

Family members should discuss these questions and set some limits as to:

- how much income may be sacrificed for how long?
- how heavy a workload will be tolerated?

These limits will become part of your family's personal guidelines for evaluating different enterprise options.

Willingness to Take Risks With a New Enterprise

Are all family members equally comfortable taking risks in order to reap higher profits? People react differently to risk. If two or more people with a financial stake in the business feel differently about risk, conflict may occur when high risk enterprises are developed or when savings or borrowed money is used.

Nontraditional and innovative enterprises tend to be more risky than other small businesses. When a product or service is developed to meet a new market demand, the chances of receiving high profits are better than if the "same old" products and services are offered to the "same old" marketplace. However, the greater the level of innovation, the greater the risk.

Family members must discuss the question: what would happen if the new enterprise failed? Take the time to agree on an acceptable level of risk or an amount of money everyone is willing to lose. For example, are you all willing to risk losing the entire farm business? Will you limit risk to a \$1,000 investment on a trial basis?

Hopes and Concern for the Future of the Farm Business

This section tells you about the motivations behind family members interest, or lack of interest, in developing a new enterprise. Are profit and high income important? Is maintaining a farm lifestyle more important? Or are all of these issues important? What are family members willing to sacrifice to stay on the farm? How do family members perceive their own individual roles in the business? What role does each wish to play in the future?

In discussing areas of agreement and disagreement, make sure family members understand and respect each other's concerns. Although family members may not be able to reach complete agreement, having common goals and expectations for the future helps you work together as a team.

Enterprise Preferences

Questions 27 to 30 identify the types of commodities family members like to work with. Questions 31 and 32 identify the preferred work pace. If the steady pace of a dairy is appealing, for example, you may not like the hectic seasonal pace of bedding plants. Questions 33 and 34 concern labor management. Some enterprises require so much labor that outside workers may have to be recruited, trained, supervised and even housed. How do family members feel about this?

Questions 35 to 37 indicate how interested family members are in a "people business."

While most farm enterprises involve livestock or crops, many provide a service. Examples of innovative service enterprises are listed on the following page. To be successful, service businesses need people who are outgoing and genuinely enjoy all types of people. Which family members would enjoy this type of enterprise? Are there any who couldn't tolerate a people business?

Questions 38 to 41 identify what features in the new business are important to family members. What common feature is most important to all family members? If no common feature is identified, it may still be possible to think of an enterprise that satisfies the different needs of all family members, so do not despair!

Dealing With Conflict

Worksheet 2: Family Needs and Preferences has probably brought to light some areas of agreement and disagreement among family members.

Conflict is normal. In fact, it's healthy! It's also important to find ways to work through conflict, otherwise the conflict may grow more serious.

The following recommendations are based on a study (Rosenblatt, 1985) of successful family-operated businesses:

- **Keep communications open**
Find a way to keep information flowing and allow family members to express concerns. Try holding a regularly scheduled family meeting.
- **Involve all family members in decision-making**
Even if not directly involved in the business, all family members are affected by it.
- **Set a limit on the time required to operate the new business**
Agree on a set amount of time, separate from business hours, for family or individual activities

Examples of Service Enterprises

- Bed and Breakfast
- Cross country ski trails farm
- Farmers' Market vendor
- Pick-your-own marketing
- Farm stands
- Seed and supplies distribution
- Hay rides and sleigh rides
- Tours of the farm
- Petting zoos
- Kennels
- Farm festivals and special events
- Small engine repair

Goals and Objectives for a New Enterprise

Family members should understand each others concerns and preferences. You are now ready to draft specific goals and objectives for a new enterprise using *Worksheet 3: Goals and Objectives for a New Enterprise* (page 10).

Family members should work together on this section, because all must agree on what's expected of a new enterprise.

Defining family goals and objectives gives you some guidelines to assess your options. Refer to these personal guidelines frequently as you work together through the decision making process.

Example:

The Amber family was searching for a new enterprise to add to its mixed grain and cattle operation. After all family members completed *Worksheet 1: Business Qualities Checklist*, they sat down for a chat. They discovered that Jim, the oldest son, had excellent leadership skills.

Each family member then completed *Worksheet 2: Family Needs and Preferences*. As they discussed their answers they learned many things. Margaret, the mother wasn't interested in learning a new enterprise because she was very busy with her off-farm job. Younger son, Hal, wasn't interested in farming. Paul, the father, was willing to risk a moderate amount of money in the new enterprise. Grandma Jean's enthusiasm to work with people, surprised no one but Jim's comfort with supervising workers and dealing with customers was a surprise.

On Saturday night the family sat down together and filled out their *Worksheet 3: Goals and Objectives for a New Enterprise*. Paul, Grandma, and Susan decided they wanted to be actively involved in a new enterprise, but they wished to leave the leadership role to Jim. Their first choice was a horticultural enterprise, with service and livestock enterprises as second and third, respectively. The dairy and Margaret's off-farm job would be maintained at about the same level, with the new enterprise providing supplementary income. They set \$8,000 as their goal for profit, \$5,000 of which would be used for additional family living expenses.

The Ambers decided to risk losing Jim's, Grandma Jean's, and Susan's labor for one season, and in addition, an investment of a couple thousand dollars, if the enterprise failed. They would start the new enterprise on a small scale so the dairy operation wouldn't suffer. Everyone seemed satisfied with the results and agreed to go on to take an inventory of their resources.

