



Growing Forward 2  
A federal-provincial-territorial initiative

# TAKING STOCK



**A Processor Business Planning Workbook**

## **Acknowledgements**

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The British Columbia version was prepared by the British Columbia Ministry of Agriculture Business Development Team that are delivering the Agri-food Business Development Program.

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## INTRODUCTION TO 'TAKING STOCK'

### THE VALUE OF PLANNING

Where do you want your business to be 5, 10, or 15 years from now? What does your business look like today? How do you go from where you are today to where you want to be in the future? What level of profit will you need to accomplish your business and personal goals? As you will learn through this process, planning is a necessary part of maintaining and increasing your business profits and achieving your goals.

The first step in this planning process is a self assessment of your business management practices. These practices can be grouped into these nine areas:

1. Business Strategy
2. Marketing Strategy
3. Cost of Production
4. Human Resources
5. Financial Management
6. Social Responsibility
7. Succession Planning
8. Business Structure
9. Risk Assessment

As you go through the workbook you will:

**Assess your** current processor management systems, knowledge, and skills; **Understand** how planning provides the framework for effective decision making; **Set and Prioritize your** goals for the business future; **Identify** resources that can help meet these goals; **Build** on your strengths; and **Create a Business Action Plan** to improve your management skills and knowledge.

## HOW TO USE THIS WORK BOOK

The *Taking Stock* Business Planning Workbook involves answering a series of questions to help you identify strengths and weaknesses in your operation in nine business management areas. Completing this self assessment and the subsequent business action plan is intended to prepare you to make the most efficient use of the Processor Business Advisory Services program funding and the expertise of your business advisor.

Each section contains an introduction to help you answer the self assessment questions. Possible answers are provided for each question to guide you in assessing the situation for your business, and are rated according to a traffic light: **green (strength)** means you understand and are dealing with the issue; **yellow (caution)** means that some improvements should be made (proceed with caution); and a **red (weakness)** answer implies that you need further understanding and that specific action is required. If the question does not apply to your operation; indicate this in the **blue (not applicable)** box.

Once you have selected the most appropriate answer then indicate whether this issue is a **high, medium** or **low** priority for your business operation.

At the end of each section there are two worksheets. The first worksheet is used to list the high priority strengths, cautions and weaknesses of your business. The second worksheet is to develop action statements to address the high priorities for that area of business management.

Prior to completing your Business Action Plan you will transfer the most important action items from the worksheets in each of the 9 sections to the *Taking Stock* Summary – Action Items on pages 57 and 58. In addition, we recommend you also conduct a brief review of external opportunities and threats and identify your key business and personal goals (pages 59 to 62).

When the *Taking Stock* workbook and Business Action Plan are completed, you are eligible to access the B.C. Farm Business Advisory Services Program funding to employ a business advisor for Specialized Business Planning. The Business Action Plan will provide the basis of your discussion with your business advisor in addressing areas in your business and management practices that you have elected to improve.

## 1. Business Strategy

### ***What do you hope to accomplish with your business?***

Business strategy planning is the first step of successful business management.

As a business owner, having a set of business goals gives you the power to steer your business activities in the same direction as your hopes and intentions. This forward way of thinking can be compared to planting a field: inexperienced farmers will often focus on what is going on with the planting behind them, only to end up with a very crooked seed row. With some coaching, an inexperienced farmer will learn to pick out a tree or a landmark in the distance that he can line up with the tractor's muffler. Suddenly the rows are straighter, and the new farmer is able to complete the job faster than before. Similarly, business managers need to have a clear vision of the future to create a business that is in line with their strategic goals. This vision could include things such as machinery or land purchases, new ventures or expansion plans and should include when you would like to achieve them.

### ***What can you do?***

### ***Know where you have been***

The successes and failures of the past give you valuable knowledge to help plan your future. Look at your successes and ask yourself, "What went right?" Look at your failures to understand what went wrong. Many of us are not aware of the things we do right, simply because we do not consistently evaluate past activities.

### ***Know where you are***

You are not going to be able to change your current business immediately, nor should you want to change it until you have determined what your strategy should be. You have demonstrated that you are capable of doing well when you look at your current situation. However knowing your strengths and weaknesses will help you move towards business success.

### ***Know where you want to be – your business goals!***

Take the time to look forward. Know whether you want to understand your production and accounting statements, change your focus, expand your business or increase your value-added activities. You must be specific about your business goals so that you travel in the direction you want to go.

### ***Know how to get there***

Understanding how you are going to achieve your business goals is as important as having the goals in the first place. Sometimes it can be difficult to see the steps needed to reach your goals. Being able to see over a hill is impossible, you know you have to get to the other side but you are not exactly sure where your destination will be. Figure out what you know or can determine, evaluate whether you think it is likely to succeed, and start on the path towards your goals. Build in flexibility and frequently re-evaluate your information about the path to your business goals.

**BUSINESS STRATEGY**

### ***Know how to tell when you are there***

It is entirely possible to pass your business goals without knowing you have achieved them. Each of your goals must have at least one clear objective so that you can recognize when you reach success.

A business goal to improve your efficiency is a good target. However without a defined objective, like reducing the amount of labour hours per unit produced by 10%, you may have no idea when you have achieved your target.

Look for that tree on the horizon! Look back only to make sure you have benchmarks and are aware of your strengths and weaknesses. Focus your attention on those activities that take you from where you are towards the goals you have in mind.

## Business Strategy Assessment Questions

### *Business Strategy assessment (Goals for the business and family)*

1) Do you know your past business successes and failures?

<b>Green</b>	<b>Yellow</b>	<b>Red</b>	<b>Self Assessment</b>	<b>Priority</b>
<i>We are able to clearly identify successful past decisions and activities but we are also aware of unsuccessful business decisions and we have learned from them.</i>	<i>We are able to identify past successes and failures but we don't know how our decisions affected the outcomes.</i>	<i>We are not always sure how to judge our business decisions.</i>	<b>Red</b> <input type="checkbox"/> <b>Yellow</b> <input type="checkbox"/> <b>Green</b> <input type="checkbox"/> <b>N/A</b> <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

2) Do you know where your business is today and how well you are doing?

<b>Green</b>	<b>Yellow</b>	<b>Red</b>	<b>Self Assessment</b>	<b>Priority</b>
<i>We are satisfied with our business performance today.</i>  <i>Our business is able to adapt to changes.</i>	<i>Our business is doing well, but we are not confident about the next one to three years.</i>  OR  <i>Our business is not doing well, but we have been working on a plan for improvement.</i>	<i>We do not know how our business is doing.</i>	<b>Red</b> <input type="checkbox"/> <b>Yellow</b> <input type="checkbox"/> <b>Green</b> <input type="checkbox"/> <b>N/A</b> <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

3) What is your purpose for being in the processing business?

Green	Yellow	Red	Self Assessment	Priority
<i>We can easily list reasons why we are in business.</i>	<i>We do not know how to describe our purpose for being in business.</i>	<i>We do not know why we have a business.</i>	Red <input type="checkbox"/> Yellow <input type="checkbox"/> Green <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

4) Are you satisfied with the performance of your processing business?

Green	Yellow	Red	Self Assessment	Priority
<i>We are satisfied with our business performance today.</i>  <i>Our business is able to adapt to changes.</i>	<i>Our business is doing well, but we are not confident about the next one to three years.</i>  OR  <i>Our business is not doing well, but we have been working on a plan for improvement.</i>	<i>Not sure. We do not know how our business is doing.</i>	Red <input type="checkbox"/> Yellow <input type="checkbox"/> Green <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

5) Do your business goals support your family goals?

Green	Yellow	Red	Self Assessment	Priority
<i>Yes, we can identify that our business goals support our family goals.</i>	<i>We can identify that our business goals impact our family goals but we have not planned for this effect.</i>	<i>No, we keep our business activities separate from our personal activities and do not see the relationship between them.</i>	Red <input type="checkbox"/> Yellow <input type="checkbox"/> Green <input type="checkbox"/> N/A <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>



6) How do you know when you have reached your goal?

Green	Yellow	Red	Self Assessment	Priority
<p><i>We have specific measurable objectives for each of our goals so that we know exactly when we have reached them.</i></p>	<p><i>We have some objectives in mind, but do not have all the details that would identify success.</i></p>	<p><i>We do not have any written measurable goals.</i></p>	<p><b>Red</b> <input type="checkbox"/></p> <p><b>Yellow</b> <input type="checkbox"/></p> <p><b>Green</b> <input type="checkbox"/></p> <p><b>N/A</b> <input type="checkbox"/></p>	<p>High <input type="checkbox"/></p> <p>Medium <input type="checkbox"/></p> <p>Low <input type="checkbox"/></p>

**Business Strategy Assessment - High Priority Summary**

From your assessment, list the high priority strengths, cautions and/or weaknesses for your operation with respect to Business Strategy. On the following page identify specific action goals to address these priority issues. At the end of the workbook you will use these action goals to develop an overall business action plan.

<b>High Priority Business Strategy Strengths</b>	
1	
2	
3	
<b>High Priority Business Strategy Cautions</b>	
1	
2	
3	
<b>High Priority Business Strategy Weaknesses</b>	
1	
2	
3	

**Business Strategy Assessment – Action Plan Items**

<b>Priority Description</b> (indicate whether a strength, caution or weakness)	<b>Action Statement</b> (Goals)

Transfer your action plan items with respect to business strategy to your Summary - Action Items on Page 69.



