skill training they require?

Through careful and critical assessment, determine what the farm business needs in terms of personnel. This is to include personnel for all levels. Coupled with this, there must exist a tool and skills development process for employees. This will enable employees to perform their respective tasks with ease and efficiency.

The skill training may range in formality and degree. It may be as straight forward as an owner / operator taking the time to teach workers the skills required, or formal off-site training programs at college, university, other operations or institutions.

Job descriptions; outlining employment needs

Consider each job or area of work, and rate the activities and skills by giving a value depending on the complexity of the work required. See Illustrations 7 and 8 (below).

Planned Activity

For each different job, list all the activities to be performed and the skills, experience and education level required. As you develop this, place emphasis on beneficial results, not merely task accomplishment.

SAMPLE JOB DESCRIPTION (CONTINUED)

PERFORMANCE REVIEW

Required Activities For This Job.

Rate from 0 to 5:
 0 – activity not required
 5 – high activity in the area

Review in 3 months, then yearly

- 1 - needs improvement
- 2 - meets requirement
- 3 - exceeds requirement

Enter Dates of Review

Supervision	<u>3</u>	—	—	—	—
Leads a team	<u>3</u>	—	—	—	—
Advise management (problems, needs, etc.) ...	<u>2</u>	—	—	—	—
Advise / devise efficient prod. strategies	<u>2</u>	—	—	—	—
Delegation / Coordination / Organization	<u>2</u>	—	—	—	—
Public relations (industry, suppliers)	<u>1</u>	—	—	—	—
Assist management (training / supervision)	<u>2</u>	—	—	—	—
Decision making	<u>2</u>	—	—	—	—
Quality control	<u>3</u>	—	—	—	—
Order materials / supplies	<u>3</u>	—	—	—	—
Pruning	<u>2</u>	—	—	—	—
Potting	<u>2</u>	—	—	—	—
Weeding	<u>1</u>	—	—	—	—
Watering (manual)	<u>1</u>	—	—	—	—
Watering / Fertilization / Irrigation	<u>5</u>	—	—	—	—
Record keeping / production records	<u>3</u>	—	—	—	—
Record keeping / employee hours	<u>1</u>	—	—	—	—
Seasonal planning	<u>3</u>	—	—	—	—
Prepare reports	<u>1</u>	—	—	—	—
Manual work	<u>5</u>	—	—	—	—
Mechanical work	<u>5</u>	—	—	—	—
Pest Control (placing of agents)	<u>4</u>	—	—	—	—
Pest Management (measures/safety)	<u>4</u>	—	—	—	—
Herbicide, weed control	<u>4</u>	—	—	—	—
Facility (rep./maintenance)	<u>1</u>	—	—	—	—
Machinery/equipment (rep./maintenance	<u>2</u>	—	—	—	—
Additional Activities Required:					
Total Points					

COMMENTS:

For performance review: signatures indicate that employee has read & discussed with employer the activities **and** skills.

Employee's Signature _____ Date: _____

Employer's Signature _____ Date: _____

These signatures are at time of first assessment or at time of hiring; **subsequent years to be initialed at bottom of column on each page.**

SAMPLE Job Description

Illustration 8

Job Title: Dairy Herd Manager

Summary Description: Responsible for overall management of the dairy herd including milking, herd health and breeding. Supervises employees and plans feeding program in co-operation with farm owner.

Tasks and Responsibilities: Overall dairy herd management including milking, herd health, breeding, and raising of replacements. Plan and implement feeding program in consultation with farm owner. Supervise other dairy employees responsible for milking and feeding.

Minor Functions: Assist with field work and / or machinery maintenance as time permits.

Supervised By: Farm owner

Supervises: 3 or 4 other employees who milk and otherwise care for dairy herd.

Report to: Farm owner

Assist with other Jobs: Field work – as time permits during peak periods of planting and harvesting

Qualifications: Grade 12 plus milking certificate.

Skill Requirements: Able to work with modern milking equipment and automated feeding system. Keep herd health and breeding records up to date. Ability to train milking staff.

Experience: At least three years experience managing a dairy herd.

Training: At least two-year degree from Ag or Technical School with major in animal or a related field.

