

## CRITICAL ISSUES

Critical Issues can be defined as those things that are extremely important to the farm business and ultimately, the farm family. They connect present and future performance and related accomplishments. These key factors are highly correlated to the achievement of the vision and to a successful intergenerational transition.

Farm owners and managers address management issues all the time. The focus here is on issues that exist at a high level, or in other words, are critically important. So much so that, if one or more of them is not executed successfully, at the least, the farm will not have realized what it optimally and potentially could have. At the worst, the farm's future may be threatened.

Typically, issues critically important to the success of the business are those for which action can be taken. For example, weather may be a critical issue for some farms, but for which specific action(s) may not be possible.

A critical issue, in most situations, should not have an obvious solution. If it does, likely the issue deals with a symptom and not the root of the issue. Not addressing the issue at its root will result in actions that are not properly aligned with what needs to get done to get the farm to where the owners and managers want it to be. This can include a successful transition. No farmer purposefully sets out to do something that will work at cross purposes with longer term success. Farm families are busy. They will be doing things right but not necessarily doing the right things.

### Why is this relevant?

Critical issues may affect the farm's performance and form barriers to accomplishing its vision and a successful intergenerational transition. They are the things that farmers and farm families must get right ... the things that must be in place.

### How will this help transition planning?

1. Working through a process that reveals issues of critical importance to the success of the farm business will help family members prioritize what needs to get done — the right things. The day-to-day urgencies of managing a farm tend to take priority. But they may not be what is important in the longer term. Without identifying what's important in the longer term, what **gets done** may not necessarily be what **needs to be done**.
2. This exercise will also help to get everyone on the same page.
3. This in turn will help to mitigate potential conflict stemming from disagreements on what family members think is important, especially from a farm business management perspective.

## Instructions

\*Please note — this exercise builds on and uses the self-assessment information from the *Gaining Ground Agribusiness Assessment Workbook*. Please contact your MAFRD representative for a copy if you don't have one.

Steps 1 and 2 should be completed individually, steps 3 through 6 should be completed as a family.

1. Each individual reviews their self-assessment\* and identifies up to three critical issues in each of these categories:
  - a. Business Structure
  - b. Production/Operations
  - c. Environmental Responsibility
  - d. Human Resources
  - e. Marketing
  - f. Financial Management
2. The issues identified are to be recorded on each person's own copy of the exercise.
3. Individuals' issues are then compiled into a master family list.
4. Family members review, discuss and prioritize the issues they have identified.
5. Family members should then compare the prioritized issues to the SWOT and Risk Assessment exercises that were completed earlier. Look for additional issues that may be critical to a successful transition. They are to be added to the master list, and ranked according to their importance and priority.
6. On the final prioritized list, record a brief summary of each critical Issue including:
  - a. the issue
  - b. underlying causes
  - c. the impact on the farm business and transition planning.



## EXAMPLE

### Business Structure

1. *Lacking several plans – the most glaring one is we have no contingency plan. The farm has grown to a point where we need to treat it like a small business and make sure we have the proper plans and processes in place to be successful.*

### Operations

1. *Find the most cost effective balance between acres, custom work and machinery upgrades. Needs to be affordable, provide labour efficiency and fit into our operations.*
2. *Find an operational structure that allows Rob more time away from the farm.*

### Environmental Responsibility

1. *Need an Environmental plan. This is tied to the critical issue already identified in “Business Structure” section.*

### Human Resources

1. *The farm is at risk because we don’t have a long-term plan for the attraction and retention of both full and part time employees.*
2. *Develop an organizational structure that meets the current management needs and accommodates a possible transition plan (that may or may not involve the next generation).*
3. *Develop job lists and related job descriptions.*

### Marketing

1. *Found no critical issues for the Marketing section*

### Financial Management

1. *Analyze financial performance in more detail, considering current performance as it relates to opportunities and potential retirement / transition planning.*
2. *Structure the farm so that is consistently profitable, able to capture opportunities as they may arise (ex: additional land) and able to withstand some bad years.*

## Final Prioritized List

1. *The farm is lacking a contingency plan, an environmental plan, and an HR recruitment and retention plan.*
  - *Underlying cause – We got by without them in the past, but the farm has grown to a point where these plans are needed.*
  - *Impact – During our transition planning process, the lack of these plans could seriously hinder our progress. In the future, the success of the farm could potentially be compromised if this is not addressed.*
2. *Develop an organizational structure that meets the current management needs and accommodates a possible transition plan (that may or may not involve the next generation).*
  - *Underlying cause – We got by without one in the past, but the farm has grown to a point where we would benefit by having an organizational structure more defined.*
  - *Impact – Having a developed org chart will provide clarity in regards to roles on the farm – for us (Rob and Faye) and for the kids (John and Rebecca).*
3. *Find the most cost effective balance between acres, custom work and machinery upgrades. Needs to be affordable, provide labour efficiency and fit into our operations.*
  - *Underlying cause – We think that this is a new reality that we are facing. As margins get thinner, and weather becomes more variable, we need to get even better at making operations decisions.*
  - *Impact – This balancing act is one of the most important aspects for the succeeding generation (John and Rebecca) to learn. It can make the difference between continued success for the farm and failure.*

## How does this apply?

Critical Issues are important to identify, but even more important is forming action plans to address them. Refer to the Critical Issue Action Plans topic on page 107.



#### PLANNING POINTERS:

- Look first to finance and human resource management areas for issues that are more commonly critical to a successful intergenerational transfer.
- Families should have no more than four issues identified. Families are very busy and can expect to experience challenges in trying to address a longer list.
- However, if the family cannot come to consensus on a shorter list of priorities, it is acceptable to extend the list.
- It is typically easier to develop action plans for issues that are the root of a problem as opposed to a symptom.



#### WHAT TO WATCH FOR:

- Avoid the urge to drill down into detail at this stage. Detail will come in the next topic – Critical Issue Action Plans



**EXERCISE:** Go to the forms appendix at the back of this guide for a blank copy of the Critical Issues exercise on pages 269-271.

### Next steps

Congratulations on completing this topic. You are now a step closer to having a transition plan for your farm. Please proceed to the next topic area on your Transition Plan, but don't forget to add any assigned tasks that were generated by working through this topic.

# Critical Issues

## Business Structure

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## Operations

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## Environmental Responsibility

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**Human Resources**

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**Marketing**

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**Financial Management**

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