## 2. Marketing Strategy

***Why is marketing vital to the overall success of your processing business?***

***Why should you be concerned?***

Market needs create business opportunities, not the other way around!

Marketing your products and services is a necessary part of your overall business success. It is important to understand the issues relating to the marketing and sales of your products in order to maximize your profits. Unless you have a good knowledge of the sector you operate in and how your products fit into that sector, it is difficult to focus on anything other than production.

Increasing global competition and other international issues are affecting your business environment and future success. It is therefore very important to have the knowledge and information you need to make informed decisions about the marketing of your products, whether you should (or can) diversify into another product area, and whether to increase the price of your existing products.

In order for your business to thrive, it is crucial that you understand your buyers' needs, taking into consideration whether you are dealing with local (e.g. farmers' markets), regional, national, or international distributors and retailers. Knowing your buyers' needs and how you can provide for those needs is becoming increasingly important and will keep you one step ahead of your competition.

The three areas of self-assessment in Marketing are Wholesale to Retail purchasers, Institutional / Restaurant and Direct Marketing. Whether you have been in business for several years, trying to expand your current business, or starting a new venture, assessing your marketing skills and abilities will help you determine what areas of marketing you need to examine and develop.

***What can you do?***

- Understand your buyers' needs and how they affect your market.
- Understand what the consumer wants and is willing to pay for, and how to market your products in more than one size or form.
- Look for ways to partner with others to collectively develop marketing strategies.
- Look for ways to use marketing experts.
- Develop and follow a written marketing plan that is frequently updated to reflect market changes.

**MARKETING STRATEGY**



**Marketing Strategy General (Optional for Supply Managed Commodities)**

**Marketing strategy assessment**

1) Do you have a written marketing plan?

Green	Yellow	Red	Self Assessment	Priority
<i>Yes, and it is followed.</i>	<i>A plan exists but it is not always followed.</i>	<i>No plan exists.</i>	Red <input type="checkbox"/> Yellow <input type="checkbox"/> Green <input type="checkbox"/> N/A <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

2) Do you have the desire and skills to make good marketing decisions?

Green	Yellow	Red	Self Assessment	Priority
<i>We have a strong background and training in marketing and use this skill in our daily business.</i>	<i>We have some marketing and training background and try to use this skill in our daily business.</i>	<i>We have very little training or background in marketing and have little desire to use this skill in our business.</i>	Red <input type="checkbox"/> Yellow <input type="checkbox"/> Green <input type="checkbox"/> N/A <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

3) Do you estimate your unit cost of production (COP) to inform your pricing options?

Green	Yellow	Red	Self Assessment	Priority
<i>Yes, we review COP information after every production cycle.</i>	<i>Yes, annually from the financial statements.</i>	<i>No, we sell at the prevailing market price and hope for the best.</i>	Red <input type="checkbox"/> Yellow <input type="checkbox"/> Green <input type="checkbox"/> N/A <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

4) Do you check market information regularly?

<b>Green</b>	<b>Yellow</b>	<b>Red</b>	<b>Self Assessment</b>	<b>Priority</b>
<i>Yes, we receive regular price bulletins and also check world markets and review these in relation to our marketing plan.</i>	<i>Sometimes.</i>	<i>No, we don't check markets and usually accept prices given by buyer.</i>	<b>Red</b> <input type="checkbox"/> <b>Yellow</b> <input type="checkbox"/> <b>Green</b> <input type="checkbox"/> <b>N/A</b> <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

5) Do you use market research to determine product choice?

<b>Green</b>	<b>Yellow</b>	<b>Red</b>	<b>Self Assessment</b>	<b>Priority</b>
<i>Yes, and we follow markets to find trends that will increase profitability and also fit within our production plans.</i>	<i>Occasionally, but only when we have time.</i>	<i>No, we usually produce the same commodities each year or follow what our neighbours are doing.</i>	<b>Red</b> <input type="checkbox"/> <b>Yellow</b> <input type="checkbox"/> <b>Green</b> <input type="checkbox"/> <b>N/A</b> <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>



**Direct Marketing – (If Applicable)**

1) Have you investigated different types of direct marketing (on-site retail, farmers’ markets, etc.)?

Green	Yellow	Red	Self Assessment	Priority
<i>Yes, we use one or more of these successfully in our daily operations. We are also looking for and researching new ways to market our products.</i>	<i>We have a limited understanding, but we have not researched how these can assist or create profits in our operation.</i>	<i>No, we have not investigated these options.</i>	Red <input type="checkbox"/> Yellow <input type="checkbox"/> Green <input type="checkbox"/> N/A <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

2) Do you refine your product offering to meet an identified market niche?

Green	Yellow	Red	Self Assessment	Priority
<i>Yes, we actively research new trends and how our operation can fill a need in the marketplace. We also look for ways to alter our product to fill current or new customer needs and increase profitability.</i>	<i>Somewhat, however given our current operations we don't know where diversification would be beneficial.</i>	<i>No, we have not researched this area because our production is very limited or we are not interested in diversifying.</i>	Red <input type="checkbox"/> Yellow <input type="checkbox"/> Green <input type="checkbox"/> N/A <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

3) Does someone in your business have the interest and skill required to do direct marketing?

Green	Yellow	Red	Self Assessment	Priority
<i>Yes, we have completed training and have a good understanding and experience in direct marketing.</i>	<i>Our knowledge is limited but we want to learn more about direct marketing and the positive impact this can have on our operation.</i>	<i>We have very little knowledge and are not interested in pursuing this option for our operation.</i>	Red <input type="checkbox"/> Yellow <input type="checkbox"/> Green <input type="checkbox"/> N/A <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

**Marketing Strategy Assessment - High Priority Summary**

From your assessment, list the high priority strengths, cautions and/or weaknesses for your operation with respect to Marketing Strategy. On the following page identify specific action goals to address these priority issues. At the end of the workbook you will use these action goals to develop an overall business action plan.

<b>High Priority Marketing Strategy Strengths</b>	
1	
2	
3	
<b>High Priority Marketing Strategy Cautions</b>	
1	
2	
3	
<b>High Priority Marketing Strategy Weaknesses</b>	
1	
2	
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**Marketing Strategy Assessment – Action Plan Items**

<b>Priority Description</b> (indicate whether a strength, caution or weakness)	<b>Action Statement</b> (Goals)

Transfer your action plan items with respect to marketing strategy to your Summary - Action Items on Page 69.



### 3. Cost of Production

***How can you improve your production system and your cost of production?***

***Why should you be concerned?***

Manufacturing and delivering your product or service to the market captures the profit opportunity for your business. The quality of your product should reflect what your customers want at a value they are willing to pay. Production systems, facilities and equipment, and purchasing skills all affect the quality, efficiencies and cost of production.

In business, it is important that the production system is as organized and efficient as possible.

***An organized production system helps to:***

- Create time to manage the other aspects of the business such as marketing, financial, human resources, business strategy, and structure.
- Create time for personal, family, and community activities.

***Areas of production or service focus discussed in production are:***

- Product or service quality.
- Production system.
- Benchmarking.
- Cost of production.
- Facilities and equipment.
- Transportation systems.
- Purchasing and supplier relationships.

***What can you do?***

- Set production, service and quality goals.
- Have a record system that provides cost of production, input efficiencies and quality information in a timely manner.
- Identify the costs of production for the different enterprises within your operation
- If some enterprises in your operation are subsidizing others, consider whether it is possible to purchase rather than produce these products.
- Compare your results to your past records and to industry benchmarks where available.
- Develop positive relationships with your suppliers so they can provide product information, production advice, training, market trend information and market referrals.

**COST OF PRODUCTION**



**Cost of Production Assessment Questions**

**Cost of Production assessment**

1) Are you satisfied with your current levels and quality of production?

Green	Yellow	Red	Self Assessment	Priority
<i>Yes, production meets the goals of our plan.</i>	<i>Some production levels are met and others are not.</i>	<i>No, we are not satisfied with the level and quality of production but are unsure how to deal with it.</i>	<b>Red</b> <input type="checkbox"/> <b>Yellow</b> <input type="checkbox"/> <b>Green</b> <input type="checkbox"/> <b>N/A</b> <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

2) Do you keep a record of your production?

Green	Yellow	Red	Self Assessment	Priority
<i>Yes, we keep complete production records.</i>	<i>We keep some production records but they are not complete.</i>	<i>No, we do not keep production records.</i>	<b>Red</b> <input type="checkbox"/> <b>Yellow</b> <input type="checkbox"/> <b>Green</b> <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

3) Do you set annual goals for the level and/or quality of production?

Green	Yellow	Red	Self Assessment	Priority
<i>Yes, we set annual production goals and targets.</i>	<i>Some production goals are set and others are not..</i>	<i>No, we do not set production goals.</i>	<b>Red</b> <input type="checkbox"/> <b>Yellow</b> <input type="checkbox"/> <b>Green</b> <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

4) Do you know your cost of production for each product?

Green	Yellow	Red	Self Assessment	Priority
<i>Yes, input costs are directly tied to product records showing profit/loss for each commodity.</i>	<i>Some specific production costs are known and others are based on entire operation. We do not know which products have higher production costs.</i>	<i>No, we do not know our cost of production.</i>	<b>Red</b> <input type="checkbox"/> <b>Yellow</b> <input type="checkbox"/> <b>Green</b> <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

5) Do you use the services of product development advisors (i.e. suppliers, B.C. Ministry of Agriculture consultants)?