Personal Characteristics: Good interpersonal skills

Physical Requirements: No limitations

Quantity and Quality Requirements: Milk 5 cows per minute

Salary Range: Minimum: \$xxx.00 / week. Maximum: \$xxx.00 / week

Work Hours: 5:00 a.m. to 6:00 p.m. Average hours/week: xx

Days off Per Week: 1.5

Overtime: Never ___ Seldom x Often ___

Other Benefits: House in very good condition. Two weeks paid vacation after one year.

Work Environment: Modern 200 – cow free-stall operation with 500 acres of field crops.

Hiring

The hiring process will follow after the developed Job Descriptions that exist for each of the positions. This activity needs to follow an interview process that seeks to see what the individual has to offer and clarifies what the business requires. Based on the premise that the business always needs the best individual for the job, family members must also compete for the position. It is important for supervisors or managers to clarify how the outcome of each particular job fits into the bigger picture. When hiring an employee, use the job description format, and with that, discuss the education and experience required for the particular job.

Family member participation

Even though the farm family business exists for the benefit of the family members, it is still imperative that the business recruit on qualifications and Not because the individual is family.

Employee Development

Businesses are always in a state of change. For example, businesses expand, start new production lines or engage a new area of emphasis. Farms are no different. And with this change comes the need to train and develop the employees.

Training

As part of the Recruitment and Development Step, training is discussed on hiring (orientation), and future

training requirements are discussed during regular performance reviews.

*Give them the tools
they need for
success.*

New employees: orientation program

The orientation program gives an employer insight into the weaknesses / strengths of the employee. This allows the employer to redirect an employee, or offer additional training. It also ensures greater employee satisfaction (understands expectations), and the employer has a greater assurance of a qualified worker.

The following steps outline this program:

- ❑ Create an Orientation Sheet specific to the job performed (refer to page 44)
- ❑ Review the policies and procedures of the family farm business
- ❑ Specify rate of work or expected level of acceptable performance
- ❑ Complete majority of activities in first two weeks of employment
- ❑ Trainer and trainee sign sheet, indicating training area is complete
- ❑ Complete all during the three month probationary period
- ❑ Review orientation with new employee
- ❑ Decide if additional training is needed, formal or informal; set up course of action and implement.
- ❑ Using the developed Job Description, list all activities to formulate this orientation sheet

Orientation Sheet - Trainee _____
Start Date _____

Illustration 9

*1 = OK 2 = needs more

Activity Performed	Trainer Initials	Trainee Initials	Date Completed	Rating*
Supervision				
Milking				
Tractor operation				
Disease identification				

Existing Employees

After the performance review, it may be discovered that the employee needs upgrading in a certain area of work. This can be accomplished on the job, or off site through course attendance. Coupled with this Increased competence, the employee may require a wage adjustment. (Review Step 5).

Communication and/or Appropriate Skills Development

Each position has specific requirements for full potential to be met. For example, a supervisor will need good communication skills in dealing with employees. Employees, in dealing with other employees and with customers, also need good communication skills. In addition, production, marketing and financial skills may be required. It is essential that the family farm business provide opportunity for formal communication and appropriate skill training.

Effective communication is the life-blood of interpersonal relationships within the family business team.

Specific communication skill training is extremely important and ought to be mandatory for everyone in the farm business. Areas essential to learn are:

- Active listening and reflective listening (paraphrasing and reframing); one of the biggest problems associated with communication is problems with listening
- Listen to emotion as well as content
- Understand that words impart only 7% of the message; the remainder is 56% from non-verbal (body language) and 37% from tone of voice
- Understand the effect of your body language upon the message you send
- Understand your emotional filters on your ability to objectively listen
- The ‘concept’ of purposeful (thought about and planned for) and schedule time for communication
- Developing the concept of “I” messages
- The use of trigger words and their destructive nature
- The use of open-ended / closed questions
- Giving and receiving feedback; giving advice, giving criticism, receiving criticism

For further training, search out written material and/or courses on these areas of communication and ensure that all members take the training in each of these.

The Leader

Select a leader to take charge of this initiative, and begin to develop your family farm Instruction Guideline. The leader needs to work hard to connect with their team, and even harder when the team is family! Why, you will quickly ask? Because there is that notion of, *“he/she should know, after all, they are part of the family.”* Familiarity and closeness breeds contempt for purposeful interaction and understanding.

