

GUIDE FOR  
THE FARM SUCCESSOR

BUSINESS TRANSFER

Desjardins & Co.



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Cooperating in building the future



# TABLE OF CONTENTS

<b>Desjardins business transfer approach .....</b>	<b>1</b>
<b>Desjardins business transfer approach adapted for the farm successor .....</b>	<b>7</b>
<b>1 - What type of successor are you? .....</b>	<b>9</b>
<b>2 - What are your motivations?.....</b>	<b>11</b>
<b>3 - Are you ready?.....</b>	<b>13</b>
▫ <i>My assets assessment</i> Tool	19
▫ <i>Successor - Acquisition of key knowledge</i> tool	22
▫ <i>Strategic business development plan</i> tool	27
▫ <i>Key successor skills and abilities</i> tool	35
▫ <i>Distribution of roles, responsibilities and powers</i> tool	41
▫ <i>Summary tool for the successor</i>	49
<b>4 - Financing the transfer project.....</b>	<b>51</b>
• Most common sources of financing	51
• Financing steps	52
• Farm specific financing application	56
• Farm succession assistance programs and initiatives	59
<b>5 - Taking the leadership reins .....</b>	<b>61</b>
• Succession training plan	63
▫ <i>Transfer of powers and knowledge</i> tool	65
<b>6 - Exit of the current owner .....</b>	<b>69</b>
<b>7 - So, do you think you're ready?.....</b>	<b>71</b>
• Family successor	71
• Non-family successor	73





## BUSINESS TRANSFER APPROACH

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# DESJARDINS BUSINESS TRANSFER APPROACH

## How can the Desjardins business transfer approach help me?

- Because transferring or setting up a business is a complex and painstaking process that you will most likely experience only once in your lifetime. Therefore, your room for error is more limited. Using this approach will reduce the risk of error and give you comfort to bring this process to its successful completion.
- Because, without support, you are putting your financial security, your family estate and your future business at risk. By using the Desjardins business transfer approach, which gives you access to all of our services, you'll be able to get the help and advice you need, improve your business transfer knowledge and know-how, and ensure your farm transfer is successful.
- Because the successful transfer of your business needs to be thought out carefully. This will enable you to clarify your vision, motivations, intentions and needs. Once clarified, these elements will be incorporated into a property transfer plan, a management transfer plan, and an appropriate and sustainable strategic plan. As a part of our business transfer approach, guided exercises will support your actions throughout the transfer process.
- Because transferring a business can take five to eight years or more. Therefore, it is key that you follow a structured approach with clear and realistic deadlines, so as not to lose sight of the goal. Desjardins' business transfer approach enables the entrepreneur and successor to keep an eye on the goal while accounting for unforeseen events.

In closing, did you know that too often:

- the vast majority of transfers take place without a plan;
- the business has very little equity, since the financing of the transfer was poorly planned;
- conflicts break out between shareholders, family members or key employees, since there is no effective communication process in place;
- one or more key employees quit the business because they are concerned about future changes.

To avoid these problems and protect your assets, use the Desjardins business transfer approach to ensure your transfer is completely successful.

## How does the Desjardins business transfer approach work?

The Desjardins business transfer approach is a reflection guide, decision-making guide and support tool for required actions. It can be consulted at any time. You will find it helpful, from the moment you begin thinking about acquiring your business right through to the end of the process. You can also share this guide with your family members, so that they can better understand what exactly a business transfer entails.

To get even more out of this guide, take a look at the diagram on the next page, which illustrates our business transfer approach and, more specifically, all the steps involved in the business transfer process.

Then, we suggest you read further about the process of integrating successors into a family business or of acquiring a new business.

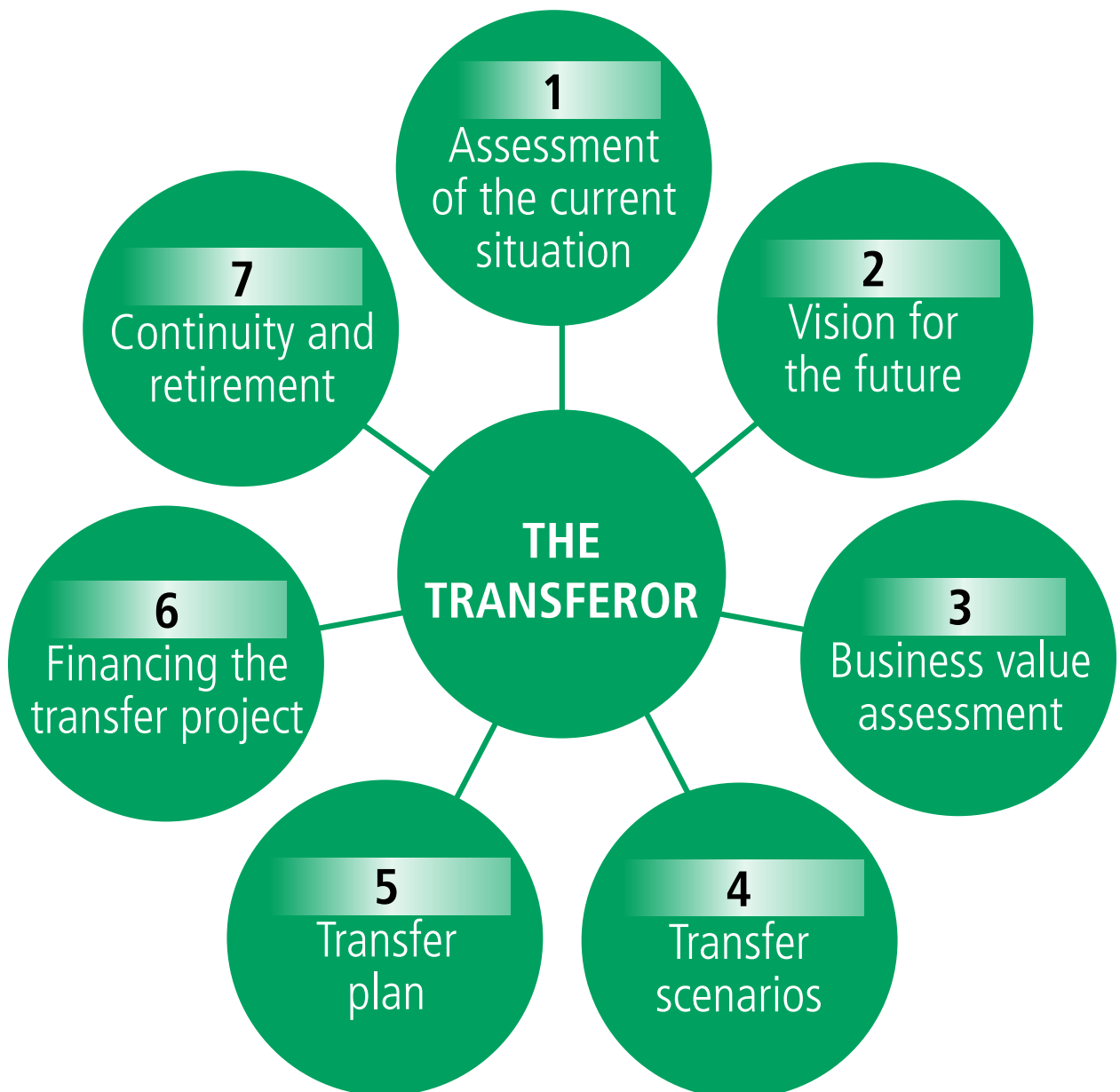
We also suggest you read the guide to gain an overview of the program. Write your questions down, and don't hesitate to ask our advisors who will guide you through the process. Once you have an overview and your questions have been answered, you can start reviewing each of the steps and doing the reflection exercises, in chronological order.