Green	Yellow	Red	Self Assessment	Priority
<i>Yes, we regularly use these services to improve operations and increase profitability.</i>	<i>Occasionally we use advisors but only when in crisis.</i>	<i>No, we do not use advisors.</i>	<b>Red</b> <input type="checkbox"/> <b>Yellow</b> <input type="checkbox"/> <b>Green</b> <input type="checkbox"/> <b>N/A</b> <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

6) Are your production records designed to inform/improve your production management?

Green	Yellow	Red	Self Assessment	Priority
<i>Yes, records are used to improve operations, for bench-marks, and to track both costs and sales figures.</i>	<i>Our records are vague but in some instances are used to improve production and profitability.</i>	<i>No, we do not keep production records.</i>	<b>Red</b> <input type="checkbox"/> <b>Yellow</b> <input type="checkbox"/> <b>Green</b> <input type="checkbox"/> <b>N/A</b> <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>



7) Do you have a plan for equipment and facilities replacements?

Green	Yellow	Red	Self Assessment	Priority
<i>Yes, we have a plan for equipment and facilities maintenance, repair and replacement.</i>	<i>We try to extend lifespan as much as possible and replace when profitability is good.</i>	<i>We have no specific plan for repair and replacement.</i>	<b>Red</b> <input type="checkbox"/> <b>Yellow</b> <input type="checkbox"/> <b>Green</b> <input type="checkbox"/> <b>N/A</b> <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

8) Do you have a quality assurance program (*Quality Starts Here*)? Do you meet the standards?

Green	Yellow	Red	Self Assessment	Priority
<i>Yes, all products have minimum standards that must be met. Inspections are completed regularly to ensure standards are being met.</i>	<i>Some quality and traceability standards exist but these are not always followed and checks are not routinely completed.</i>	<i>No, quality goals do not exist in our operation.</i>	<b>Red</b> <input type="checkbox"/> <b>Yellow</b> <input type="checkbox"/> <b>Green</b> <input type="checkbox"/> <b>N/A</b> <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

9) Do you utilize new production technology demonstrated to be effective in your area?

Green	Yellow	Red	Self Assessment	Priority
<i>New technology is brought in only if it is proven to work; benefits outweigh the costs; supports goals and provides competitive advantages.</i>	<i>New technology has had mixed success.</i>	<i>Little or no success has been experienced with new technology in our operation.</i>	<b>Red</b> <input type="checkbox"/> <b>Yellow</b> <input type="checkbox"/> <b>Green</b> <input type="checkbox"/> <b>N/A</b> <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

10) Are your production or delivery systems operating efficiently and effectively (e.g. inventory management, timeliness of operations, etc.)?

<b>Green</b>	<b>Yellow</b>	<b>Red</b>	<b>Self Assessment</b>	<b>Priority</b>
<i>Yes, the system provides results that are profitable, timely, and help to consistently meet our goals.</i>	<i>Sometimes the system provides helpful results but is not used consistently.</i>	<i>Our system does not work or we don't have one in place.</i>	<b>Red</b> <input type="checkbox"/> <b>Yellow</b> <input type="checkbox"/> <b>Green</b> <input type="checkbox"/> <b>N/A</b> <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

**Cost of Production Assessment - High Priority Summary**

From your assessment, list the high priority strengths, cautions and/or weaknesses for your operation with respect to Cost of Production. On the following page identify specific action goals to address these priority issues. At the end of the workbook you will use these action goals to develop an overall business action plan.

<b>High Priority Cost of Production Strengths</b>	
1	
2	
3	
<b>High Priority Cost of Production Cautions</b>	
1	
2	
3	
<b>High Priority Cost of Production Weaknesses</b>	
1	
2	
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**Cost of Production Assessment – Action Plan Items**

<b>Priority Description</b> (indicate whether a strength, caution or weakness)	<b>Action Statement</b> <b>(Goals)</b>

Transfer your action plan items with respect to production economics to your Summary - Action Items on Page 69.

## 4. Human Resources

***How can you organize and motivate people to achieve your business goals.***

***Why should you be concerned?***

An input cost that business owners often overlook is the cost of labour. Depending on the type of operation, labour costs can account for as much as 70 per cent of the total cost of production. Skilled and motivated employees not only help you achieve your business goals but also contribute to your success. Availability of skilled labour is becoming a major problem for many businesses.

An assessment of your business needs will assist you with developing a human resource plan. The human resource plan can identify gaps and needs for training and motivating employees as well as meeting the overall requirements for running your business.

Human resource planning is a valuable tool for ensuring the health and safety of employees and family members. Today's modern processing companies operate under regulations dealing with a number of issues, from health and safety to the environment. A human resource plan should ensure that all applicable regulations under the *Occupational Health and Safety Regulation*, the *Employment Standards Act*, and payroll regulations are followed.

As with any other part of a good business plan, spending some time creating and implementing a human resource plan will help maintain a profitable and successful business.

Written job descriptions can be very valuable for family, employees and owners. These should include pay grids and compensation packages which may limit or eliminate misunderstandings. Training needs and plans can be identified and agreed to by all affected parties.

***What can you do?***

Implementing good human resource planning will not only reduce your costs, but it will also give you peace of mind throughout the year. Staffing mistakes such as too many or too few workers will impact on the net profits of any business. A good plan should help identify when and where your human resources are needed throughout the business cycle.

Consider safety in your management practices and develop a safety plan to incorporate good safety practices into the work environment..

One of the keys to running a successful business is knowing your requirements regarding types of skills, number of workers and length of employment. Staff turnover can create major problems (this always seems to happen at critical times).

Self-assessment and understanding your management style will help you to make the right decisions when hiring employees and setting policies for your business. Understanding your management style will enable you to hire and keep the best, ensure that you get the right "mix" of people that suit your personal needs and give you the tools to motivate your employees to their potential.



## Human Resource Assessment Questions

### Human Resource assessment

- 1) Do you have a human resource management plan in place?

Green	Yellow	Red	Self Assessment	Priority
<i>Yes, we have a plan in place and we regularly review and update it. Our plan takes into consideration our management style and it is consulted every time we make a human resource decision.</i>	<i>We have a plan when we look at hiring people and have an idea on how we would like to train our employees.</i>	<i>No, we do not have a human resource plan in place. Employees are expected to follow our example in how to do things around the business.</i>	<b>Red</b> <input type="checkbox"/> <b>Yellow</b> <input type="checkbox"/> <b>Green</b> <input type="checkbox"/> <b>N/A</b> <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

- 2) Do you clearly define the responsibilities of each family member and employee?

Green	Yellow	Red	Self Assessment	Priority
<i>Yes, we have a written job description for each family member and employee. They understand their responsibilities and our expectations.</i>	<i>We do not have a written job description because our family members and employees know their job.</i>	<i>No. They are advised on a need to know basis.</i>	<b>Red</b> <input type="checkbox"/> <b>Yellow</b> <input type="checkbox"/> <b>Green</b> <input type="checkbox"/> <b>N/A</b> <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

- 3) Do you have a plan to obtain and retain employees if applicable?

Green	Yellow	Red	Self Assessment	Priority
<i>Yes, we have a human resource plan in place that includes when, how many, how long, skills, training, and wage grid for employees of our operation.</i>	<i>We know that we will need employees at peak production periods, but we do not take steps to plan for recruitment, training, and retention.</i>	<i>We rely on "word of mouth" to recruit and depend on family members to "pick up the slack".</i>	<b>Red</b> <input type="checkbox"/> <b>Yellow</b> <input type="checkbox"/> <b>Green</b> <input type="checkbox"/> <b>N/A</b> <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

4) Have you taken steps to ensure a suitable work/family balance for self, family members and staff?

Green	Yellow	Red	Self Assessment	Priority
<i>We have a work/life balance for family and employees that includes time with family and friends as well as scheduled holidays.</i>	<i>Spending time with family and friends away from the business happens only on rare occasions when production activities permit the time away.</i>	<i>Spending time with family and friends away from the business is never a priority.</i>	Red <input type="checkbox"/> Yellow <input type="checkbox"/> Green <input type="checkbox"/> N/A <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>



**Human Resources Assessment - High Priority Summary**

From your assessment, list the high priority strengths, cautions and/or weaknesses for your operation with respect to Human Resources. On the following page identify specific action goals to address these priority issues. At the end of the workbook you will use these action goals to develop an overall business action plan.

<b>High Priority Human Resource Strengths</b>	
1	
2	
3	
<b>High Human Resource Cautions</b>	
1	
2	
3	
<b>High Priority Human Resource Weaknesses</b>	
1	
2	
3	

**Human Resources Assessment – Action Plan Items**

<b>Priority Description</b> (indicate whether a strength, caution or weakness)	<b>Action Statement</b> (Goals)

Transfer your action plan items with respect to human resources to your Summary - Action Items on Page 69.

## 5. Financial Management

### *How can you help your business be financially stable?*

#### *Why should you be concerned?*

Most business owners would agree that financial management is an important part of doing business. Many would also agree that the process of recording, gathering, and analysing their financial information is sometimes a tedious job that they at times, even neglect. Financial decisions however, are much easier to make when you have information about the performance of your business. So even though it can seem to be an unproductive task when compared to a host of other pressing and urgent issues that require your attention, financial management is a critical component of your business.

If financial management is not your passion, then you should consider working with a financial advisor who is able to gather and organize your business information for you.

The financial management of a business has several components:

- Regular recording and monitoring financial transactions.
- Analysis of past and current performance.
- Forecasting future performance, including cash flow and debt service; and
- Setting and monitoring financial goals.