Successful leaders are always initiators. They take the first step with others and then make the effort to continue building those relationships. In a family farm business, this is not always easy, but it is vitally important to the success of the business. And, regardless of the hurdles that the leader will experience, he / she has to do it.

Seek out the best people to fill the positions. In a family farm business, it is difficult, as each member feels an inherent right to be part of the business simply because of family membership. Succumbing to this flow of team membership, without a clear idea of what the business needs or an understanding of what an individual can offer, has a tendency to damage the farming business and the individual. How? Simply, the business needs the best talent available to be able to meet its challenges. The individual, if unable to perform the tasks that need to be done, will be dissatisfied, and may give up the chance to cultivate a talent that may be lying dormant, which could be used to pursue a different occupation.

Select a Leader through discussion around the following points to determine who is most qualified.

Planned Activity

- ❑ Respected by all team members
- ❑ Hard worker; willing to go the extra mile
- ❑ Adept to initiating
- ❑ Willing to assume responsibility
- ❑ Good communication skills; oral and written
- ❑ Ability to motivate others, while still assuming much responsibility
- ❑ Ability to plan and review this initiative
- ❑ Able to give direction

Succession Plan / Training Up the Successor

“In most family businesses today, developing future leaders takes low priority. Broadly speaking, succession planning is a life-long process encompassing everything aimed at ensuring the continuity of the business through the generations. Most begin by laying the groundwork for transferring authority and control to the next generation. Preparing to pass the family business on to the next generation is perhaps the toughest and most critical challenge facing the business owner. Succession is often the most painful stage in the life cycle of the family business”.¹

¹ *Transferring Your Farm business to the Next Generation*, Ohio State University Extension

Step Five Internal Compensation System... understanding why we get paid what we do

The payment of wages and overall compensation, unless done with well thought out reasons, has the potential to cause much anger and disruption in the family farm business.

There are various ways of arriving at an ‘employee’s’ wage (in the farm family business, family members are also employees) ranging from government rate to perceived need. There is, however, only one legitimate way, and that is based on market rate. This wage includes four factors that are applied to the market rate. These factors are: experience, activities performed, skill required, and level of education.

One key issue in determining compensation levels is fairness. A sound *business first* philosophy is essential; pay must be based on merit (work performed, skill required and going market rate). With the farm family business, this often presents some difficulties, as there may simply not be enough cash to pay the family member his or her rightful remuneration. In such cases, a written agreement must be in place that will clearly specify the compensation rate, in what manner and when (date) the back compensation will be paid.

It is also essential that extremely accurate records be kept of actual hours worked, monies received and on what basis. Hiring is based on the skills, experience and initiative an individual brings to the job. Criteria for fair



Compensation based on merit is the only legitimate method of remuneration

pay are based on equality. It is most important to look at compensation with a business-first approach and not family-first approach. This will establish criteria where the individual is fit to suit the job itself, and not the job to suit the individual.

The internal compensation system contains the following areas:

- wages
- bonuses; clearly defined basis for
- benefits (produce, lodging, vehicle, recreation area, health insurance, holiday pay
- agreements; clearly defined, stating reasons, meaning, time frame

Basis for Pay... Following a Structured and Systematic Approach

The basis for pay is established by using four criteria; activities performed, skills required, education level and experience required for that particular job. Allowance is also made for level of responsibility.

Sample Pay Grid – Green’s Nursery				
Job Title	Step:	Hourly	Biweekly	Annual
Picker	Step 1	7.00	560	13,440
	Step 2	8.00	640	15,360
	Step 3	8.75	700	16,800
	Step 4	9.75	780	18,720
	Step 5	10.50	840	20,160
Technician	Step 1	10.00	800	19,200
	Step 2	11.00	880	21,120
	Step 3	12.25	980	23,520
	Step 4	13.00	1,040	24,960
	Step 5	13.50	1,080	25,920

Supervisor	Step 1	17.00	1,360	32,240
	Step 2	18.00	1,440	34,560
	Step 3	19.25	1,540	36,960
	Step 4	20.00	1,600	38,400
	Step 5	20.50	1,640	39,360

Benefits, Bonuses, Gifts, Shares

Often, confusion between the employee and employer arise because of misunderstanding about what constitutes a wage and what is over and above the wage. Ensure that you as the employer really understand the various components of compensation and which ones constitute real wage and which don't. Then accurately inform your employee(s).

