

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

The Business Structure

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

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

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



What are we? A business description

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

Example

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

Planned Activity

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

Today’s date: _____

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

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

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

11. Production measurements and level of efficiency:

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

13. Additional statements of description:

What are our business assets?

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

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

Planned Activity

How does our business team function?

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

Planned Activity

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

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

Illustration 1

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

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

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

Date _____

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

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

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

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

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

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

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

a) Details have been communicated to appropriate team members:

written: _____

verbal: _____

b) Which team members are involved in this process?

List appropriate member for each of the 12.

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

Yes (state numbers) _____

No (state numbers) _____

Does an Employee Communication Book exist?

Yes ___ No ___

Do team members initial the entries after reading them?

Yes ___ No ___

How much are we paid and why?

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

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

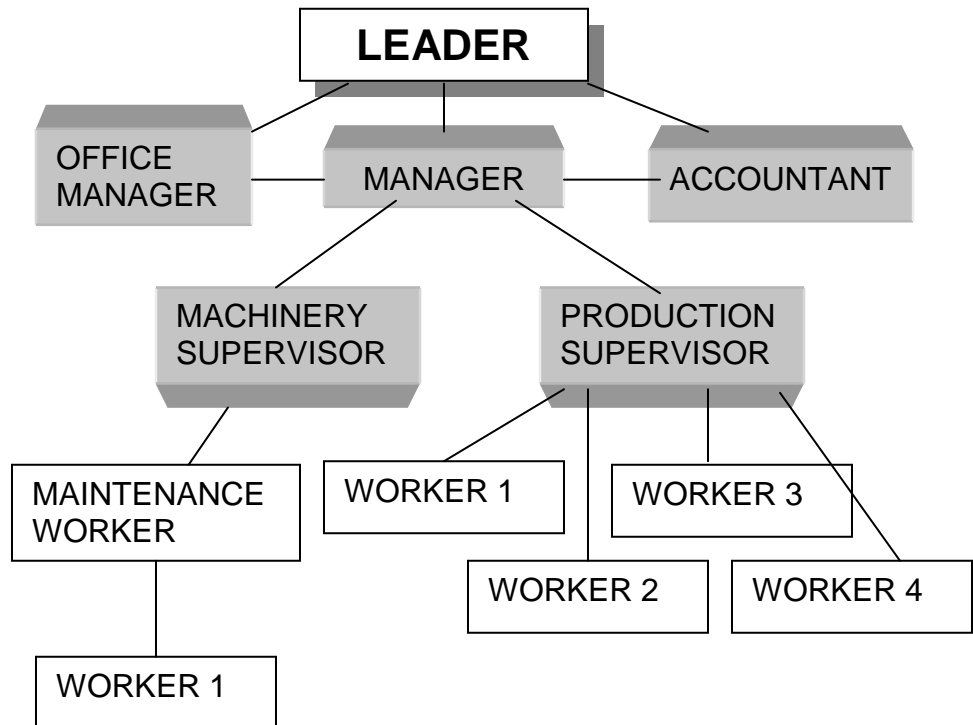
Planned Activity

What is our business' organizational structure?

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

Illustration 2

ORGANIZATIONAL CHART



Planned Activity

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

The Team

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

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

Roles, responsibilities and teamwork. Whose job is it?

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

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

Planned Activity

Overall assessment:

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

Analyse your assessment in this manner:

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

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

How do we handle decision-making?

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

Four types of decision-making styles are listed below:

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

3. Unanimous – Requires that everyone must agree with the proposal. Used in some partnerships and in major decisions like the disposal of family assets.

4. Consensus – Requires that most of the participants agree. Each person speaks about his or her disagreement. A sincere attempt is made to reconcile the views and concerns with the majority. Some concerns may be incorporated into the final decision. In the end, everyone may not agree entirely with the decision, but will support it anyway, as they can live with and accept the direction.

Planned Activity

Answer the following:

a) Decisions generally occur by:

- autocratic majority (see definitions, page 66)
 consensus unanimous

b) Input obtained from all? 1 2 3 4 5
 never seldom always

c) Does one person typically handle the major decisions?
 Yes ___ No ___

Has this action positively or negatively affected:

a) the family, or b) the business?

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

Negative affect positive affect

d) How many people are involved in major decision making? _____

Has this action positively or negatively affected:
a) the family, or b) the business?

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

Negative affect positive affect

e) Do you usually have enough information when a decision is needed? Yes ____, No ____
Has this action positively or negatively affected:
a) the family, or b) the business?

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

Negative affect positive affect

f) Are the people who will have to implement the decision involved in making that decision?
Yes ____, No ____
Has this action positively or negatively affected:
a) the family, or b) the business?

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

Negative affect positive affect

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

What is the emotional climate?

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

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

Team members of this family farm:

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

<i>Planned Activity</i>

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

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

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

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

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

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