Financial management is important to other aspects of the business as well. It allows you to establish a cost of production, which in turn helps you determine your marketing strategies. Financial management allows you to

monitor debt service and to decide if a succession plan that includes working with additional family members is possible.

Financial management starts with the development of a suitable financial information system. This will allow you to analyze the information and establish financial goals, that are needed to set performance benchmarks.

Financial management is the backbone of any successful business. This section looks at a number of key areas that business owners must focus on:

- **Improving cash flow** – *the ability to pay your bills and living expenses.*
- **Increasing profitability** – *the ability to generate a return after expenses.*
- **Taxation** – *the ability to pay the optimum level of tax.*
- **Capital investment** – *the ability to allocate available capital to the best use.*
- **Records** – *without good records, analysis and financial goal setting is impossible.*
- **Risk management** – *identifying financial risks is the first step in managing them.*
- **Resources and Skills** – *knowing your strengths and skills helps you manage the finances of the business. Understanding your weaknesses allows you to find alternatives.*

### ***What can you do?***

- Evaluate your current *record keeping system*.
- *Determine what information you need.*
- *Determine what information you need to meet the requirement of the lending institutions.*
- Assess your skill level for analysis and if needed, get training or help from a trusted advisor.
- Monitor your financial progress on a regular basis to determine if you are meeting your financial goals.
- Establish a personal benchmark for the different enterprises within your operation, from which year to year performance can be reviewed.

## Financial Management Assessment Questions

### Financial Management assessment

1) Is the business as profitable as you expected or hoped ?

Green	Yellow	Red	Self Assessment	Priority
<i>Yes. The business has been profitable every year and provides an increasing income for family members.</i>	<i>Not really. The business has been able to grow financially every year but has not met our expectations.</i>	<i>No.</i>	<b>Red</b> <input type="checkbox"/> <b>Yellow</b> <input type="checkbox"/> <b>Green</b> <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

2) Do you have a financial record keeping system?

Green	Yellow	Red	Self Assessment	Priority
<i>We maintain a detailed financial record keeping system. We are able to monitor the progress of the business at anytime.</i>	<i>We enter our information into a record keeping system whenever we have time and take this information into the accountant at the end of the year.</i>	<i>No, our bookkeeping is sporadic and we have trouble paying bills on time.</i>	<b>Red</b> <input type="checkbox"/> <b>Yellow</b> <input type="checkbox"/> <b>Green</b> <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

3) Do you consider how your business activities such as expanding or downsizing could affect revenues and costs?

Green	Yellow	Red	Self Assessment	Priority
<i>Yes, we consider our capacity to service debt or meet cash obligations and increases in costs.</i>	<i>We recognize revenues and costs might be impacted.</i>	<i>We have no idea, or don't consider how changes to our business will impact costs or revenues.</i>	<b>Red</b> <input type="checkbox"/> <b>Yellow</b> <input type="checkbox"/> <b>Green</b> <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

4) Do you consider tax implications when making decisions?

Green	Yellow	Red	Self Assessment	Priority
<i>We consult with our tax advisors on a regular basis and constantly revise our plan to minimize tax implications over time.</i>	<i>We recognize the importance of tax implications but only review them annually with our accountant.</i>	<i>No, we take our financial information into our accountant every year with instructions to do whatever is necessary to limit our tax.</i>	Red <input type="checkbox"/> Yellow <input type="checkbox"/> Green <input type="checkbox"/> N/A <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

**Financial Management Assessment - High Priority Summary**

From your assessment, list the high priority strengths, cautions and/or weaknesses for your operation with respect to Financial Management. On the following page identify specific action goals to address these priority issues. At the end of the workbook you will use these action goals to develop an overall business action plan.

<b>High Priority Financial Management Strengths</b>	
1	
2	
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<b>High Priority Financial Management Cautions</b>	
1	
2	
3	
<b>High Priority Financial Management Weaknesses</b>	
1	
2	
3	

**Financial Management Assessment – Action Plan Items**

<b>Priority Description</b> (indicate whether a strength, caution or weakness)	<b>Action Statement</b> (Goals)

Transfer your action plan items with respect to financial management to your Summary - Action Items on Page 70.



## **6. Social Responsibility**

*How can your business create a positive interaction with the natural environment?*

*Why should you be concerned?*

*Community involvement and industry level involvement*

While benefiting your community and industry by taking part in events and organizations, look for ways to improve your business and individual skills

**SOCIAL RESPONSIBILITY**



## Social Responsibility Assessment Questions

### *Social Responsibility assessment*

1) Are you aware of the environmental regulations that apply to your business?

<b>Green</b>	<b>Yellow</b>	<b>Red</b>	<b>Self Assessment</b>	<b>Priority</b>
<i>We are familiar with the environmental regulations that apply to our business and our responsibilities under those regulations.</i>	<i>We are aware of some environmental regulations but are not clear on our responsibilities under those regulations.</i>	<i>We are unaware of the environmental regulations that apply to our operation and if our business practises promote environmental stewardship.</i>	<b>Red</b> <input type="checkbox"/> <b>Yellow</b> <input type="checkbox"/> <b>Green</b> <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

2) Does your record system enable traceability of your products?

<b>Green</b>	<b>Yellow</b>	<b>Red</b>	<b>Self Assessment</b>	<b>Priority</b>
<i>Yes, we keep detailed records that enable traceability of our products.</i>	<i>We may be able to trace some of our products using our current record system, but we have never really considered the importance of this.</i>	<i>We do not plan for traceability and do not see the importance of it.</i>	<b>Red</b> <input type="checkbox"/> <b>Yellow</b> <input type="checkbox"/> <b>Green</b> <input type="checkbox"/> <b>N/A</b> <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

**Social Responsibility Assessment - High Priority Summary**

From your assessment, list the high priority strengths, cautions and/or weaknesses for your operation with respect to Social Responsibility. On the following page identify specific action goals to address these priority issues. At the end of the workbook you will use these action goals to develop an overall business action plan.

<b>High Priority Social Responsibility Strengths</b>	
1	
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<b>High Priority Social Responsibility Cautions</b>	
1	
2	
3	
<b>High Priority Social Responsibility Weaknesses</b>	
1	
2	
3	

**Social Responsibility Assessment – Action Plan Items**

<b>Priority Description</b> (indicate whether a strength, caution or weakness)	<b>Action Statement</b> <b>(Goals)</b>

Transfer your action plan items with respect to social responsibility to your Summary - Action Items on Page 70.



## 7. Succession Planning

There are three leading questions depending on where you are in the family-business life cycle.

If succession to the next generation is not currently an issue, the question is:

***Do you have at least a basic plan in place to ensure the ongoing operation of the business?***

If succession is not currently an issue but could be in the next five to 15 years, then in addition to above, the question is:

***How do you keep succession in mind and ensure the business is in a position to deal with it in the future?***

If succession is currently an issue, in addition to the first question, the question is:

***Do you have a plan in place to ensure the smooth transition of ownership and management to the next generation?***

***Why should you be concerned?***

Every business and family is different and therefore, every succession plan is different. The concern is the effect of an event when there is no plan in place and the uncertainty created as to the future viability and continuity of the business. This will affect not only the business but also the family – both financially and emotionally.

Succession planning, in the pure sense of the words (i.e. planning how to transfer management, labour and ownership to the next generation), may not be appropriate for every business because of differences in where

operations are at in the family-business cycle. For example, an operation just establishing itself is probably not considering succession. On the other hand, someone with young children is in a different situation and needs to think about different issues (i.e. the longer-term and what needs to be done today to be prepared in case a child wants to become involved in the business). Of course, other non-family businesses also need to think about succession planning now.

***What can you do?***

The most important thing is to start the conversation. You should be thinking strategically about how to position the business for the future. Is there an obvious successor? Are they ready? How will you transfer labour, management and ownership? How will you treat the children involved in the business? Issues to discuss include planning for various contingencies like death, disability, divorce, disagreement and disaster.

This self-assessment will take you down the path that best fits your particular situation.

**SUCCESSION PLANNING**





## Succession Planning Assessment Questions

### Succession Planning assessment

1) Do you have a current Will and power of attorney (updated every five years)?

Green	Yellow	Red	Self Assessment	Priority
<i>Yes, our Will and power of attorney documents are up-to-date.</i>	<i>We have recently updated one of either the Will or power of attorney documents or have at least put some thought into doing so.</i>	<i>No, neither our Will nor our power of attorney documents are up-to-date.</i>	Red <input type="checkbox"/> Yellow <input type="checkbox"/> Green <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

Are you going to sell your business or pass it onto the next generation?

### I. Selling the business

1) Do you have a plan to deal with the tax issues related to disposing of the assets?

Green	Yellow	Red	Self Assessment	Priority
<i>Yes, we know the tax rules surrounding the disposal of assets and have a plan in place to deal with this issue.</i>	<i>We are aware that if we dispose of our assets there will be income tax consequences; however, we do not have a plan to deal with this.</i>	<i>We are unaware of the tax issues related to the disposal of our assets and it is not a concern for us at this time.</i>	Red <input type="checkbox"/> Yellow <input type="checkbox"/> Green <input type="checkbox"/> N/A <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

**II. Passing on the business**

1) Does your business have a formal written succession plan for the business?

Green	Yellow	Red	Self Assessment	Priority
<i>Yes, our business has a formal written succession plan addressing the transfer of management and ownership. This includes life cycle, family communication issues, successor selection and development.</i>	<i>We have started a succession discussion but there is not yet a written succession plan. We still have many questions.</i>	<i>We do not have a written succession plan.</i>	Red <input type="checkbox"/> Yellow <input type="checkbox"/> Green <input type="checkbox"/> N/A <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

2) Do you have a plan to deal with the tax issues related to transferring assets to the next generation?