Benefits are non-cash contributions such as housing and farm produce (eggs, milk, fruit); they are often calculated into the wage, usually at 'cost' figures. Bonuses and gifts result from an employers' kindness and usually are the result of a profitable farm business and / or employee performance.

Shares are contributions of a non-cash basis that give an employee a piece of ownership of the farm business. They usually occur with family members who have really earned or deserve more than their actual pay cheque.

Describe exactly what constitutes pay and what constitutes giving. For example is it because of kindness or business profitability? Describe what will constitute bonuses and gifts and the basis for each.

Planned Activity

Step Six

Planning and Review Systems... development of scheduled events/projects and analysis of results

*Every moment spent
planning saves three or
four in execution.*

*Crawford Greenwalt, former
president, E.I. du Pont de Nemours*

Develop a proactive approach to meeting the needs of the business before the needs arise. Regardless of the need, planning is crucial. **Planning is the first step of an organized process of putting action to the ideas and needs of the business.** It is important to view the business and team members as individual entities. With this approach it is not what the individual wants, rather it is what the business requires to function well. When the plan is in place and in process, it is still crucial to review at regular intervals. Thus, in terms of the business, the farm, we plan first, carry through with action and then review. This may seem detailed, but it is most important to the success of the business. When done properly, it will give everyone involved the direction of the business and where they fit into the picture.

Business Planning

*If you don't know
where you're going,
any path will take you
there.*

Sioux Proverb

Plans are only as effective as the willingness of the team to carry them out. Thus, it is critical to involve all of your team members as you plan events in your farm business. Full team involvement, at the start of any project, will ensure participation and enthusiasm. Through this method, members gain a feeling of ownership and personal connection to the work.

It is also important to deal appropriately with those who can't or won't work on certain projects or can't adapt to a

team environment. Options are: move them to jobs they can productively contribute to, retire them early or separate them to another area. It is important to remember that the business is not a social movement; its job is to get results.

The leader must be responsible for managing the planning in order to provide encouragement and direction during the process. Family or non-family employees, each with their specific impact on the maintenance and productivity of the business, may fill this role. The individual ought to be a good communicator who models respect and appreciation for all involved, while pushing the plan to reality.

In this whole process, we work to meet the project requirements within the established time frame, thus the need for review. This requires planning on the part of (a) the business, and (b) the individual.

Planning –meeting the needs of the farm business BEFORE the needs arise

Annual operating plans (short term) contain detailed objectives and supporting programs to be achieved in the coming year in functional areas such as sales, marketing, research and development, and human resources. Operating plans also incorporate those parts of strategic plan (long term) programs and objectives that are to be accomplished in the coming year.

Long term planning is the fundamental management tool that should fit smoothly into an organization's annual planning cycle. This may not happen the first year. Once the initial plan is developed, however, the planning

process becomes a way of life. Farm businesses become good at questioning, and at quickly and efficiently updating, the existing plans, through regular evaluation.

Where do we start?? What are the needs of the farm now and in the future and what must we do to insure we are organized and ready? Here we establish who does what and what the resources and time frame will be.

Review, monitoring, assessing progress and redefining

There are five reasons for reviewing the plan:

1. To become aware of when you need to allocate and reallocate resources to the programs that require them. Decisions must be made swiftly and decisively in response to external changes. The success depends on the flexibility of and on the dynamic reallocation of resources as the strategy changes.
2. To assess the performances of individuals and teams.
3. To suggest solutions to problems and to remove internal blockages to progress.
4. To motivate teams and individuals with visibility, recognition, and praise.
5. To ensure that action is in alignment with the vision and the plan, and the plan's priorities are being enforced.

There are three review mechanisms:

1. quarterly plan review,
2. individual performance reviews, and
3. informal contact with the team members implementing the plan.