It usually takes several years to properly prepare for a business transfer. Accordingly, refer back to this guide when necessary for gathering and clarifying your thoughts, and refining your game plan. You can always count on Desjardins to be at your side every step of the way.



## THE DESJARDINS BUSINESS TRANSFER APPROACH

A systemic vision and closely related steps



## 1. ASSESSMENT OF THE CURRENT SITUATION

The **Assessment of the current situation** positions the entrepreneur in relation to the various steps in the transfer process.

### **The purposes are to:**

- provide you with an accurate vision of the factors to consider to ensure the success of your transfer;
- inform you of the steps and actions involved in the transfer process;
- provide you with a sense of security and stability during the implementation of your transfer project;
- guide you in making key decisions throughout the course of the transfer project;
- help you determine the next steps in the transfer project.

## 2. VISION FOR THE FUTURE

At this step, the owner is encouraged to define a vision for both his future and that of the business, to explore his motives regarding the transfer and to clarify his needs. This will allow the entrepreneur to share his vision and expectations with family members.

### **The objectives are to:**

- start your reflection in view of preparing the transfer;
- clarify your expectations to avoid disappointments, misunderstandings and conflicts;
- define your personal goals and take measures to meet them;
- define the business goals.

## 3. BUSINESS VALUE ASSESSMENT

Small- and medium-business owners usually have a fairly good idea of the value of their business. However, in the context of a business transfer process, it is essential that this value be supported by an independent validation of the market value of the business. This validation will help readjust expectations and prevent conflicts, particularly in the case of a transfer to family members.

Determining the fair market value of a business requires the skills of a business valuation expert. Valuating a business is not an exact science, and there is no standard formula. Each business is unique.

Engaging the services of a business valuation expert will enable you to establish a realistic starting point when it comes time to set the selling price.

#### 4. TRANSFER SCENARIOS

Given the broad range of business transfer scenarios, this section provides only a brief overview. As it would be difficult to cover every angle of each transfer scenario, we suggest that you ask a business transfer consultant to help you choose the most appropriate scenario.

Each scenario has different issues to be evaluated, and many are similar in terms of the required actions and factors to be considered.

The most common transfer scenarios include:

- transferring to a family member;
- selling to management or to employees;
- selling to a third party;
- selling to a business partner;
- winding down operations (dismantling the business), gradually or all at once.

#### 5. TRANSFER PLAN

The Desjardins business transfer plan is a specialized tool designed to simplify the transfer process and to create winning conditions for your success in this most probably once-in-a-lifetime experience. It is a plan based on open discussions with your family members, discussions with experts, and on the overall support provided by our advisors.

##### **The purposes of the Desjardins transfer plan are to:**

- ensure the staff have a common vision;
- improve the transferability of the business;
- ensure the well-being of the transferor(s) during retirement;
- establish a financial structure that will enable the business to continue;
- maintain harmony within the family;
- minimize taxes to be paid;
- clarify the legal and succession-related aspects inherent to the transfer;
- reassure all stakeholders in the business;
- define the distribution and use of financial, physical and human resources according to the set objectives.

## 6. FINANCING THE TRANSFER

The financing set-up for a transfer differs from one business to another. Contrary to popular belief, there is no universal financial product for business transfers. Accordingly, Desjardins offers advantageous consulting services that will make all the difference in the success of your business transfer. Our advisors will assess your financial and business needs, and propose appropriate financing strategies and financial products.

## 7. CONTINUITY AND RETIREMENT

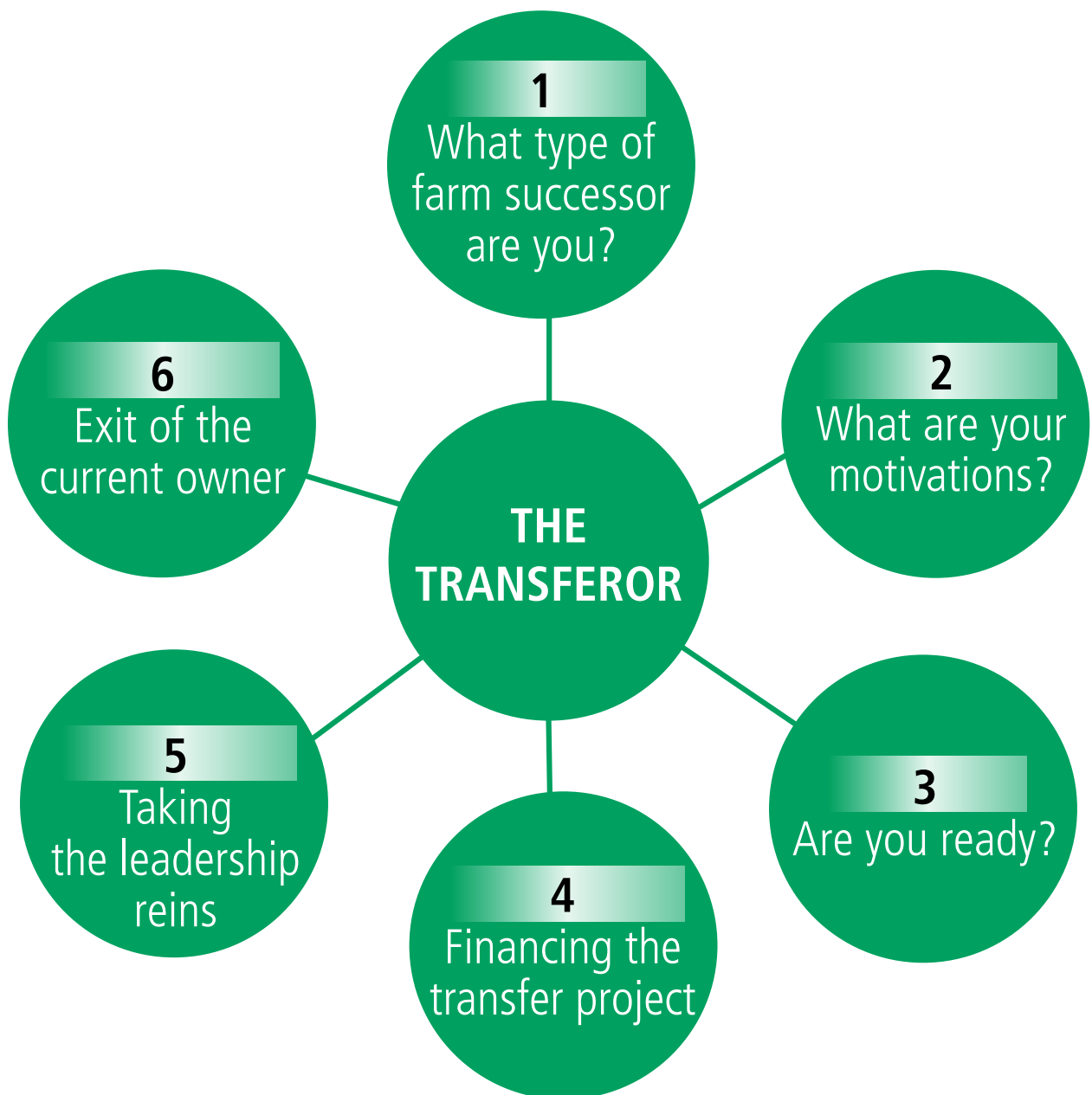
A business continuity action plan must be planned and implemented, under the following guidelines:

- clearly identify the business needs;
- set the business priorities, and take the appropriate action;
- have a good understanding of the market;
- surround yourself with a competent team and focus on the positive elements;
- promote employee development and involvement in operational decisions;
- control production costs and closely monitor the evolution of the business's financial situation;
- surround yourself with a team of competent and trustworthy advisors.

Below is an adapted version of our business transfer approach designed to help you effectively apply each step, while taking into consideration the reality of individual successors. This will ensure you are fully prepared to undertake your transfer project.