Green	Yellow	Red	Self Assessment	Priority
<i>We have developed a plan to deal with tax issues in consultation with a tax advisor.</i>	<i>We have a general awareness of some of the tax considerations relative to succession but a plan has not been put in place.</i>	<i>No, we don't know how taxes might affect business sale or transfer.</i>	Red <input type="checkbox"/> Yellow <input type="checkbox"/> Green <input type="checkbox"/> N/A <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

3) Have you developed contingency plans for such things as death, divorce, disability, disagreement and disaster?

Green	Yellow	Red	Self Assessment	Priority
<i>We have discussed and know how we would deal with issues such as divorce, death, disability, disagreement and disaster.</i>	<i>We have developed contingency plans for some issues, such as death and disaster but some topics are too sensitive for us to discuss.</i>	<i>We deal with issues as they come up and don't have time to plan for events that may never happen.</i>	Red <input type="checkbox"/> Yellow <input type="checkbox"/> Green <input type="checkbox"/> N/A <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

4) Have you fully discussed with family members how children involved and not involved in the business will be treated fairly?

Green	Yellow	Red	Self Assessment	Priority
<i>We have fully discussed how the children will be treated and have addressed the issues of how to achieve fair treatment for all children.</i>	<i>We have had some discussion of how the children will be treated, but we aren't sure how we will achieve fair treatment for all children.</i>	<i>There has been no discussion of how children will be fairly treated. Our children may be able to work this out on their own.</i>	Red <input type="checkbox"/> Yellow <input type="checkbox"/> Green <input type="checkbox"/> N/A <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

5) Has your business been structured in such a way as to consider and facilitate succession?

Green	Yellow	Red	Self Assessment	Priority
<i>We have structured the business to consider and facilitate succession. All business owners have an understanding of how ownership is acquired and how new participants would gain ownership.</i>	<i>We have had some discussion around how the business structure would facilitate succession; however, there is no clear plan as to how this process would occur.</i>	<i>We haven't thought about business structure and don't know how we would even go about changing it.</i>	Red <input type="checkbox"/> Yellow <input type="checkbox"/> Green <input type="checkbox"/> N/A <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

**Succession Planning Assessment - High Priority Summary**

From your assessment, list the high priority strengths, cautions and/or weaknesses for your operation with respect to Succession Planning. On the following page identify specific action goals to address these priority issues. At the end of the workbook you will use these action goals to develop an overall business action plan.

<b>High Priority Succession Planning Strengths</b>	
1	
2	
3	
<b>High Priority Succession Planning Cautions</b>	
1	
2	
3	
<b>High Priority Succession Planning Weaknesses</b>	
1	
2	
3	

**Succession Planning Assessment – Action Plan Items**

<b>Priority Description</b> (indicate whether a strength, caution or weakness)	<b>Action Statement</b> <b>(Goals)</b>

Transfer your action plan items with respect to succession planning to your Summary - Action Items on Page 70.



## 8. Business Structure

***How can you achieve the ideal legal structure for your business?***

***Why should you be concerned?***

The structure of a business is important for many reasons. While taxation is often a prime concern for business owners, it should not be the primary reason to consider a particular legal structure. For example, other important considerations include succession planning goals. Some business owners may think simple is best; others may consider the flexibility in implementing a succession plan as the top priority in choosing a particular legal structure.

Each kind of legal structure has advantages and disadvantages. As a business grows or business goals change, a particular business structure may become more or less attractive.

***Legal structure***

The legal structure refers to the business entity under which the business operates. The three most common business structures are sole proprietorship, partnership and corporation. A joint venture is a less common entity, but is useful in certain circumstances. Where a group of processors may be able to achieve joint economic benefit from an association, a cooperative may be the solution.

The type of structure that a business owner chooses will decide for example, how decisions are made, who will report the income of the business, who will pay the taxes, and who is legally responsible for the business. The legal

structure also influences the control of the business and the method of transferring the business.

***Ownership structure***

The ownership structure of a business refers to how the assets are owned. While ownership may appear to be obvious, it is not always the case, especially if a second generation is working in the business. It is not uncommon to encounter businesses where some assets are owned by the individual and used by a corporation that operates the business. Partnerships sometimes own very few assets, while partners retain direct asset ownership. Understanding the ownership of assets is critical for tax planning, financing, succession planning, and exiting or changing the business structure (such as when a business partner wishes to leave the business).

Written agreements should clearly document the contributions of assets to the business and explain if and how the owner of the assets will be compensated for the contribution of the assets to the business. Agreements clarify how someone may enter or exit the business structure in the future. Agreements also outline a process in the event of death or illness.

***What can you do?***

- Understand your current business structure.
- Consider if your current structure fits your business goals.
- Understand the pros and cons of other business structures.
- Discuss different structures with your advisors.

**BUSINESS STRUCTURE**





## Business Structure Assessment Questions

### Business Structure assessment

- 1) Does your business legal structure (sole proprietor, partnership, corporation, cooperative etc.) meet the goals of your business?

Green	Yellow	Red	Self Assessment	Priority
<i>Our business legal structure meets all of the business goals, and the business structure is reviewed periodically.</i>	<i>Our business legal structure meets some of the goals for the business.</i>	<i>We do not know if our legal business structure meets the goals for the business.</i>	<b>Red</b> <input type="checkbox"/> <b>Yellow</b> <input type="checkbox"/> <b>Green</b> <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

- 2) Do you have written business agreements?

Green	Yellow	Red	Self Assessment	Priority
<i>We have written up-to-date business agreements; all of the business owners understand the agreements and how they apply to the business.</i>	<i>The written agreements were developed initially and most of the business owners have a general understanding of the agreements.</i>	<i>There are no written business agreements for the business.</i>	<b>Red</b> <input type="checkbox"/> <b>Yellow</b> <input type="checkbox"/> <b>Green</b> <input type="checkbox"/> <b>N/A</b> <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

- 3) Do you have a written description of who owns what in your business including compensation of use of assets?

Green	Yellow	Red	Self Assessment	Priority
<i>There is a clear written description of who owns the current business assets, including any compensation for use of those assets in the business.</i>	<i>The business owners know who owns the major assets of the business, but they are not clear about what compensation the owners of those assets receive.</i>	<i>The owners of the business are not clear about who owns the assets.</i>	<b>Red</b> <input type="checkbox"/> <b>Yellow</b> <input type="checkbox"/> <b>Green</b> <input type="checkbox"/> <b>N/A</b> <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

**Business Structure Assessment - High Priority Summary**

From your assessment, list the high priority strengths, cautions and/or weaknesses for your operation with respect to Business Structure. On the following page identify specific action goals to address these priority issues. At the end of the workbook you will use these action goals to develop an overall business action plan.

<b>High Priority Business Structure Strengths</b>	
1	
2	
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<b>High Priority Business Structure Cautions</b>	
1	
2	
3	
<b>High Priority Business Structure Weaknesses</b>	
1	
2	
3	

**Business Structure Assessment – Action Plan Items**

<b>Priority Description</b> (indicate whether a strength, caution or weakness)	<b>Action Statement</b> (Goals)

Transfer your action plan items with respect to business structure to your Summary - Action Items on Page 70.



## 9. Risk Management

### ***How do you handle risk to secure your business operations?***

Risk can occur in various aspects of your business operation. You may need to assess your security of operations in the following areas:

#### ***Production Risk***

Do you follow good manufacturing practices? Are the raw material supply, manufacturing and product delivery aspects of your operations timely and secure? Is there a hazard analysis and critical control point protocol in place? Are there quantitative risk assessments, machinery readiness and maintenance and/or labour requirement plans in place?

#### ***Market Risk***

Do you have a written market risk strategic plan and knowledge of marketing tools? Do you receive current and accurate market information? Can you identify trends in prices? Do you know the breakeven price for all your products? Are you able to assess if future pricing opportunities (deferred delivery, contracts, hedges, options) are advantageous to your business?

#### ***Financial Risk***

How secure are your financial arrangements with lending agencies? Do you meet with them regularly to discuss your business plan? Will the current levels within your product insurance coverage meet your cash flow requirements? What is the worst case scenario for product loss? Do you incorporate other risk mitigation

strategies? Do you have fire and business interruption insurance? How much of an increase in interest rates can be tolerated?

#### ***Human Resource Risk***

Do members of your operation understand the business model? Would your operation be at risk if any one member became ill or disabled? Will you be able to find and train capable employees? Could an accident or death of a family member or employee affect the viability of your business? Is there life insurance coverage?

#### ***Policy Risk***

Are there national or international policies that will negatively affect your markets?

#### ***What can you do?***

- Categorize risks as manufacturing operations, market, financial, human or policy areas.
- Address each area of risk. Decide if the risk is a high or low possibility, what the impact on your business is and develop a strategy to mitigate that risk.
- Be sure all members of your operation are knowledgeable of the risk considerations.



## Risk Management Assessment Questions

### Risk assessment

1) Do you have a plan to deal with manufacturing operations risk?

Green	Yellow	Red	Self Assessment	Priority
<i>Yes, we manage our operations risk by following good manufacturing practices such as quantitative risk assessment to support risk-management decisions for food safety and HACCP programs. Business interruption insurance and liability insurance.</i>	<i>Yes, we try to follow good manufacturing practices.</i>	<i>No, we do not have a plan.</i>	Red <input type="checkbox"/> Yellow <input type="checkbox"/> Green <input type="checkbox"/> N/A <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

2) Do you have a plan to deal with market risk?