1. **Quarterly Plan Review** –Ensure, as an entire team, that the project is on track. Team members summarize their accomplishments and tasks, the issues and or problems that need to be resolved, and recommendations for action. Members must have the authority to manage solutions to ongoing problems all the while informing top management. This review is guided by preset ground rules for evaluation. It is advised to meet in special off site retreat areas to review.

2. **Individual Reviews** – see Step 6 (Performance Review)

3. **Informal Review** – The leader’s responsibility is to walk around in a non-meddlesome manner frequently enough to notice needs or changes and initiate quick action.

*Any plan is bad which is
not susceptible to
change.
Bartolommeo de Can
concordio, Florentine painter
and writer*

Planning Process Flow

(work through columns from left to right, top to bottom)

1. PLANNING BASE →	2. RESULTS REQUIRED →	3. HOW →	4. IMPLEMENT →	5. REVIEW
↓ ASSESSMENT ↓ PRIORITY ISSUES	↓ MISSION VISION OBJECTIVES	↓ STRATEGIES PROGRAMS	↓ DELEGATION	↓ REVIEWS
↓ WHERE ARE WE NOW?	↓ WHERE DO WE WANT TO BE?	↓ HOW WILL WE GET THERE?	↓ WHO MUST DO WHAT?	↓ HOW ARE WE DOING?

Moving from assessment to priority issues

Working through a SWOT analysis (strengths, weaknesses, opportunities, threats) identifies the critical issues that must be addressed if the farm family business organization is to succeed. Issues might be cost of production, employee wage cost, expansion, competition, organization/managerial effectiveness, business direction, and product quality.

It is essential to achieve understanding of key farm strengths and weaknesses by talking with all employees. List four to five opportunities and four to five threats derived from analysing your specific situation. See activity model (illustration 11).

*Planned
Activity*

Mission, vision, objectives:

A mission statement's function is to define the business's purpose, direction, and future thrust. Ensure that everyone in the organization understands their part in fulfilling the mission. See example of Mission Statement, Step 3.

The vision usually includes desired financial performance, and desired market position.

Objectives are what the organization commits to accomplish in the long term. Set three to five year directional objectives and detailed first year objectives that serve as stepping stones in the long-term plan.

Strategies and Programs are the means by which family farms accomplish their objectives. They require leadership, a person responsible for their implementation and coordination of all of the resources necessary to achieve the targeted results.

Delegation: those in charge, the management people, delegate objectives, programs and action steps to the team members that have the skill, power, resources and authority to act.

Review: re-examine all plans and objectives and hold accountable all those responsible for carrying out programs and meeting objectives. Do this on preset regular intervals. Timely review allows organization to take corrective action when plans are heading off track.

Illustration 11

SWOT

Our strengths, weaknesses, opportunities and threats

PLANNING BASE THROUGH SWOT ANALYSIS

Strengths: _____

Weaknesses: _____

Opportunities: _____

Threats _____

Sample Format for Developing Strategic Objectives

Illustration 12

<p>Use this form to develop one of the goals in your strategic plan. For each of your goals, you will develop several objectives. Photocopy this form for as many goals as you have.</p> <p>Goal 1: To _____</p>			
<i>Objectives</i>	<i>Who's Responsible</i>	<i>Time Frame</i>	<i>Review Date</i>
1.			
2.			
3.			

You may want to use this format in your Instruction Guideline.

A standard of values is needed to survive, or else the farm business will be torn apart by all who are seeking their own end when a common end is not developed and shared.

Values in terms of: business breath and depth, degree of effort and how long to produce, recreation, development and learning, standard of living, degree of debt, quality of produce, state of business and its components (i.e. hi tech, spotlessly clean, messy) need to be critically discussed. The need of a family farm business requires, as a prerequisite, togetherness in body and spirit. If you think that cannot occur, then you should not be part of a family business, period. Now, may I quickly add, this does not mean that you cease being an individual.

By writing out this plan, you will accomplish the objectives in a timely manner; in addition to moving

forward. There is something to be said about *writing* things down.

Individual Planning

The planning process for the individual is covered in Steps 3 and 4. Areas include preparing job descriptions, hiring and orientation program. Self-evaluation is the first step in the review process for individual team members, and is discussed at the time of regularly scheduled performance reviews.