### DESJARDINS BUSINESS TRANSFER APPROACH ADAPTED FOR THE FARM SUCCESSOR

Preparation is the key to success.







## WHAT TYPE OF SUCCESSOR ARE YOU?

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# 1 WHAT TYPE OF SUCCESSOR ARE YOU?

## The objectives:

To draw this portrait, we suggest that you fill out the questionnaire below. Knowing what type of farm successor you are will allow us to effectively guide you through the transition or acquisition process.

## The tools:

Checkmark each statement that best represents you or your situation:

### 1. Family-member successor

- My parents (or other relatives) own the business. I have always worked on the farm and know how it works. I would like to eventually take over the business.
- My parents (or other relatives) own the business. After having studied and worked in another field, I've decided to take over the family business. I am currently learning and/or re-familiarizing myself with the ins and outs of the business.

### 2. Non-family successor (i.e. an employee)

- I've been with the business for several years. Nobody close to the owner appears interested in taking over the business. I've thought about it, and I'm the only one considering the possibility.

### 3. Non-family successor

#### (i.e. someone with an "entrepreneurial sense" who wants to run a farm)

- I would like to get involved in an existing business, which the owners, despite having no family successor, are planning to transfer. I want to work for myself and run a business of my own.
- I would like to start and manage my own business. I want to be in business for myself. I am looking to buy agricultural land and buildings.





WHAT ARE  
YOUR MOTIVATIONS?

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## 2 WHAT ARE YOUR MOTIVATIONS?

The first step in a business transfer is to identify and examine the motivations of both the transferor(s) and the successor(s).

### The objectives:

Motivation is what gets us started, what keeps us moving forward during difficult times, what fuels our creativity and what drives our desire to learn and grow.

### The tools:

To help us understand your motivations and provide you with effective guidance, circle the statements below that best describe your reasons for wanting to acquire a business:

1. I'm passionate about agriculture.
2. I want to continue the legacy started by my father, my mother, my relatives, my business partners.
3. I want to be my own boss.
4. I want to achieve my full potential.
5. I don't want to disappoint the family.
6. I want recognition from the people around me.
7. I've always wanted to own a business.
8. I like to be in charge and decide what needs to get done.
9. I want to create my own work team, because I believe in the importance of a management team.
10. I don't have a job so it's a good way for me to be employed.
11. I'm a risk taker.
12. I want to make money and I know I'll work hard.
13. I like challenges.
14. Buying a business is a way to leave a valuable legacy to my children.
15. I want to develop and grow the business in which I'm involved.
16. I want to contribute to the economic development of my region.
17. I'm dynamic, determined and full of energy. I may as well build something for myself.
18. I have money that I'd like to invest in an agricultural business.
19. I'm willing to make sacrifices to succeed in business and work for myself.
20. I want to innovate, create and build something new.
21. Other motivations: \_\_\_\_\_

## Interpretation of the results:

If you circled **between 16 and 20 points** and have a large number of points from items 1, 3, 4, 7, 8, 9, 13, 15, 16, 17, 19 and 20.

### **A. You are highly motivated to become a business owner**

Your motivation is solidly grounded. There is a good chance that your motivation will remain consistent throughout your career as an entrepreneur. Your challenge will be to foster your determination and communicate this drive to each team member, even during difficult times. While being a business owner is hugely rewarding, it's also extremely demanding and sometimes leaves little time for other activities. You must cultivate your interest in being a business owner and know how to surround yourself with the right people.

If you circled **between 10 and 15 points**.

### **B. You are somewhat motivated to become a business owner**

A somewhat motivated person will have more difficulty staying focused and a greater tendency to retreat into the shadows or jump ship altogether during difficult times. A business with no leadership or direction will never reach its full potential. Taking over the family business is a personal choice that must, above all, be motivated by a real desire to be at the helm. This decision must not be based solely on external reasons or pressures.

You are responsible for your own actions and personal motivation. To help keep you focused and motivated, consider using the services of a coach or mentor. Motivation is often linked to a person's power to make decisions, which can sometimes be a challenge during the co-ownership period. The rapid implementation of an effective, two-way communication system with the transferors will create an atmosphere of trust.

If you circled less than **10 points**.

### **C. You are not very motivated to become a business owner**

If your motivation to become a business owner is low, we suggest you continue your reflection without necessarily abandoning the idea. Try to adopt a philosophy based on the principle that you are a student of life and that life is your teacher. This way, you will be more open to learning, understanding and feeling what really motivates you in life. Remember that whatever you choose to pursue, you will always be a winner.



ARE YOU READY?

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### 3 ARE YOU READY?

Once you have identified what type of farm successor you are and why you want to be a farm owner, it is important to determine just how prepared you are to move forward.

We suggest that you begin by analyzing your thoughts and assessing how much progress had been made on the project.

To do so, we suggest that you fill out the *My assets assessment* questionnaire.

#### **Four key factors to ensure maximum preparedness:**

- **Knowledge** of the transferor's vision, intentions, expectations and needs, as well as your knowledge of the business and how it operates, its strengths and weaknesses, and its financial position.
- **Skills** at the technical, managerial, leadership, business management and governance levels.
- **Aquisition process and distribution of roles, responsibilities and powers.**
- **Financial set-up** of the transfer.

Below is a list of factors that will serve as a guide and a self-reflection tool.

## KNOWLEDGE

### **The purposes at this step are to:**

- understand the owner's intentions, expectations, needs and vision with respect to the property transfer, the transfer of powers and knowledge, and the future growth of the business;
- understand the points of view and opinions of the other family members, if applicable;
- clarify your intentions, expectations, needs and vision for the future growth of the business;
- make a list of what you know about the business;
- determine what you need to learn about the business.

### **Basic questions you must ask yourself and that will significantly impact what happens next:**

- What are the owners' intentions, needs and expectations?
- Why do they want to transfer their business?
- To whom do they want to transfer it?
- How do they want to do it?
- When do they want to do it?
- Is co-ownership an option?
- What role do they want to play in the business following the transfer?
- How do they envision the future growth of the business?
- What retirement projects do they have planned?

We now suggest that you fill out the *Successor – Acquisition of key knowledge* tool.

To quickly gain in-depth knowledge of the business, it is important to examine the strategic plan — the roadmap for ensuring that the business continues to grow. It is an essential work tool for owner-transferors, successor(s), consultants and financial advisors.

**A simplified strategic development plan normally includes the following items and covers a three-year period:**

- vision of the business (future of the business);
- mission of the business (define its socioeconomic *raison d'être*);
- values of the business (determine the behaviours required to achieve the vision);
- a description of the roles and responsibilities of key employees;
- an analysis of products, services, clients, suppliers, etc.;
- an analysis of the business's strengths and weaknesses;
- an analysis of its market, trends, threats and opportunities;
- a reflection on its current and future needs (labour force, finances, equipment, etc.).

Finally, the plan must include a deadline for the actions proposed in relation to the components of the plan.

We've prepared an outline of what the strategic business plan should include. The development of a strategic plan by the owners and the successors would serve as an excellent blueprint for a successful transfer of knowledge.

We now suggest that you review the *Strategic business development* tool.

Depending on how well your transfer project is progressing, you will eventually need to complete or update (if it already exists) the strategic plan.

## SKILLS

### **The purposes at this step are to:**

- identify the skills needed to run your existing business;
- determine what skills you need to acquire;
- develop an action plan to acquire these skills.

Given the importance of acquiring the technical, administrative, managerial and personal skills and abilities needed to be an effective business owner and manager, you must complete a skills assessment.

If possible, you should also consider completing certain psychometric tests that would help you identify and assess your leadership style, level of entrepreneurship, relational skills and psychological profile. These tests must be developed and administered by professionals.