Green	Yellow	Red	Self Assessment	Priority
<i>Yes, we have a written market contingency plan. We pre-price our product when possible and sell into the top third of the market.</i>	<i>We have a general idea on how to use marketing tools but are unsure on how to use them.</i>	<i>No, we do not have a plan.</i>	Red <input type="checkbox"/> Yellow <input type="checkbox"/> Green <input type="checkbox"/> N/A <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

3) Do you have a plan to deal with the loss of labour or management skills?

Green	Yellow	Red	Self Assessment	Priority
<i>Yes, we have a written human resource contingency plan. We have alternate resources available.</i>	<i>We have options available but have never discussed these with family or employees.</i>	<i>No, we do not have a plan.</i>	<b>Red</b> <input type="checkbox"/> <b>Yellow</b> <input type="checkbox"/> <b>Green</b> <input type="checkbox"/> <b>N/A</b> <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

4) Do you know how to measure financial risk?

Green	Yellow	Red	Self Assessment	Priority
<i>Yes, we meet with our financial advisors at least quarterly to review our financial risk. We then take steps to reduce our financial risk if our risk assessment shows that the business is out of balance with our business plan.</i>	<i>We meet with our advisors and lender once a year and determine if our financial risk is such that the bank will extend our operating loans.</i>	<i>No, we try not to think about it.</i>	<b>Red</b> <input type="checkbox"/> <b>Yellow</b> <input type="checkbox"/> <b>Green</b> <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

5) Do you have a plan to deal with government policy change?

Green	Yellow	Red	Self Assessment	Priority
<i>We constantly monitor changes in domestic and international government policy. We stay involved with our industry and often sit on boards and committees that advise government.</i>	<i>We monitor domestic government policy and try to use it to our advantage whenever possible.</i>	<i>No, we do not have a plan.</i>	<b>Red</b> <input type="checkbox"/> <b>Yellow</b> <input type="checkbox"/> <b>Green</b> <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>



6) Do you follow a diverse investment strategy?

Green	Yellow	Red	Self Assessment	Priority
<p><i>We meet with our investment advisors and determine what the best portfolio is for us. We diversify our investments to insure a balanced portfolio.</i></p>	<p><i>We know additional external investing is a good idea, but we do not take advantage of these investment opportunities.</i></p>	<p><i>We reinvest all profits back into the business.</i></p>	<p>Red <input type="checkbox"/></p> <p>Yellow <input type="checkbox"/></p> <p>Green <input type="checkbox"/></p> <p>N/A <input type="checkbox"/></p>	<p>High <input type="checkbox"/></p> <p>Medium <input type="checkbox"/></p> <p>Low <input type="checkbox"/></p>

**Risk Management Assessment - High Priority Summary**

From your assessment, list the high priority strengths, cautions and/or weaknesses for your operation with respect to Risk Management. On the following page identify specific action goals to address these priority issues. At the end of the workbook you will use these action goals to develop an overall business action plan.

<b>High Priority Risk Management Strengths</b>	
1	
2	
3	
<b>High Priority Risk Management Cautions</b>	
1	
2	
3	
<b>High Priority Risk Management Weaknesses</b>	
1	
2	
3	

**Risk Management Assessment – Action Plan Items**

<b>Priority Description</b> (indicate whether a strength, caution or weakness)	<b>Action Statement</b> (Goals)

Transfer your action plan items with respect to risk management to your Summary - Action Items on Page 70.

## TAKING STOCK – GETTING TO THE BUSINESS ACTION PLAN

Now that you have completed the self assessment questions, you will proceed through a few more steps before you develop your business action plan.

1. Transfer the action items identified in each business management section to the *Taking Stock* summary table.
2. Assess potential external opportunities and threats that could impact your business and are part of the planning process.
3. Determine your key personal and work goals.
4. Develop a Business Action Plan.

### ***Taking Stock Summary Instructions***

Your responses to each of the preceding sections should now be carried forward to the **Taking Stock Summary – Action Items** on the following pages (see example page).

To complete the Taking Stock Summary:

1. Start with Business Strategy, the first of the business management areas within the self assessment. By referring back to this area, bring forward the high priority items that require your attention.
2. Identify what action statements or goals are most important for you to improve your business management practices in this area:
  - The action statements address areas requiring follow-up from your responses to the questions in each business section.
  - You do not need to create action statements or goals for high priority business management practices that you are already implementing.
  - You are not required to create action statements for all business management areas. You decide what areas you feel are important and require some action to support improvement.
3. Assign priorities for each action area (i.e. what is the level of urgency to complete that action – high, medium, or low).
4. You have now completed the summary for the Business Strategy area. Continue with steps one through three for all the other business management areas.

**SUMMARY, GOALS AND ACTION PLANS**

### ***Taking Stock Summary Instructions*** (CONTINUED)

5. Once you have summarized all applicable business management areas, proceed to looking at external opportunities and threats as well as developing key business and personal goals. Follow the instructions in each of these areas.
6. The final step in this process is to develop your Business Action Plan.
7. A completed Business Action Plan is required to access funding support for Business Advisory Services from the B.C. Ministry of Agriculture Business Advisory Services program.

**Taking Stock Summary- Action Items (Example)**

Business Management Area	Priority description (indicate whether a strength, caution or weakness)	Action Statement (Goals)	Priority (High/Medium/Low)
1) BUSINESS STRATEGY			
2) MARKETING STRATEGY			
3) COST OF PRODUCTION	<i>Limited information on cost of production (caution)</i>	Gather detailed information on production records and input costs for each product manufactured	high
4) HUMAN RESOURCES	Job descriptions lacking (weakness)	Create job descriptions for family members and hired positions	medium
5) FINANCIAL MANAGEMENT	<i>Enhance financial record keeping and analysis (caution)</i>	Improve my knowledge of my financial records and monitor business progress	high

NAME: \_\_\_\_\_

DATE: \_\_\_\_\_

**Taking Stock Summary – Action Items**

Business Management Area	Priority description (indicate whether a strength, caution or weakness)	Action Statement (Goals)	Priority (High/Medium/Low)
1) BUSINESS STRATEGY			
2) MARKETING STRATEGY			
3) COST OF PRODUCTION			
4) HUMAN RESOURCES			

## Summary, Goals and Action Plans

Business Management Area	Priority description (indicate whether a strength, caution or weakness)	Action Statement (Goals)	Priority (High/Medium/Low)
5) FINANCIAL MANAGEMENT			
6) SOCIAL RESPONSIBILITY			
7) SUCCESSION PLANNING			
8) BUSINESS STRUCTURE			
9) RISK MANAGEMENT			



## Identifying External Opportunities and Threats

### Opportunities to Capture

What changes or trends in the world outside of your business do you see as providing the greatest opportunities for your business's future over the next five to ten years? List these changes or trends and tell what opportunities they create for your business.

1. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
2. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
3. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

### Threats (Risks) to Avoid or Protect From

What changes or trends in the world outside of your business do you see as providing the greatest potential threats for your business's future over the next five to ten years? List these changes or trends and tell what threats they pose for your business.

1. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
2. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
3. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

### **My Key Goals**

#### ***INSTRUCTIONS***

**Step 1** Describe where you want your business to be in five to ten years time. What type of business will it be? How big? Who will be involved in the business and in what way?

**Step 2** Identify three to five Key Goals. What needs to be done to make this five to ten year future picture or vision of your business a reality?

As you set your goals consider:

- Your High Priority Strengths and Weaknesses that you have identified.
- Personal and Family Goals.
- The Opportunities and Threats to the business that you have identified.
- Growing Forward cost-share opportunities.
- State your three to five Key Goals and how each supports where you want your business to be in five to ten years time.

**Step 3** Using the tick boxes provided, indicate if achieving this goal will (identify all appropriate):

- Build on business strengths;
- Turn weaknesses into strengths;
- Capture an opportunity; and
- Reduce or avoid a Threat (risk).

#### **Creating Action Plans to accomplish goals**

Once you have completed your top three to five Key Goals the final step is to complete an Action Plan for each. In the Action Plan your Key Goals will become more refined to include action steps needed to implement these goals.

## My Key Goals Example

Where do you want your business to be in five to ten years from now? Describe below:

*Same size of operation unless great opportunity for expansion presents itself. Increase Jason and Susan's involvement in managing the business operation. Increase profits by \$25,000. Develop Succession Plan.*

### MY KEY GOALS

<b>What are the Key Goals needed to make your five to ten year picture or vision of your business a reality? As you set your goals consider:</b>	Achieving this goal will help strengthen or address: (mark all that apply)
<ul style="list-style-type: none"> <li>• Your business and personal goals.</li> <li>• The Taking Stock Summary Action Items you identified on pages 57 and 58.</li> <li>• The Opportunities and Threats to the business that you have identified.</li> </ul> <p><b>State your Key Goal and how it supports where you want your business to be in five to ten years time.</b></p> <p>1. Increase Profits by \$25,000. This will help with family members' increasing salary needs and assist with debt payment capacity for future expansion or possible succession planning buyout of parents.</p>	<input checked="" type="checkbox"/> Strength <input checked="" type="checkbox"/> Opportunity <input type="checkbox"/> Weakness <input type="checkbox"/> Threat
<p>2. Improve cost of production records for each product sku. This will help control costs and identify the areas where we make the most profits and identify ways to improve profit margins. Good way for Jason and Susan to learn more about running the business while using their computer skills.</p>	<input type="checkbox"/> Strength <input checked="" type="checkbox"/> Opportunity <input checked="" type="checkbox"/> Weakness <input type="checkbox"/> Threat
<p>3. Restructure debt to regain greater operating credit line. This will improve profitability by allowing more flexibility in purchases and more flexibility in marketing sales.</p>	<input type="checkbox"/> Strength <input type="checkbox"/> Opportunity <input checked="" type="checkbox"/> Weakness <input checked="" type="checkbox"/> Threat
<p>4. _____ _____</p>	<input type="checkbox"/> Strength <input type="checkbox"/> Opportunity <input type="checkbox"/> Weakness <input type="checkbox"/> Threat
<p>5. _____ _____</p>	<input type="checkbox"/> Strength <input type="checkbox"/> Opportunity <input type="checkbox"/> Weakness <input type="checkbox"/> Threat

Capacity to Implement: Next, as you develop your Action Plans to address these goals, consider if the business has the following capacities to successfully implement these Key Goals. If not, then addressing these capacities might be action steps required to meet these goals.