With the individual (employee), planning follows this sequence, the employer:

- Prepares job description,
- Hires the appropriate individual,
- Carries out regular review of employee.

Performance reviews

Carrying out performance reviews in a family business is difficult, but necessary. It helps neither family nor business if the task is skipped in the false belief that the individual needs to be protected.

Using a Job Description format shown in Illustration 7, 8 or 13 in Step 4, evaluate each employee's performance by following these points:

- Review after the first three months of employment and each year there after.
- Set measurable criteria for performance.
- Inform employee of performance review date.
- Instruct employee to prepare self-evaluation.

Planned Activity

- Review and check for understanding and commitment.
- Allow time for discussion, and employee contribution from self-evaluation.
- Give constructive feedback.

People accomplish what you inspect, not what you expect.
- Business folklore

Worker Performance Review

Employee Name: _____

Date _____ Period under review _____

Illustration 13

On each line, place a mark which best describes worker's performance.

I. WORK PERFORMANCE

A. General

1. Quality of work

Rarely needs redoing	Occasionally needs redoing	Regularly needs redoing
-------------------------	-------------------------------	----------------------------

2. Productivity

Ahead than targets	Meets targets	Regularly below targets
--------------------	---------------	-------------------------

B. Tractor Operations

1. Cultivation

Right speed & depth	Occasionally at wrong speed and depth	Often at wrong speed & depth
------------------------	--	---------------------------------

2. Spraying/dusting

Always accurate	Some overlap/ skips	Often inaccurate
-----------------	---------------------	------------------

3. Safety

Follows rules	needs reminder	disregards rules
---------------	----------------	------------------

C. Equipment Care

1. Maintenance

Anticipates breakdown	reports needs	operates broken equip
-----------------------	---------------	-----------------------

2. Servicing (daily)

Without supervision	needs supervision	ignores
---------------------	-------------------	---------

3. Mechanical repairs

Does variety	occasional	never
--------------	------------	-------

C. Other Tasks

1. Irrigation

Runs properly	checks equip	ignores repair needs
---------------	--------------	----------------------

II. WORK RELATIONSHIPS

A. Co-workers

1. Teamwork

Helps others	interested in own work	interferes with others
--------------	------------------------	------------------------

2. Leadership

Teaches others and takes responsibility for group actions	leads by example, sometimes teaches others	does not take leadership position
---	--	-----------------------------------

B. Supervisors

1. Acceptance of supervision

Needs few instructions, gives valuable feedback	accepts and carries out instructions	frequently argues about assignments
---	--------------------------------------	-------------------------------------

2. Directions

Begins tasks only after directions are fully understood	follows instructions but sometimes they are misunderstood	often does wrong job or wrong way
---	---	-----------------------------------

3. Reliability

Completes assignment on time or ahead of schedule	completes assignment with some supervision	does not complete task, even with supervision
---	--	---

4. _____

--	--	--

III. GENERAL WORK HABITS AND SKILLS

A. Attendance

1. Absent without notice

Never	sometimes (<3/yr)	often (>3/yr)
-------	-------------------	---------------

2. Tardy without notice

Never	sometimes (<3/yr)	often (>3/yr)
-------	-------------------	---------------

B. Growth

1. Interest in personal development

Frequently volunteers	takes new jobs with encouragement	difficult to 'sell' new jobs
-----------------------	-----------------------------------	------------------------------

2. Learning

Picks up new skills rapidly	learns new jobs with time	rarely gets past basics
-----------------------------	---------------------------	-------------------------

3. Initiative

Takes authority to solve problems	gets approval before trying	waits for instruction
-----------------------------------	-----------------------------	-----------------------

IV. OVERALL ASSESSMENT OF PERFORMANCE

Outstanding	satisfactory	unsatisfactory
-------------	--------------	----------------

Develop your own Performance 'tables' to suit your farm, following the above examples.

Dealing with Conflict

Things that will help eliminate or reduce the amount of conflict are:

- Hold regularly scheduled meetings with the family team members (this may include non family employees; as the need arises)
- Hold each accountable; establish consequence for non adherence to rules
- Establish agreements and standards of procedure for all areas
- Allow/encourage all to express fully and regularly their issues and concerns
- Ensure team members are free from fear of expression

An ounce of prevention is worth a pound of cure!