### **You can acquire the necessary knowledge and skills:**

- with the help of the owner, who assumes the role of coach;
- from an in-house mentor designated to support you;
- by taking technical training courses specific to the activity sector;
- with the support of a management consultant specializing in business transfers;
- through conferences, seminars, conventions and specialized publications;
- through coaching or mentoring by experienced agricultural producers;
- with support from Emploi-Québec, which promotes workforce training and which can cover certain parts of the fees.

To learn more about the key skills and abilities needed to succeed, simply read and fill out the *Key successor skills and abilities* tool.

### **This tool will help you:**

- identify the skills you need to one day run the business;
- draw up a list of skills to acquire;
- develop an action plan to acquire these skills;
- secure the necessary support at this stage of the business transfer.

## ACQUISITION PROCESS AND DISTRIBUTION OF ROLES, RESPONSIBILITIES AND POWERS

### **The purposes at this step are to:**

- determine if possible, the current owner's exit date;
- clarify your roles and responsibilities in the business (present and future);
- identify each employee's duties and responsibilities;
- determine what type of power you want management to have.

You must now determine what your role will be once the transaction is completed. If you are not an actual employee, you must develop a business integration plan in cooperation with the managers. At this stage, you should know what each employee's duties and responsibilities are.

### **The required actions to create the plan for the transfer of powers and knowledge mainly include:**

- taking an inventory of the powers to be transferred;
- taking an inventory of the strategic knowledge;
- reviewing the organizational structure;
- distributing the roles and responsibilities within the new structure;
- choosing strategies and activities associated with the transfer of knowledge and powers;
- establishing a timeline for the transfer;
- deciding when progress will be measured.

### **You will also need to answer the following questions:**

- What is the current portrait?
- What are its strengths and weaknesses?
- What are your thoughts on it?

We now suggest that you review and fill out the *Distribution of roles, responsibilities and powers* tool.

### **This plan will help you to:**

- determine your role in the business once the transaction is completed;
- identify each employee's duties and responsibilities.

## PREPARATION OF THE FINANCIAL ASPECTS OF THE TRANSFER

### **The purposes of this step are to:**

- outline the personal financial risks of the transaction;
- clarify the risk-sharing structure, if applicable;
- examine the business's finances;
- determine the type of financing set-up required to conclude the transaction.

Have you thought about how to finance your transfer project? The questions below will help put you on the right track toward fully understanding this key issue:

- How much is the business worth?
- How much am I willing to pay?
- What is the maximum debt load that the business can carry? What debt load am I comfortable with?
- Will I be the sole buyer?
- If I buy the business with other partners, how much will each of us pay?
- Is the current owner willing to finance part of the transfer? In what way?
- If applicable, how will shares be divided?
- What types of financing are available to me?
- What would be a fair and appropriate financing set-up?

Your advisors (accountant, tax specialist), agri-account manager and financial planner will help you to quantify and assess the financial risks of the transaction and to create a financing set-up that meets your needs and expectations.

### **Conclusion**

You have now completed this step. For a brief overview, we suggest that you fill out the *Summary* tool.

# My assets assessment tool

The **My assets assessment** tool is a series of statements covering all activities involved in a business transfer project.

## The purposes of this tool are to:

- make you aware of the various factors you must consider during a business transfer;
- help you identify your main concerns regarding the transfer;
- help you assess your preparedness for the acquisition;
- enable you to make a list of key steps, decisions and actions to take during the process;
- encourage you to plan this important step.

## Instructions:

1. Read each of the following statements, and carefully consider your current situation. Write down your concerns.
2. Add the total number of Yes's and No's. Enter the results in the Overview of my assessment section. Calculate the difference between the two results. This difference is simply an indicator to help you understand your current situation with respect to your business transfer.
3. Taking into account your assets, assess your level of preparedness (low, average, high) in the section My preparedness for and understanding of the transfer process.
4. After completing the exercise, examine your results and fill out the section What are my three main concerns?
5. Finally, fill in the table entitled Action plan to reduce/eliminate my concerns, and use the plan to guide you in the process, being sure to stay on schedule.

You can share the results of this exercise with the transferors.

## My assets assessment

FACTORS AND ACTIVITIES INVOLVED IN A BUSINESS TRANSFER	YES	NO
1. I've prepared an acquisition plan (transfer).	<input type="checkbox"/>	<input type="checkbox"/>
2. I am aware of the importance of properly planning the entire transfer process.	<input type="checkbox"/>	<input type="checkbox"/>
3. I am familiar with all the components of a transfer plan.	<input type="checkbox"/>	<input type="checkbox"/>
4. I take part in the discussions regarding the business transfer plan.	<input type="checkbox"/>	<input type="checkbox"/>
5. I have extensive training that will prepare me to manage a farm.	<input type="checkbox"/>	<input type="checkbox"/>
6. I manage several operational tasks in the business.	<input type="checkbox"/>	<input type="checkbox"/>
7. I participate in major business decision-making discussions.	<input type="checkbox"/>	<input type="checkbox"/>
8. I have open discussions about the transfer with my family members.	<input type="checkbox"/>	<input type="checkbox"/>
9. I have already begun working with a <i>centre régional d'établissement en agriculture</i> (CREA) or a human relations professional.	<input type="checkbox"/>	<input type="checkbox"/>
10. I have a clear idea of which improvements need to be made in order to better position the business following the transfer (investments, productivity, efficiency, etc.).	<input type="checkbox"/>	<input type="checkbox"/>
11. I have read the strategic development plan, and I understand it well.	<input type="checkbox"/>	<input type="checkbox"/>
12. I have a clear idea of the transfer scenario (one-time transfer, progressive transfer, gradually selling off assets, other).	<input type="checkbox"/>	<input type="checkbox"/>
13. I know the fair market value of the business.	<input type="checkbox"/>	<input type="checkbox"/>
14. I have a good idea of the selling price in the case of a transfer to a family member.	<input type="checkbox"/>	<input type="checkbox"/>
15. I have a good idea of the debt load that the farm can withstand without risking its continuity.	<input type="checkbox"/>	<input type="checkbox"/>
16. The current financial structure of the business is optimal.	<input type="checkbox"/>	<input type="checkbox"/>
17. I have already studied all of the financing options related to the transfer.	<input type="checkbox"/>	<input type="checkbox"/>
18. I'm aware that my parents or the owners might have to finance part of the transaction.	<input type="checkbox"/>	<input type="checkbox"/>
19. I am aware of the various government succession assistance programs.	<input type="checkbox"/>	<input type="checkbox"/>
20. The current tax planning for the business is optimal.	<input type="checkbox"/>	<input type="checkbox"/>
21. I have assessed the insurance needs in order to protect the continuity of the business in case of unforeseen events.	<input type="checkbox"/>	<input type="checkbox"/>
22. I know what role I want to play in the business once my parents or current owners retire.	<input type="checkbox"/>	<input type="checkbox"/>
23. I can rely on the support of a group of competent business transfer specialists who work as a team.	<input type="checkbox"/>	<input type="checkbox"/>
24. I am aware that Desjardins can help me and guide me through the entire business transfer process.	<input type="checkbox"/>	<input type="checkbox"/>



# My assets assessment

## Overview of my assessment

My assets = \_\_\_\_\_

My liabilities = \_\_\_\_\_

The difference between my assets and my liabilities = (-) \_\_\_\_\_

## My preparedness for and understanding of the transfer process

Checkmark the statement corresponding to your assets assessment

Low 0-8       Average 9-16       High 17-24

## What are my three main concerns?

Here is an example:

1. What is the business's ability for repayment after the final assets transfer step?
2. How will I approach my new role in the business and maintain harmony among family members?