**Knowledge and Skills / Resources including finances / Business Team members committed to the Goal / Motivation / Is this the right time to pursue this goal?**

## My Key Goals

Where do you want your business to be in five to ten years from now? Describe below:

---



---

### MY KEY GOALS

**What are the Key Goals needed to make your five to ten year picture or vision of your business a reality? As you set your goals consider:**

- Your business and personal goals.
- The Taking Stock Summary Action Items you identified on pages 57 and 58.
- The Opportunities and Threats to the business that you have identified.

**State your Key Goal and how it supports where you want your business to be in five to ten years time.**

1. \_\_\_\_\_  
 \_\_\_\_\_

Achieving this goal will help strengthen or address: (mark all that apply)

- Strength       Opportunity  
 Weakness       Threat

2. \_\_\_\_\_  
 \_\_\_\_\_

- Strength       Opportunity  
 Weakness       Threat

3. \_\_\_\_\_  
 \_\_\_\_\_

- Strength       Opportunity  
 Weakness       Threat

4. \_\_\_\_\_  
 \_\_\_\_\_

- Strength       Opportunity  
 Weakness       Threat

5. \_\_\_\_\_  
 \_\_\_\_\_

- Strength       Opportunity  
 Weakness       Threat

Capacity to Implement: Next, as you develop your Action Plans to address these goals, consider if the business has the following capacities to successfully implement these Key Goals. If not, then addressing these capacities might be action steps required to meet these goals.

Knowledge and Skills / Resources including finances / Business Team members committed to the Goal / Motivation / Is this the right time to pursue this goal?

### Business Action Plan

#### Instructions

The Business Action Plan is designed to prompt you to identify the most important business management issues within your operation (from the *Taking Stock* Summary - Action Items worksheet on pages 57 and 58) and set some goals for improvement in these areas. There are three main steps in transferring the items from your summary sheet to the Business Action Plan:

1. Decide which are the most important items to you on your summary worksheet and transfer them to the business action plan. The questions denoted as a weakness and high priority would likely take precedence over those considered a low priority and a strength or caution. However it is up to you to prioritize. The example below has chosen three. You can choose as many as you feel necessary.
2. For column three – action statement- you need to add a statement explaining how you are going to address the issue. In the example below for priority two the action statement has been expanded from *improve my knowledge of business financial reports* to *improve my knowledge of business financial reports by taking a continuing education course*.
3. The Business Action Plan also needs a planned completion date. Enter the planned completion date in column four and when you review your Business Action Plan in the future the actual completion date can be filled in. If there are multiple operators in your operation also indicate who is responsible for each action.

## Summary, Goals and Action Plans

### Taking Stock - Business Action Plan (Example)

**Name:** *John Smith*

**Date:** *January, 20XX*

Priority	Business Management Area	Action Statement (Goals)	Planned Completion Date	Actual Completion Date	Responsible for Action
1	Cost of Production	<i>Improve my record keeping system by ... implementing a tracking system.</i>	<i>March 20XX</i>		
2	Financial Management	<i>Improve my knowledge of my financial reports by taking a continuing education course.</i>	<i>November 20XX</i>		
3	Human Resources	<i>Get family members to write their job descriptions and create ones for hired positions.</i>	<i>February 20XX</i>		

**Taking Stock – Business Action Plan**

**Name:** \_\_\_\_\_

**Processor Copy**

**Date:** \_\_\_\_\_

Priority	Business Management Area	Action Statement (Goals)	Planned Completion Date	Actual Completion Date	Responsible for Action

**Taking Stock – Business Action Plan**

**Name:** \_\_\_\_\_

**Processor Copy**

**Date:** \_\_\_\_\_

Priority	Business Management Area	Action Statement (Goals)	Planned Completion Date	Actual Completion Date	Responsible for Action



**Taking Stock – Business Action Plan**

**Name:** \_\_\_\_\_

**Application Form Copy**

**Date:** \_\_\_\_\_

Priority	Business Management Area	Action Statement (Goals)	Planned Completion Date	Actual Completion Date	Responsible for Action

**Taking Stock – Business Action Plan**

**Name:** \_\_\_\_\_

**Application Form Copy**

**Date:** \_\_\_\_\_

Priority	Business Management Area	Action Statement (Goals)	Planned Completion Date	Actual Completion Date	Responsible for Action

## **APPENDIX A - Glossary of Terms**

### ***BUSINESS STRATEGY - Terms you need to know for Business Strategy***

**Action:** A specific step needed to implement a goal, preferably including who will do it, during what time frame, and at what cost (e.g. John to look at electronic record keeping systems available and make recommendation by December 31<sup>st</sup>, considering the benefits and disadvantages, expense, training needs, and the cost of training).

**Action plan:** A collection of actions which one is committed to complete in order to fulfill a goal.

**Business goal:** A key achievement that will fulfill an organization's purpose or mission (e.g. improve profitability; maximize net income by increasing revenues and controlling costs).

**Core competency:** What a manager and their business are capable of doing well (e.g., producing excellent products, cost control in processing, selecting high quality raw product).

**Mission:** A statement of the overall purpose of an organization. It describes what the business does, for whom it does it, and the benefits of doing it (e.g. to provide consumers with high quality, price-competitive, services and products that meet their personal, business, and recreational needs).

**Priority:** A way of ranking potential actions based on a business' judgment of how much of an effect it will have in fulfilling its goals. In this program, ranking an action with a high priority increases the likelihood that it will be included in the priority lists.

**Strategy:** A high-level plan or approach to achieving a desired result(s).

**Vision:** A description of the ideal of what a business owner wants their business to look like in the future. A Mission Statement will describe how they will make a vision become reality.

### ***COST OF PRODUCTION - Terms you need to know for Production***

**Benchmarking:** The process of comparing results from a business with that business' past results or with results from other businesses producing the same products or services.

**Cost of production:** The cost of producing one unit of product or one unit of service. The cost of production is divided by the amount of products made expressed in dollars per unit of production (e.g. \$20.00 per case of mushroom pate, \$3.00 per litre of soup).

**Production advisor:** A person who provides technical advice on production processes.

**Production system:** The inputs, equipment, people, order of steps, standards, and evaluation procedures required to turn the purchased inputs into the products delivered to customers.

**Production standards:** These can include processing standards such as units per hour, regulatory licenses or certificates, industry or market traceability, and bio-security requirements.

**Production technology:** This includes any machinery, knowledge skill set, and system of steps or methods used to turn inputs into the products delivered to customers.

**Quality:** This describes the desired characteristics of a product or service.

**Service:** This refers to work provided for a customer for pay.

**Service system:** This system is the inputs, equipment, people, order of steps, standards, and evaluation procedures required to turn the purchased inputs into the services delivered to customers.

**Suppliers:** These people sell inputs to a business.

### ***MARKETING - Terms you need to know for Marketing***

**Commodity marketing:** Agricultural commodities are generic, undifferentiated products that, since they have no other distinguishing and marketable characteristics, compete with one another based on price. A commodity marketing system encompasses all the participants who are involved in the flow of the commodity from the initial input to the final consumer.

**Wholesale marketing** Wholesale is basically the selling of goods in large scale to retailers who then resell – mostly in much smaller amounts - to the end consumer. It follows logically that in order for the retailer to make a profit, the wholesale price must be lower than the retail price.

**Retail Marketing** the sale of goods individually or in small quantities to consumers

**Direct farm marketing:** Direct farm marketing allows the producer to assume the accountability and rewards of delivering quality agri-food products directly to the consumer through a variety of marketing channels (such as farmers' markets, farm gate sales, or on-farm stores).

**Farmers' market:** Farmers' markets are common facilities or areas where several producers gather on a regular basis to sell various food products such as meat, fruit, vegetables, and other food directly to consumers. These are also for the benefit of the urban consumer who values quality, variety, and freshness in their food.

**Marketing plan:** A marketing plan outlines the steps taken to match customers' needs with the best products and services one can provide. A marketing plan will help in determining how to spend the marketing budget and is a part of the overall business plan.

**Market research:** Market research links the consumer to the marketer through informal and formal analysis of a product, service, or market segment. Market research gives one the knowledge to maximize customer response and uptake of the product or service being sold or promoted.

### ***FINANCIAL MANAGEMENT - Terms you need to know for Financial Management***

**Accrual statement:** A financial statement that matches the revenue earned and expenses incurred for a specific time period, regardless of when the cash transaction took place.