- Meet regularly
- Talk about your values
- Dialogue often
- Respect each other's needs

Step Seven SUMMARY...The redefined family farm business

Human resource management has always been viewed with a great deal of scepticism, especially in the primary agricultural sector. This is now changing dramatically. Successful farm families have seen the benefit of dealing effectively with the team, which includes the non-family staff as well. This guide, if followed and acted upon, has the potential to change your family farm business dramatically..... for the better!



As with any directive, two key aspects must occur. Firstly, team members must hold each other accountable, and secondly, follow through must happen. That is, action must be taken on the directions described here. In other words, directives are followed, implemented, completed and assessed. This is an ongoing task, a continuous management initiative likened to the preparing of financial statements throughout the year and year-end, year in and year out. This new initiative as described here is no different.

Develop your farm family business 'Guideline' for each of the areas described. Following the prescribed steps and adhering to the principles will take your family and family farm business into a level of success not seen before.

Farm family businesses today are different; they are larger, have significantly more employees, tend to be multi-family, and must exist in an environment of

slimmer profit margins. The preceding steps have demonstrated that through an established framework, family farm business teams can realize real success. This framework is demonstrated by the development of five critical areas:

- Assessment and Audit
- Policies and Procedures
- Recruitment and Development of the Team
- Internal Compensation System
- Planning and Review Systems

We hope you have enjoyed “Best Practices For Farming with Family”, developing YOUR Guidelines, and that the process transforms your family farm business into a sustainable and dynamic farm family business.



Definitions

AD HOC: without plan or defined reason for doing so; usually based on ‘feeling’ at the moment

FAMILY FARM TEAM: The family members actively involved in the farm business as well as non family employees

FOLLOW THROUGH: commitment to take the task started to completion

HUMAN CAPITAL: the people of the family and business, and what they bring with themselves in terms of skills and abilities, talent, wisdom

MERIT: value of, worth; what one deserves

PROCEDURES: method of doing things

POLICIES: statement of intent

PROACTIVE: decision or action based on forward thinking and planning; indicating a state of preparedness

REACTIVE: decision or action based on immediate situation or at time of occurrence; no forward planning or anticipation to guide the action

STRATEGIC: matters that are long term and structural in nature; the fundamental ways that you will conduct business in the future.

STRATEGY: how you will achieve your objectives. Strategies are taken at many levels within the company.

VALUES: Values are guiding principles and beliefs about what is right, important or necessary in given situations. Values influence decisions, behaviour and direction. Values form the base upon which the family farm is built. Values are the guide posts expressed by team members, that direct their activities as a unit and amongst each other as a team.

List of Planned Activities

<u>Activity</u>	<u>Part-Page</u>
Develop collective list of values	1-6
Document farm's history.....	1-7
Beginning the process of developing your Instruction Guideline.....	1-8
Write a business description.....	2-10
Describe farm's financial structure	2-11
Assess your operating procedures	2-12
Describe your system of wage determination	2-15
Prepare an organizational chart.....	2-16
Document team members' titles, activities and responsibilities.....	2-17
Analyse decision-making techniques.....	2-18
Assess emotional climate of family farm.....	2-20
Develop a mission statement.....	3-23
Develop a business charter.....	3-24
Develop a business philosophy	3-26
Establish a baseline for times of change	3-34
Define personnel needs	4-36
Create detailed job descriptions	4-37
Select a leader.....	4-47
Determine remuneration package.....	5-50
Determine critical issues to be addressed (SWOT).....	5-55
Evaluate employees' performances.....	6-59

List of Illustrations

<u>#</u>	<u>Title</u>	<u>Part-Page</u>
1	Checklist of Successful Family Farm Businesses	2-12
2	Organizational chart	2-16
3	Mission statement.....	3-23
4	Business charter	3-24
5	Code of conduct	3-25
6	Management philosophy	3-26
7	Job description and performance review form – assistant grower	4-38
8	Job description and performance review form – dairy herd manager.....	4-40
9	Trainee orientation sheet	4-44
10	Planning process flow	5-55
11	SWOT.....	6-57
12	Strategic objective development	6-58
13	Worker performance review	6-60

Appendix

1. Example of a Wage Range Grid (Nursery Wage Range Grid 1997 survey)

Given the Nursery commodity data, the following represents a typical wage grid for the five employee levels. Increment values are shown at the top of each column.