### ACTION PLAN TO REDUCE/ELIMINATE MY CONCERNS

CONCERNS	ACTIONS	TARGET DATES	PERSONS INVOLVED	FOLLOW-UP DATES
1) Earn a college degree	Register by next fall	May		
2) Master the intricacies of strategic planning				
3) Will I earn enough money during the co-management period?				

# Successor - Acquisition of key knowledge tool

The **Successor - Acquisition of key knowledge** tool will encourage dialogue, internal reflection and open discussions with the stakeholders involved in the transfer process.

## The purposes of this tool are to help you to:

- learn to recognize the owner's intentions, expectations, needs and vision with respect to property transfers, the transfer of powers and knowledge, and the future growth of the business;
- recognize the points of view and opinions of the other stakeholders, if applicable;
- clarify your intentions, expectations, needs and vision for the future growth of the business;
- make a list of what you know about the business.

## Instructions:

1. To begin your reflection process, write down your personal information in the appropriate sections.
2. Pay careful attention to each element.
3. Discuss your thoughts with the people involved.
4. Prepare a knowledge acquisition plan that will enable you to run the business smoothly and efficiently.
5. You can discuss your concerns regarding knowledge transfer with your Desjardins advisor, who will ensure you have access to qualified professional resources, as necessary.

# Successor - Acquisition of key knowledge

## A. THE OWNERS' POSITION

As the successor, you must discuss the following points with the transferors in order to identify and understand their vision, expectations, needs and role in the transfer project.

### **Questions to help in your reflection**

Why do they want to transfer their business?

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To whom do they want to transfer it?

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How do they want to transfer it?

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Are they ready for co-management?

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When do they want to begin the transfer process? What's their timeline for transferring assets or for remaining involved?

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What role do they want to play in the business after the transfer?

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# Successor - Acquisition of key knowledge

How do they envision the future growth of the business?

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What retirement projects do they have planned?

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## B. THE OTHER STAKEHOLDERS' POSITION (FAMILY MEMBERS, MANAGERS)

As a successor, you must discuss with the other family members and managers concerned in order to understand their opinions, thoughts and concerns regarding the business transfer.

STAKEHOLDER'S NAME, AGE AND ROLE	OPINIONS, THOUGHTS AND CONCERNS

# Successor - Acquisition of key knowledge

## C. YOUR POSITION WITH REGARD TO TAKING OVER THE FAMILY BUSINESS

Reflection aid table

<b>FACTORS TO CONSIDER</b>	<b>BRIEFLY DESCRIBE YOUR VIEWPOINT</b>
My personal goals	
My goals for the business	
My career path within the business	
My values	
My learning needs	
My personal needs	
The role I want to play in the business	
What I expect from the management staff	
My apprehensions, doubts and fears	
Other topics	

## Successor - Acquisition of key knowledge

Example of a reflection aid table

Context: a farm that exports vegetables to the United States

FACTORS TO CONSIDER	BRIEFLY DESCRIBE YOUR VIEWPOINT
My personal goals	To have the powers to make strategic decisions within the next three years. Oversee management of field employees within the next year. Have a child in two years.
My goals for the business	Develop the export market in the northeastern United States.
My career path within the business	I currently oversee field production. I would like to try my hand at input procurements and supplier negotiations.
My values	Harmony in the family. Teamwork. Professional ethics. Respect for others.
My learning needs	Complete my training on strategic business planning.
My personal needs	Ensure my family's financial security. Earn my father's approval. Watch my child grow and develop.
The role I want to play in the business	Oversee accounting, operations management and everything related to financial management and market development.
What I expect from the management staff	That they give me accurate information and are open and honest with me. That they share their vision with me about the future growth of the business. That they have faith in my abilities and support me in my learning. That they encourage and motivate the employees.
My apprehensions, doubts and fears	That my father doesn't trust me. That I fail to grow the business and disappoint my father. That we have to face another recession.
Other topics	My work schedule is a source of conflicts with my spouse. I don't want to jeopardize our relationship.

# Strategic business development plan tool

The **Strategic business development plan** tool will help ensure that your business continues to grow. It is an essential work tool for owner-transferors, successor(s) consultants and financial advisors.

## The purposes of this tool are to help you to:

- clarify the needs of your business from a global perspective;
- define your visions of the future of the business;
- review the *raison d'être* of the your business;
- review the distribution of roles and responsibilities within the business;
- inspire employees to share a common vision;
- set business development priorities;
- discuss the future of the business with your successor(s);
- reduce the gaps between your vision of business development and that of your successor(s);
- provide a business development framework.

## Instructions:

1. Draft the strategic development plan on your own.
2. Ask the people you are considering as potential successor(s) to do the same exercise.
3. Individually determine the financial resources required by the development plan.
4. Share your respective plans.
5. Make a list of priorities based on your discussions.
6. Implement a follow-up schedule.
7. Review this plan as often as possible.

# Strategic business development plan

## STRATEGIC DEVELOPMENT PLAN

### **Business vision**

What will the business look like in five years?

Sales figure: \_\_\_\_\_

Location: \_\_\_\_\_

Number of employees: \_\_\_\_\_

Business positioning: \_\_\_\_\_

Other aspects: \_\_\_\_\_

### **Business mission**

Why does the business exist?

What are its *raison d'être* and its contribution to society?

The mission of the business is: \_\_\_\_\_

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### **Values**

Which behaviours and attitudes does the business promote?

The values are: \_\_\_\_\_

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# Strategic business development plan

## **Farm's production structure**

Land and buildings: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Machinery and equipment: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Herd: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Production quota: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

## **Products or services**

Which are offered to clients?

Products: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Services: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

## **Products or services**

Which are offered to business partners?

Products: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Services: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

# Strategic business development plan

## Current work organization

How are tasks divided among the shareholders (who does what)?

NAME	POSITION	ROLES AND RESPONSIBILITIES

How are tasks divided among the employees (who does what)?

NAME	POSITION (seasonal employee, permanent employee, etc.)	ROLES AND RESPONSIBILITIES

# Strategic business development plan

## Target market

What is the profile of the target clientele?

Description: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

## Clientele

Who are the main clients?

MAIN CLIENTS	NEEDS IN TERMS OF PRODUCTS OR SERVICES
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

Geographical distribution

Local: \_\_\_\_\_

Regional: \_\_\_\_\_

Provincial: \_\_\_\_\_

National: \_\_\_\_\_

U.S.: \_\_\_\_\_

International: \_\_\_\_\_

# Strategic business development plan

## Strengths

What sets this business apart (internally and externally) and enables it to maintain its positioning?

Distinguishing strengths, internal and external: \_\_\_\_\_

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## Weaknesses

What are the business's weaknesses (internal and external)?

Weaknesses, internal and external: \_\_\_\_\_

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## Business opportunities

Current or foreseeable business opportunities (market, competition, etc.)?

Opportunities identified: \_\_\_\_\_

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# Strategic business development plan

## Threats

What are the existing or foreseeable threats in the business environment (workforce, competitor, currency fluctuations, etc.)?

Threats identified: \_\_\_\_\_

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## Trends

What trends appear to be gaining ground and will require follow-up or adjustment?  
What trends could the business set?

Trends identified: \_\_\_\_\_

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# Strategic business development plan

## PRIORITIES STEMMING FROM THE STRATEGIC PLAN

Taking into account the preceding statements, what priorities are key to the development of the business?

Priorities:

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_
5. \_\_\_\_\_

Timeline for achieving these priorities and the person responsible for the follow-up

PRIORITY	TARGET DATE	PERSON RESPONSIBLE
1.		
2.		
3.		
4.		
5.		

# Key successor skills and abilities tool

The **Key successor skills and abilities** tool is a reflection guide to help you identify the qualities that you have or the ones you need to acquire.