**Arrears:** A legal term for a type of debt that is overdue after a scheduled payment is missed.

**Assets:** Refers to property that the business either owns or controls. Assets include items such as cash, equipment, buildings, and land. They can be valued on a "fair market value" or on the basis of "cost less depreciation".

**Balance sheet:** A statement of financial position showing the assets, liabilities, and equity of a business on a specific date.

**Benchmark:** A measurement of a particular financial or production indicator that serves as a standard by which a business can be measured or compared.

**Breakeven price:** The price a processor must receive for a product in order to recover all of the costs associated with producing the product.

**Capital:** Financial capital refers to the funds provided by lenders (and investors) to businesses to purchase real capital like equipment for producing goods and services. Real capital may include land, equipment, buildings, or other assets.

**Capital budget:** This provides an estimate of the feasibility of making investments in long-term assets.

**Capital investment strategy:** A strategy aimed at maximizing the return and efficiency of the capital invested in the business based on the analysis of cashflows and desired return on investment.

**Cashflow:** An accounting term that refers to the amounts of cash being received and spent by a business during a defined period, sometimes tied to a specific project.

**Cash statement:** A statement that records the revenue and expenses when the cash is actually received or paid, regardless of when the agreement to sell or purchase may have taken place.

**Debt servicing capacity:** The ability of the business to make payments of money owed after considering the cash revenues and expenses of the business, personal living costs, and taxes.

**Debt structure:** The proportion of short-term debt when compared to long-term debt.

**Depreciation:** An annual non-cash expense to recognize the amount by which an asset loses value due to use, age, and obsolescence.

**Enterprise budget:** Provides a listing of the direct income and expenses associated with a particular enterprise. It is used to estimate the profitability of an enterprise, to compare the profitability of various enterprises within the business, and as an aid in preparing business cashflow budgets.

**Equity:** An interest in property or the monetary value of the property less any outstanding liabilities.

**Net income:** Equal to the income that a business has after subtracting all costs and expenses from the total revenue. Net income for a sole proprietorship must cover family living expenses, taxes, and principal payments on debt. It is sometimes referred to as profit or just income.

**Profitability:** The ability of a business to generate income (or profit) in a business undertaking, after all expenses and costs have been met.

### ***HUMAN RESOURCES - Terms you need to know for Human Resources***

**Conflict Management Styles:** The following are five styles of conflict management as outlined by Kenneth Thomas and Ralph Kilmann.

**Avoidance:** The individual does not pursue his or her own or the others' concerns. This usually results in a lose-lose solution.

**Accommodation:** The individual has a high concern for others' concerns and neglects his or her own, in order to satisfy others' needs. Here the individual loses and the other people win, resulting in a lose-win solution.

**Competition:** The individual is only concerned with his or her own interests and pursue them at the expense of others. Here the individual wins but the other people lose, resulting in a win-lose solution.

**Compromise:** The individual is equally concerned with his or her needs and others' needs. Compromise never fully takes care of anyone's needs and results in a no-win, no-lose solution.

**Collaboration:** The individual has high concern for both his or her needs and others' needs. Using this style, the individual works with the other people to find a solution that is acceptable to all, resulting in a win-win solution.

**Human resource management plan:** This is a plan where you assess your present and future needs in the area of human resources. It is also an opportunity to examine your strengths and weaknesses as a manager, and to design and implement a plan to address your unique characteristics.

**Management style:** Every business owner has a management style that is unique to his or her own business. Styles can range from a "hands on" situation (where the owner works alongside his employees) to where the owner relies on verbal and written instructions to convey what they expect from their employees. It is important to recognize that your management style is shaped by your own experiences and personality.

**Regulations:** (the following Acts are mandatory if you have paid workers).

**Canada Pension Plan:** This is under the jurisdiction of the federal government. Everyone who works in Canada must pay into this pension fund as it provides disability payments as well as a pension when an individual retires.

**Employment Insurance:** Federal legislation to provide insurance payments should a worker become disabled or lose their employment. There are also allowances for maternity and paternity benefits in the Act. Employers must make deductions and remittances under this Act.

**Employment Standards Act:** A provincial Act that deals with wage legislation, vacations, public holidays, hours of work, and overtime.

**Occupational Health and Safety Act:** A provincial Act that explains and defines employers' and employees' rights and obligations for safety in the workplace. It contains a set of guidelines for both employers with paid workers, and employees to follow.

**Workers Compensation Act:** Provincial legislation that covers all workers in British Columbia. Employers must pay into this fund if they employ workers. *The Workers Compensation Act* provides payment and benefits to workers should they become injured on the job or are involved in a fatality

### ***SOCIAL RESPONSIBILITY - Terms you need to know for Social Responsibility***

**Community involvement:** Community involvement can include activities in your local municipality, school, faith, sports and recreation, business, or other shared interest group.

**Industry level involvement:** Industry level involvement can include attending organization or industry meetings, serving on processing organization or industry boards, and taking part in industry led projects to find solutions to issues or promote success stories to consumers or to the public.

**Industry networks:** Industry networks are organizations or associations that provide contacts for people in the same or related industries.

**Value added market opportunities:** Value added market opportunities refer to the additional value added to a product or service through image and marketing (e.g. organic produce).

## ***SUCCESSION PLANNING - Terms you need to know for Succession Planning***

**Family business dynamics:** This deals with the impacts, influences, and roles that families and family members in business together have on each other and on the overall performance of the business. It mostly relates to the links between family, ownership, and management (the Taguiri-Davis 3-circle model below helps to describe this). Family business dynamics are critical in succession planning as they influence management style, conflict resolution, communication, and other such issues.

**Readiness factors:** These issues need to be addressed and resolved so that the family and business are ready to proceed with succession. These factors include stage of family-business life cycle, family dynamics, communication, size and financial viability, identification and development of a successor, and vision-mission-goals.

**Stages of family-business life cycle** Many families and businesses have three parallel stages they pass through: (1) entry; (2) growth; and (3) exit.

(1) Entry has two main steps: (i) testing whether family member(s) want to be in the business; and (ii) establishment.

(2) Growth also has two main steps:

(i) expansion; and (ii) as time progresses, possible consolidation.

(3) Exit addresses: (i) retirement; and (ii) transfer.

**Succession planning:** A continuous process involving the advanced planning for, and implementation of, strategies to transfer the labour, knowledge, skills, management control, decision-making, and ownership of the business to the next generation (within family or not) Succession planning is based on personal, family, and business goals and objectives.

**Successor:** The person planning to gain greater management and/or ownership control of the business.

## ***BUSINESS STRUCTURE - Terms you need to know for Business Structure***

**Business agreements:** Documents that describe the details surrounding the formation of a business. Examples are partnership agreements and shareholder agreements. Business agreements describe items such as the formation of the business, asset contribution, operation plan or policy, and dissolution plan.

**Cooperative:** A farm, business, or other organization that is owned and run jointly by its members, who share the profits or benefits. It is a legal entity owned and democratically operated by its members.

**Corporation:** A legal entity that is separate from its owners, the shareholders. No shareholder of a corporation is personally liable for the debts, obligations or acts of the corporation.

**Fair market value:** A term to describe an appraisal based on an estimate of what a buyer would pay a seller for any piece of property.

**Fair market value balance sheet:** A statement of financial position showing the assets, liabilities, and equity of a business on a specific date valued at their fair market value (see definition of fair market value).



**Joint Venture:** A business structure that closely resembles a partnership but lacks one or more of the essential elements of a partnership.

**Legal business structure:** Refers to the type of business structure that a business uses to operate. The most common structures are sole proprietorships, partnerships, and corporations.

**Ownership structure:** Describes how the business is owned by the individuals involved. Ownership of assets may be structured differently than the prevailing business structure. For example, a shareholder in a corporation will own shares that represent ownership of all the assets of the corporation. However, they may also own land personally (such as a sole proprietor would) and rent that land to the corporation.

**Partnership:** An agreement where two or more persons carry on a business with a view to make a profit. All members share the management of the business and each is personally liable for all the debts and obligations of the business. This means that each partner is responsible for and must assume the consequences of the actions of the other partner(s).

A partnership has the following characteristics:

- an agreement to share the profits and losses of a business exists;
- the ability of each partner to contractually bind the other partners;
- joint ownership of property (although it is common to hold some property outside of the partnership);
- the use of the words "partner" and "partnership" in any written documentation (i.e. how the relationship is perceived by third parties);
- the use of a partnership name, joint bank account, joint accounting, single financing, etc; and
- formal registration as a partnership.

**Sole proprietorship:** This is generally the simplest way to set up a business. A sole proprietor is fully responsible for all debts and obligations related to his or her business. A creditor with a claim against a sole proprietor would normally have a right against all of his or her assets, whether business or personal. This is known as unlimited liability.

**Succession:** The process of planning and executing the transfer of the business to a successor.

## ***RISK MANAGEMENT - Terms you need to know for Financial Management***

**Private risk management:** Includes the use of private insurance, and other strategies such as diversifying production and customer base.

**Risk management:** A process of identifying risk, assessing its impact, and developing management strategies. Strategies include transferring the risk to another party, avoiding the risk, reducing the negative effect of the risk, and accepting some or all of the consequences of a particular risk

**Financial risk management:** The practice of creating economic value in a firm by using financial instruments to manage exposure to risk particularly credit risk, market risk and foreign exchange risk. Similar to general risk management financial risk management requires identifying its sources, measuring it, and plans to address them.