Level 1	Level 11	Level 111	Supervisor /Manager	Manager
<u>5%</u>	<u>5%</u>	<u>5%</u>	<u>5%</u>	<u>5%</u>
				\$29.70
				\$28.30
				\$26.95
				\$25.70
				\$24.45
				\$23.30
			\$22.20	\$22.20
			\$21.15	\$21.10
			\$20.15	\$20.10
			\$19.20	\$19.15
			\$18.30	\$18.25
			\$17.40	\$17.40
			\$16.60	\$16.55
			\$15.80	\$15.75
		\$15.50	\$15.05	\$15.00
		\$14.80	\$14.35	
		\$14.08	\$13.65	
	\$13.70	\$13.40	\$13.00	
	\$13.05	\$12.75		
	\$12.40	\$12.15		
	\$11.80	\$11.60		
	\$11.25	\$11.05		
	\$10.70	\$10.50		
\$10.35	\$10.20	\$10.00		
\$ 9.90	\$ 9.70			
\$ 9.40	\$ 9.25			
\$ 8.95	\$ 8.80			
\$ 8.50	\$ 8.40			
\$ 8.10	\$ 8.00			
\$ 7.70				
\$ 7.35				
\$ 7.00				

5. The ‘essential’ skills you need to succeed:

- Effective interpersonal communication
- How to run farm family team meetings
- Questioning
- Dialogue
- Giving and receiving feedback
- Discipline

6. Succession

- What Should I Consider Before Joining the Business?
What are the reasons for my decision?
 - Does it offer the career I want?
 - Does it fulfil my personal goals?
 - Do I like what the business does?
 - Will I find the work meaningful and challenging?
 - Is it better than my alternatives?
 - Can I work with my family?
 - Can I make a real contribution?
 - What skill, talent, drive and knowledge can I bring to the business?
 - Can we resolve conflicts that will inevitably arise?
 - Do I understand that being a “good son or daughter” is different from being an effective manager?

- The Owner-Manager’s “Letting-Go” Checklist
 - Am I committed to family succession? Is it a dream I deeply feel?
 - Will my spouse and I be financially secure after retirement?
 - Have I chosen a successor and set a firm date to retire?
 - Do I believe there is life after retirement?

- Does and absorbing new challenge or interest await me after retirement?
- Am I able to delegate decisions and authority?
- Am I willing to let others take new business risks?
- Do I trust key people with company financial information?

7. General guidelines for family farm business functioning

- A. Develop goals and objectives for both the family and the farm (business).
 - How large a part of the family is your farm?
- B. Identify and clarify the various roles of family members regarding the farm operation.
 - Do you know and feel comfortable about where you fit in?
- C. Make sound family farm (ie. father-son) business agreements.
 - Have you common reference points by which to measure the need to accommodate changed circumstances?
- D. Assess your risks.
 - Are you willing to risk family security for a chance of making a large quick profit?
- E. Decide whether you want to maximize farm growth or enjoy a high standard of living.
 - Do you want to put every possible dollar back into the farm? How much leisure and disposal income do you expect to have?
- F. Strive to maintain a positive attitude.
 - Are you farming at this moment by choice?

- G. Note and share your successes as well as your failures.
- Do your comments encourage or discourage others?
- H. Remember that individuals and relationships are crucial to efficient management.
- Do you take each other's contributions for granted?
- I. Look at other alternatives.
- Do you feel farming is your best chance or your only chance for fulfilling the goals of your family and yourself?

8. Communication

- A. “I” messages – This refers to expressing what you see and feel. i.e. “When I see the dirty barn I feel angry and am lost for words”.
- B. Trigger words –This refers to words that immediately put a person on the defensive and arouse usually negative emotions. i.e. “You never, you always
- C. Open ended questions – Refers to questions that require more than a “yes” or “no”. This encourages discussion and dialogue, leading to fuller understanding.
- D. Closed questions – Refers to questions that can be answered with a simple “yes” or “no”. This limits discussions.

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