## The purposes of this tool are to help you to:

- recognize the qualities and skills that you possess;
- identify your training needs;
- clarify your vision of leadership;
- identify the leadership qualities that you possess.

## Instructions:

1. Step 1: Checkmark the items that best correspond to the qualities you **value** and possess.
2. Step 2: Checkmark the items that best correspond to the qualities you **would like** to develop.
3. Step 3: Based on the information in the preceding tables, write down the skills you will have to **acquire** before assuming the management of the business.

## Key successor skills and abilities

### STEP 1: QUALITIES VALUED

Checkmark the items that best correspond to the qualities you **value** and possess.

<b>PERSONAL QUALITIES AND SKILLS</b>	<b>MANAGEMENT SKILLS</b>
<input type="checkbox"/> Experience <input type="checkbox"/> Education <input type="checkbox"/> Self-confidence <input type="checkbox"/> Maturity <input type="checkbox"/> Integrity <input type="checkbox"/> Perseverance <input type="checkbox"/> Loyalty <input type="checkbox"/> Honesty	<input type="checkbox"/> Decision-making <input type="checkbox"/> Risk management <input type="checkbox"/> Stress management <input type="checkbox"/> Delegation skills <input type="checkbox"/> Unifier <input type="checkbox"/> Planning and organization <input type="checkbox"/> Support and advice <input type="checkbox"/> Fairness
<b>KNOWLEDGE OF THE BUSINESS</b>	<b>EMPLOYEE LEADERSHIP</b>
<input type="checkbox"/> Experience in the business <input type="checkbox"/> Commitment to the business <input type="checkbox"/> Vision of the future of the business	<input type="checkbox"/> Employees have a high opinion of the successor(s) <input type="checkbox"/> Employees listen to the successor(s) <input type="checkbox"/> Employees have respect for the successor(s)
<b>COMMUNITY SPIRIT</b>	<b>LEADERSHIP AMONG FAMILY MEMBERS</b>
<input type="checkbox"/> I am concerned with the welfare of employees and community members. <input type="checkbox"/> I want to contribute to the economic development of the region.	<input type="checkbox"/> The family members have a high opinion of the successor(s). <input type="checkbox"/> The family members listen to the successor(s). <input type="checkbox"/> The family members have respect for the successor(s).



## Key successor skills and abilities

<b>TECHNICAL SKILLS</b>	<b>ADMINISTRATIVE SKILLS</b>
<p>E.g. milking techniques, insemination techniques, use of various software, equipment maintenance, etc.</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Excellent</li> <li><input type="checkbox"/> Good</li> <li><input type="checkbox"/> Fair</li> <li><input type="checkbox"/> Poor</li> </ul>	<p>E.g. interpretation of financial statements, control of expenses, assessment of production costs, construction project management.</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Excellent</li> <li><input type="checkbox"/> Good</li> <li><input type="checkbox"/> Fair</li> <li><input type="checkbox"/> Poor</li> </ul>
<b>GENERAL SKILLS</b>	<b>EMOTIONAL INTELLIGENCE</b>
<p>E.g. good problem-solving skills, ability to resolve conflicts.</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Excellent</li> <li><input type="checkbox"/> Good</li> <li><input type="checkbox"/> Fair</li> <li><input type="checkbox"/> Poor</li> </ul>	<p>E.g. controls his emotions, is respectful toward colleagues, manages stress, demonstrates self-control.</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Excellent</li> <li><input type="checkbox"/> Good</li> <li><input type="checkbox"/> Fair</li> <li><input type="checkbox"/> Poor</li> </ul>

## Key successor skills and abilities

### ÉTAPE 2: DESIRED QUALITIES

Checkmark the items that best correspond to the qualities you **would like** to develop.

<p><b>PERSONAL QUALITIES AND SKILLS</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Experience</li> <li><input type="checkbox"/> Education</li> <li><input type="checkbox"/> Self-confidence</li> <li><input type="checkbox"/> Maturity</li> <li><input type="checkbox"/> Integrity</li> <li><input type="checkbox"/> Perseverance</li> <li><input type="checkbox"/> Loyalty</li> <li><input type="checkbox"/> Honesty</li> </ul>	<p><b>MANAGEMENT SKILLS</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Decision-making</li> <li><input type="checkbox"/> Risk management</li> <li><input type="checkbox"/> Stress management</li> <li><input type="checkbox"/> Delegation skills</li> <li><input type="checkbox"/> Unifier</li> <li><input type="checkbox"/> Planning and organization</li> <li><input type="checkbox"/> Support and advice</li> <li><input type="checkbox"/> Fairness</li> </ul>
<p><b>KNOWLEDGE OF THE BUSINESS</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Experience in the business</li> <li><input type="checkbox"/> Commitment to the business</li> <li><input type="checkbox"/> Vision of the future of the business</li> </ul>	<p><b>EMPLOYEE LEADERSHIP</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Employees have a high opinion of the successor(s)</li> <li><input type="checkbox"/> Employees listen to the successor(s)</li> <li><input type="checkbox"/> Employees have respect for the successor(s)</li> </ul>
<p><b>COMMUNITY SPIRIT</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> I am concerned with the welfare of employees and community members.</li> <li><input type="checkbox"/> I want to contribute to the economic development of the region.</li> </ul>	<p><b>LEADERSHIP AMONG FAMILY MEMBERS</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> The family members have a high opinion of the successor(s).</li> <li><input type="checkbox"/> The family members listen to the successor(s).</li> <li><input type="checkbox"/> The family members have respect for the successor(s).</li> </ul>

## Key successor skills and abilities

<b>TECHNICAL SKILLS</b>	<b>ADMINISTRATIVE SKILLS</b>
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<b>GENERAL SKILLS</b>	<b>EMOTIONAL INTELLIGENCE</b>
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# Key successor skills and abilities

## STEP 3: SKILLS TO BE ACQUIRED

Write down the skills that you will have to **acquire** in order to assume the management role you will play in the business.

LIST OF SKILLS TO ACQUIRE	SCHEDULE FOR ACQUIRING SKILLS
_____	Month _____ Year _____
_____	Month _____ Year _____
_____	Month _____ Year _____
_____	Month _____ Year _____
_____	Month _____ Year _____
_____	Month _____ Year _____
_____	Month _____ Year _____
_____	Month _____ Year _____
_____	Month _____ Year _____
_____	Month _____ Year _____
_____	Month _____ Year _____
_____	Month _____ Year _____
_____	Month _____ Year _____
_____	Month _____ Year _____

**Note:** Contact a training advisor to help you create your skills development plan.

# Distribution of roles, responsibilities and powers tool

A successful integration depends on you having sufficient knowledge of the current distribution of roles, responsibilities and powers. Your arrival, and possibly that of another family member or partner, as business owner will require a restructuring of roles and responsibilities. The **Distribution of roles, responsibilities and powers** tool will enable you to determine what role you want to have in the business both during the co-management period and after the transaction has been completed.

## The purposes of this tool are to:

- identify each employee's duties and level of responsibilities;
- clarify your role and responsibilities within the business (current and future);
- determine (if possible) the retirement date of the current owner;
- determine what type of power you want management to have.

## Instructions:

To begin your reflection process, write down key information in the various sections and read the comments on the potential effects the answers may have on you and on the business.

# Distribution of roles, responsibilities and powers

## 1. WHO RUNS THE BUSINESS?

(Checkmark the statement that best describes the business management structure)

- A single person
- A couple
- A team of managers

### **Comments:**

If the business is managed by a single person, it probably means that power is centralized and that decisions rest completely on the shoulders of one individual. You will be collaborating with someone who is not used to working in a team and who may have difficulty delegating responsibilities or trusting another person. Effective communication between the transferor and the successor is essential.

