Farm Management Groups

Your reference in agricultural technico-economic management

60 QUESTIONS

A practical tool

To prepare

The succession of a business

Quebec Farm Management Groups

The goal

For everyone involved to take stock of the following:

1. The decision to keep the business within the family
2. The communication plan
3. The business development plan
4. The integration plan
5. The retirement plan
6. The asset transfer plan

This tool will help you:

To identify the elements of the transfer that you are best prepared to handle

To pinpoint differences in perception among members of your transfer team

To update your action plan that will lead you to a successful transfer

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Suggestions for using this tool:

1. Each member of the family team (parents and children involved in the transfer) responds to the questions individually.
2. Next, exchange answers as a team, as well as with the consultants involved in the transfer of your business.
3. Lastly, create your action plan that will lead you to a successful transfer.

	1. The Decision to Keep the Business within the Family[1]	YES	NO
1.	The parents wish to keep the business within the family.		
2.	The parents are aware that the transfer within the family involves an important financial gift and they accept this.		
3.	All potential candidates for succession have been objectively considered and evaluated.		
4.	Alternative careers, interests and skills of each candidate have been examined.		
5.	The parents have decided who, in the future, will become head of the business.		
6.	The incoming generation is aware that the parents are not obligated to sell to them.		
7.	The subject of fairness towards the other children has been discussed with them.		
8.	Expectations concerning education for the incoming generation and the acquisition of outside experience have been identified and accepted by each individual involved.		
9.	The obligation of the successor(s) to work on the farm, before the transfer is completed, has been discussed.		
10.	The parents have a contingency plan in place should the successor(s) quit the company or need to be replaced (e.g., another child, non-family transfer).		
	2. The Communication Plan	**YES**	**NO**
11.	Personal objectives have been communicated to other members of the family.		
12.	The parents and the successor(s) have shared their respective visions for the business.		
13.	Each person can recognize the strengths of other individuals and paths for improvement are communicated without using the word ***"you"***. (For example: "*You feed too much*" *as opposed to the less-judgemental "We could save money by not feeding as much")*		
14.	Parents and children are capable of expressing their needs (responsibilities, level of independence, and degree of power they wish to have, etc.) as well as calmly discussing the transfer without the presence of an outsider.		
15.	Each member of the family is capable of discussing directly his or her concerns with one another, and without an intermediary (for example: father and son can have a calm discussion without the involvement of the mother.)		
16.	The involvement or non-involvement of partners and/or spouses of successor(s) within the business has been discussed and accepted**.**		
17.	The parents and the successor(s) have completed a training session on co-management of the business and have put into practice what they have learned during the session.		
18.	At least two meetings regarding updates on the organization and direction of the business are planned on an annual basis.		
19.	Conflicts are resolved without avoidance or injury.		

1- Regardless of whether or not the successor(s) is/are related to the family, whenever there is a process of transfer and not just the sale of an enterprise, this questionnaire and procedures are still pertinent.

	2. The Communication Plan – (cont'd)	YES	NO
20.	Information circulates well: a) Family members, who are not involved in the transfer, are kept up to date on the progress of the transfer and can express their opinions. b) The consultants involved in the business are kept up to date on anticipated developments. c) Information received about the business (by mail, visitor, information meetings, etc.) is easily accessible to all.		
	3. The Business Development Plan	**YES**	**NO**
21.	An evaluation of the technical and financial performance of the business is performed each year.		
22.	The efficiency of the business is above average.		
23.	Means for improvement have been identified and put in place.		
24.	The choice of investments (replacement and development) for the next 5 years has been determined		
25.	The business has a written strategic plan that is updated annually.		
26.	This strategic plan clearly integrates the personal objectives as identified by both the parents and the successor(s).		
27.	The business has determined both a policy for and an individual in charge of external human resource needs.		
28.	The development plan includes both economic and financial objectives, and these are clearly identified. (e.g., dept repayment capacity, profits).		
29.	The capacity for projected reimbursement is sufficient to meet annual instalments of debt after the transfer (projected budget based on hypothetical situations after the transfer).		
30.	The business uses the services of external consultants and works in collaboration with them if need be.		
	4. The Plan for Integrating the Successor(s)[2]	**YES**	**NO**
31.	The successor(s) participate(s) in all decisions concerning the business.		
32.	The education of the successor(s) is adequate, specifically with regards to management		
33.	The successor(s) participate(s) in industry activities and reads agricultural magazines, journals, and periodicals (continuing education).		
34.	A period of co-management, before the transfer is complete, has been set and agreed to by all parties.		
35.	A plan has been developed for the gradual delegation, during the period of co-management, of management duties to the successor(s).		
36.	The methods for supervision and evaluation of the successor(s) are in place.		
37.	Employees that are not family members collaborate in the integration of the successor(s).		
38.	Rules and conditions for remuneration of the successor(s) have been defined.		
39.	The successor(s) is/are well-versed in the different aspects of management and administration of the business - specifically, bookkeeping and financial management.		
40.	An evaluation of the rate and the manner by which the transition will operate is in place.		

2- If more than one person will be taking over ownership of the farm, complete Section 4 for each person.

	5. The Retirement Plan	YES	NO
41.	The parents have discussed how they see their future after they are no longer involved in the business.		
42.	The parents are capable of associating their social status with roles other than that of farmer.		
43.	The parents have projects for an interesting and active retirement.		
44.	The parents currently participate in activities outside of the business.		
45.	The place of the parents' residence after the transfer has been chosen.		
46.	The parents have determined when and how they wish to completely retire from the business.		
47.	The financial needs associated with retirement (annual and ad hoc, for example, home purchase) have been estimated.		
48.	The parents know their sources of revenue outside the farm (RRSPs, pensions, investments, cooperatives shares, etc.) that will be at their disposal at the time of retirement.		
49.	The minimum sale price of the farm needed to round out the financial needs of their retirement has been estimated.		
50.	Ongoing participation in the activities of the business has been discussed by the couple and the successor(s), refraining from engaging themselves in long-term participation.		

	6. The Plan to Transfer Assets	YES	NO
51.	Market value has been estimated by a competent resource.		
52.	The sale price has been determined (or the manner by which it will be calculated).		
53.	Fiscal planning of the transfer, including the choice of legal structure, has been completed with a team of accounting and tax specialists.		
54.	The parents have decided whether or not they will finance the business after their retirement or if they will keep assets in the form of shares or participation.		
55.	The transfer team has studied transfer models to determine the best method of transfer of the property, keeping in mind the professional and personal objectives of each individual.		
56.	The legal wills of the parents take into account their wish to transfer the business to the successor(s) identified.		
57.	A clause regarding "balance of sale price" or "loyalty" in the event of sale by the successor(s) during a period extending from 10 to 20 years following the transfer has been discussed and will be included in the sale contract		
58.	The business stakeholders have been informed of the different forms of financial aid available.		
59.	All agreements have been drawn up in writing and will be written down in legal documents.		
60.	We manage the risk of unforeseen events: a) Emergency plans have been prepared in case of such events (e.g., death or disability) that would render the parents incapable of managing the business on a day-to-day basis. b) Life, salary, disability and general insurance of the farm take into account the needs of successor(s) and the continuity of the enterprise.		