Summary

Before you evaluate and select a new enterprise you need to assess the business management skills and personal qualities of the family members. The family's needs and lifestyle preferences also should be explored before a new enterprise is chosen. Identifying differences of perception or opinion in the beginning can prevent conflicts later.

All family members should be included in the early discussions, not just those who will have a management or labor role. Once the manager's skills and the family's needs and preferences are identified, a list of goals and objectives for an enterprises should be completed. This list will identify which enterprise ideas fit the desires and needs of family members.

References

Rosenbalt, Paul C. "The Family in Business" 1985
San Francisco: Josey – Bass Publishing

For More Information

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Revised by:

Judy Shipley Smith – Consultant

Development team:

Lynn Stegman – Rural Development Specialist - Business; Red Deer

Marian Williams – Rural Development Specialist - Business; Camrose

Linda Hawk – Rural Development Specialist - Business; Medicine Hat

Dale Robinson – Farm Management Specialist; Stettler

Jean Wilson – Agricultural Business Management Branch; Edmonton

Ag-Alternatives

Personal and Family Considerations: Where do You Want to Be? is just one title in a series of factsheets designed to help you evaluate the feasibility of a new agricultural or rural based business. The complete series includes:

Identifying Alternatives: What are the Possibilities?
(Agdex 811-2)

Marketing: Will it Sell? (Agdex 848-5)

Production Requirements: Do You Have the Resources?
(Agdex 811-4)

Financial Feasibility: Can You Afford to Do It? (Agdex 811-3)

Profitability: Will it Make Money? (Agdex 811-6)

Decision Making: Will You Start a New Enterprise?
(Agdex 811-5)

For more information contact your Rural Development Specialist – Business.

Website:

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Rural Development → Agricultural Diversification Opportunities → Resources

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Dial the Government operator at 310-0000 and ask for the Rural Development Specialist – Business serving your area.

Worksheet 2: Family Needs and Preferences

Directions: Read each statement and circle the appropriate number on the scale to rate the extent to which you agree with the statement. Each member of the family should complete this exercise on their own using a separate copy of the worksheet.

Section 1: Satisfaction With Current Farm Business or Employment

	Agree Strongly	Agree	Disagree	Disagree Strongly
1. Our family spends too little time together.	1	2	3	4
2. We usually have enough spending money.	1	2	3	4
3. I would rather spend less time working at my off-farm job.	1	2	3	4
4. The farm business is too much to handle now.	1	2	3	4
5. When our family gets together, we spend too much time talking business.	1	2	3	4
6. When we're busy, friendliness in the family disappears.	1	2	3	4
7. I like my present role in the farm business just the way it is.	1	2	3	4
8. Family relations are strained because there isn't enough money.	1	2	3	4
9. I too often sacrifice things I like to do for the sake of the farm business.	1	2	3	4
10. The current farm business doesn't hold my interest or use my skills very well.	1	2	3	4

Section 2: Willingness to Take Risks With a New Enterprises

	Agree Strongly	Agree	Disagree	Disagree Strongly
11. I wouldn't mind if our new enterprise took a few risks to make more money.	1	2	3	4
12. If the new enterprises fails, I'd like to try another.	1	2	3	4
13. When there's a chance we'll lose money, I'm tense.	1	2	3	4
14. I would risk losing our savings on a new enterprises.	1	2	3	4
15. I would be willing to borrow money to finance the new enterprise.	1	2	3	4
16. I prefer low risk/low profit venture to a high risk/high profit venture.	1	2	3	4
17. If our new enterprise fails, I'd consider getting out of farming.	1	2	3	4

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

18. It's important to me that the farm provide more income in the future.	1	2	3	4
19. Being able to stay on the farm is more important than making lots of money.	1	2	3	4
20. The family should always come before the business.	1	2	3	4
21. It's important that the children do other things besides farming.	1	2	3	4
22. A break or vacation once a year is needed to keep up my spirit.	1	2	3	4
23. It's very important for the children to work on the farm.	1	2	3	4
24. I'd like to maintain my present role in the farm business or off-farm job.	1	2	3	4
25. I don't want to work any harder than I work now.	1	2	3	4
26. I would like to have more responsibility in the business.	1	2	3	4

Section 4: Enterprise Preferences

	Agree Strongly	Agree	Disagree	Disagree Strongly
27. I like to work with livestock.	1	2	3	4
28. I like to work with crops.	1	2	3	4
29. I like to work with machinery.	1	2	3	4
30. I like to do a variety of farm tasks.	1	2	3	4
31. I like to have a steady workload over the year.	1	2	3	4
32. I like to work real hard for a few months, then take a few months of rest.	1	2	3	4
33. Supervising workers is unpleasant.	1	2	3	4
34. I could easily supervise more workers.	1	2	3	4
35. I enjoy meeting different kinds of people and making them feel "at home."	1	2	3	4
36. Having people drop by unexpectedly and at odd hours annoys me.	1	2	3	4
37. I would be good at sales because I enjoy seeing a satisfied customer.	1	2	3	4
38. The new enterprise must use my talents and skills more than the present one does.	1	2	3	4
39. The most important quality that a new enterprise should have is the ability to make a good profit.	1	2	3	4
40. It's important for our business to be unique.	1	2	3	4
41. I would enjoy an off-farm job.	1	2	3	4