A business that is managed by a couple — two people with the same vision, well-defined roles and complementary strengths — makes for a more interesting scenario within which the work climate will likely be harmonious. However, you will need to negotiate your role with respect to both these people, and this is not always an easy task. On the other hand, you must be very careful if the couple appear to have a conflictual relationship. Conflict often leads to low employee morale and a negative work environment. The successor may face a huge challenge to improve the situation, in addition to the difficulty of establishing an effective channel of communication between you and the two transferors.

If the business is run by a team of managers, you will need to become part of the team, get to know the members and earn their trust. A strong management team provides an element of stability to the business, whose growth is not dependent solely on one person.

## Distribution of roles, responsibilities and powers

### 2. IS THERE A PLACE FOR YOU IN THIS BUSINESS? (IF NOT CURRENTLY AN EMPLOYEE)

(Checkmark the answer that best describes your opinion)

- Yes
- No
- I don't know

#### **Comments:**

If you answered "No" or "I don't know" to this question, confirm whether your perception is accurate and whether the owner-managers want you to join the business (mainly in the case of a family business). If their response is negative, you need to think about either looking for another business or postponing your acquisition project.

## Distribution of roles, responsibilities and powers

### 3. WHAT IS YOUR CURRENT POSITION WITHIN THE BUSINESS? (AS APPLICABLE)

(Checkmark the answer that best represents your situation)

- Owner-manager
  - Specify:
    - Minority shareholder
    - Majority shareholder
    - Other: \_\_\_\_\_
- General manager
- Other position
  - Specify:
    - Administration
    - Production
    - Business development
    - Human resources
    - Other: \_\_\_\_\_

#### **Comments:**

In the case of a business with several available positions, the inherent roles and responsibilities of the position you hold have a direct impact on what other employees think of you. Most people have an opinion or perception of each position. For example, if you are the Human Resources manager and would like to become General manager you must demonstrate strong leadership and administrative skills if you want employees to believe in your ability to manage the business.

Accordingly, current managers and employees will not place the same level of trust in a young successor who joins the business with 20% of shares compared to someone who has been a long-time shareholder. The powers and knowledge transfer plan will allow the successor to gradually take over as owner-manager.



## Distribution of roles, responsibilities and powers

### 4. DO YOU KNOW WHO DOES WHAT IN THE BUSINESS?

(Fill out the table)

**Comments:**

In order to ensure successful management and operation, it is very important to know who does what in the business. We suggest you fill out the table below to record the data.

NAME OF PERSON IN CHARGE	DUTIES/RESPONSIBILITIES

## Distribution of roles, responsibilities and powers

### 5. WHAT POSITION WOULD YOU LIKE TO HOLD IN THE BUSINESS ONCE THE TRANSACTION IS COMPLETED (IF APPLICABLE)?

(Checkmark the answer that best represents your goal)

- Owner-manager
- General manager
- Other positions

Specify:

- Administration
- Production
- Business Development
- Human Resources
- Other: \_\_\_\_\_

#### **Comments:**

If your selection differs from the position you currently hold, we suggest you develop a plan for acquiring the skills you need in order to be successful in the position you aspire to hold. Your personal challenge will be to follow the learning goals outlined in your plan. To help implement your plan, read Section 5 of the Taking the leadership reins, Successor Training Plan, Directory of educational practices to promote knowledge transfer and successor training.

## Distribution of roles, responsibilities and powers

### 6. WHO WANTS WHAT JOB?

(Fill out the table)

#### **Comments:**

You must know what the intentions of the key business stakeholders are regarding the transfer so as to better manage their expectations and develop partnerships. We suggest you fill out the table below to record the data.

WHO: STAKEHOLDERS	WHAT: ROLES, RESPONSIBILITIES AND DUTIES

# Distribution of roles, responsibilities and powers

## 7. WHAT TYPE OF POWER DO YOU SUPPORT?

(Checkmark the answer that best represents your notion of power as it relates to decision-making)

- A micromanager who controls every detail
- A management team
- Basic decision-making power

### **Comments:**

We caution that you avoid falling into the trap of micromanaging and controlling every last detail. This form of leadership is unfortunately still widespread and is not conducive to promoting the growth of a business and the personal growth of its employees. In fact, it can lead to low employee morale and high turnover.

If you opt for putting together a team, seek advice from a management committee. You can also choose to delegate certain powers to key individuals in order to show employee appreciation and to promote a work environment that is conducive to productivity, efficiency and retention.

## 8. DO YOU KNOW WHEN THE CURRENT OWNER-MANAGER PLANS TO RETIRE?

(Checkmark the appropriate answer)

- Yes, the planned date is \_\_\_\_\_
- No

### **Comments:**

If you answered "No" you will need to meet with the owner to determine when he plans to retire and what role he wants to play during the transfer of powers. The owner-manager's intention and readiness to retire will be clear if he can set an actual date. If the owner is vague about the details, it may mean that he has not yet completed his reflection process.

## 9. IN YOUR OPINION, WHO, OTHER THAN YOURSELF, CAN BE THE NEW OWNER?

Your choice: \_\_\_\_\_

What is the reason for your choice? \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

# Summary tool for the successor

**1. I am a successor type of:**

(review, if needed, Step 1 – What type of successor are you?)

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**2. My motivations for owning a business are:**

(review, if needed, Step 2 – What are your motivations?)

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**3. I need to acquire the following knowledge:**

(review, if needed, *Successor - Acquisition of key knowledge tool*)

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**4. I need to develop the following skills:**

(review, if needed, *Key successor skills and abilities tool*)

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**5. My position in the business and the one for others are the following:**

(review, if needed, *Distribution of roles, responsibilities and powers*)

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## Summary tool for the successor

### 6. Financing set-up outline of my transfer project:

(review, if needed, Step 3 – Financing set-up)

QUESTIONS	REPOSSES
How much is the business worth?	
How much am I willing to pay?	
What is the maximum business debt level I do not want to exceed?	
Will I buy the business alone?	
If we are several partners to buy the business, how much will be each financial contribution?	
Is the actual owner willing to finance part of the transfer project?	
If there is a shared ownership, how will it be done?	
What types of financing are available to me?	
What are the outlines of the financing set-up?	
Other	

### 7. Partners' names, roles and responsibilities in the transfer project and acquiring business:

	NAME	ROLE
Agri-account manager		
Financing consultant FADQ		
Chartered accountant		
Farm Tax specialist		
Attorney		
Farm business valuation specialist		
Agri-Business transfer advisor		
Farm management consultant		
Other partners		



## FINANCING THE TRANSFER PROJECT





## 4 FINANCING THE TRANSFER PROJECT

Financing set-ups for business transfers differ from one business to another, and, contrary to popular belief, there is no universal magic bullet.

Accordingly, Desjardins offers advantageous consulting services for the financing of your business transfer or acquisition.

Our advisors will rigorously assess your financial and business needs, and propose appropriate financing strategies and financial products.

### MOST COMMON SOURCES OF FINANCING

Loans from financial institutions	The farm mortgage loan is the most common product in terms of financing the acquisition of business shares. The financial institution will also offer financial solutions to ensure that all business needs are met (cash flow, purchase of equipment, grants, etc.).
Individual capital funding	Capital can be in the form of cash (personal savings, RRSP) or assets that the successor(s) had acquired prior to the transfer (e.g. livestock, land).
Government assistance programs	There are several government assistance programs, including subsidies for new farmers, investment or expenditure grants, as well as low-interest loans. <i>La Financière agricole du Québec (FADQ)</i> and the <i>Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec (MAPAQ)</i> offer many farm succession programs.
Balance of sale (financing by the seller)	Financing method often used in transfers to family members. The parents finance a portion of the transaction and accept reimbursements over periods that can vary in length, usually at very low interest rates. The balance of sale is an excellent complement to a bank loan; it simplifies the transfer and enables the buyer to reduce financing costs.
Donations	In most cases when a farm is transferred to a family member, the parents set a sale price that is significantly lower than the market value in order to prevent the successor(s) from becoming overburdened with debt.
Development capital	Type of equity financing. Funding is provided by an outside investor and can take the form of financing with acquisition of shares in the business.

## FINANCING STEPS

### **1. Document the transfer project and draft the business plan**

You are the architect of the transfer; therefore, it is up to you to design the plans. Preparing a solid business plan helps you ensure that the various factors required for a successful transfer are in place.

Owning a business involves teamwork. You will need the support of financial experts, partners, government representatives and/or suppliers. Your business plan will help you to accurately describe your vision to each stakeholder

Before meeting with your Desjardins advisor, be sure to fill out your application and draft your business plan. You must also consult the legislation regarding business start-ups.

### **2. Generate the financial statements**

To complete your business plan, you must generate the financial statements for your business or the one you are acquiring. These financial statements must reflect any planned or ongoing business projects.

You must also prepare the following documents:

- your personal financial assessment;
- your curriculum vitae, summarizing your main achievements;
- the cost and financing of your project;
- an opening balance sheet;
- the cash budget forecast (two years);
- projected income statement according to various scenarios (three years);
- budgeted balance sheet (three years).

### 3. Prepare the financing set-up

The financing of your transfer must cover the needs related to the transfer of assets (acquisition of voting shares) and the key factors of smooth or improved business operations: new investments, start-up costs, working capital, etc.

Once your needs have been determined, you must identify the possible sources of financing to meet them. The financing set-up is often presented in the form of a table, and it is essential that each transfer-related need be met. Our business transfer advisors can help you prepare it.

#### EXAMPLE OF A FINANCING SET-UP

<b>COST OF THE TRANSFER PROJECT</b>	
Purchase of assets (land, buildings, quota, livestock, equipment, inventory)	\$700,000
Purchase of quotas	\$150,000
Renovation of farm buildings	\$25,000
Purchase and renovation of a home	\$100,000
Purchase of equipment	\$85,000
Other start-up costs (transaction costs, taxes and permits, etc.)	\$5,000
<b>Total</b>	<b>\$1,065,000</b>

<b>FINANCING THE TRANSFER PROJECT</b>	
Government-secured mortgage loan	\$715,000
Term loan on equipment	\$60,000
Balance of sale	\$150,000
Line of credit	\$75,000
Individual capital funding	\$25,000
Government subsidy	\$40,000
<b>Total</b>	<b>\$1,065,000</b>

## 4. Prepare your financing application

You have identified your needs and determined which financial tools will enable you to meet them. You have created a network of resources (other entrepreneurs, mentor, agri-business account manager, agri-business financing advisor, farmers' association, other business associations, etc.) that you can consult as needed. The next step is to prepare your financing application.

### Fill out your application

Your financing application will complete your business plan.

The application should include:

- the nature of the transfer project to be financed;
- the amount of financing required;
- the financial spin-offs of the project (which will enable the business to continue to grow while meeting its financial commitments);
- financial contribution (personal and from other investors).

### Present your application

Before meeting with your lender, be sure to provide your financing application and your business plan so that he can review it.

Prepare for this meeting by:

- specifying the length of the meeting and adhering to it;
- preparing a brief presentation that covers the key points;
- anticipating the lender's objections and making note of points that require further explanations;
- inviting an expert (accountant, attorney or other) to accompany you in order to provide more details on points related to his field of expertise;
- being attentive to the lender's comments and reactions during the meeting;
- offering your availability in case he wishes to obtain more information;
- asking the lender what the next steps are.

## **Review of your application**

If the lender approves your financing application, you will have to agree on the terms of the contract.

If your application is declined, take the opportunity to improve your file. It would be wise to ask your lender what prompted his decision. This will provide you with valuable information about your business plan or your approach, since it is likely that you will have to submit a new application to that institution.

## **Six criteria to evaluate a financing application**

In general, financing applications are evaluated based on the following six criteria:

### **1. Quality of the leadership**

The owners (transferor and successor) are the driving force behind a business transfer. Their vision, energy and efforts will determine the success of the business transfer project. Experience, management skills and level of training are some of the factors evaluated.

### **2. Risks associated with the business environment**

The lenders will ensure that your activity sector does not present a risk for them. The business must also have adequate insurance coverage that is tailored to the nature of its activities.

### **3. Credibility of the transfer**

When lenders decide to invest in your transfer, they want your business to succeed; accordingly, they will ensure that your forecasts are realistic and based on verifiable facts.

### **4. The business's ability to pay and its financial structure**

You must prove to the lenders that your business is able to meet its financial commitments. The financial structure of the business therefore must show a healthy balance between assets and liabilities.

### **5. Financial history of the buyers**

In your lender's eyes, the past predicts the future. It is highly likely that a credit check will be done for each buyer. The investors will ensure that the buyers have met their past commitments. A bankruptcy or outstanding loan negatively affects a buyer's credibility.

### **6. Securities**

Loan financing is granted in exchange for securities. These securities must be available in sufficient amount to enable your investor to cover his risks.

## FARM SPECIFIC FINANCING PRODUCTS

When putting together a financing set-up for acquiring or transferring a business, loans are the most common financial instruments available.

Farm term loan	To finance equipment or miscellaneous projects.
Farm mortgage loan	To finance the acquisition of buildings and farm land, as well as any other major project.
Operating line of credit	To meet cash flow needs.
Bridge financing	Loan that meets your temporary cash flow needs while awaiting an influx of cash or a pending loan disbursement.
Investment credit (revolving credit)	Provides the funds needed to invest in your business: purchase of equipment, machinery or production inputs, or repairs/renovations to property.

Here is a brief description of the most common financing loans available at Desjardins:

### **Farm term loan**

To buy supplies and equipment required for business operations or to improve the financial structure.

Features:

- amortization according to the useful life of the purchased supplies;
- fixed or variable interest rate;
- flexible repayment terms;
- available in Canadian or U.S. currency.

Benefits:

- enables you to finance capital projects without significantly affecting working capital;
- improves or consolidates the business's financial structure to enable the continued growth of the business;
- possibility of reborrowing a portion or all of the repaid capital without incurring new fees (Multiproject Option).

### **Farm mortgage loan**

For capital needs, such as the purchase of land, the construction, renovation or extension of a building, or any other major project. This type of loan is often used when starting or transferring a business.

The terms of credit (term, amortization period, rates and repayment terms) are tailored to the needs of the business.

Features:

- amortization up to 25 years;
- fixed or variable interest rate;
- available in Canadian or U.S. currency.

Benefits:

- repayment terms based on the business's activity sector or financial results;
- possibility of reborrowing a portion or all of the repaid capital without incurring new fees (Multiproject Option).

### **Desjardins revolving credit for farms**

Preauthorized credit that enables a farm to finance the investments necessary to its growth. Investment credit simplifies the process related to the credit application and bond, while reducing the associated costs.

Features:

- adapted according to the business needs assessment;
- financing in the form of a line of credit or term loan;
- can be applied to development projects or to a project that will take place in stages over a given period of time.

Benefits:

- the authorized loan is disbursed more readily;
- enables you to know the credit amount at your disposal for future acquisitions;
- does not affect your business operating credit and reduces the fees for reviewing your file and registering collateral;
- offers the possibility of using the amount repaid for other purchases, once the capital has been reimbursed;
- offers more flexibility with respect to interest rates and repayment terms;
- enables you to take advantage of a grace period before you start reimbursing the principal on acquisitions.

### **Loans secured by the *Financière agricole du Québec (FADQ)***

These loans enable farmers to take advantage of better interest rates for the entire term of the loan. To purchase shares, the buyer must own at least 20% of the business.

Features:

- a farm loan up to \$5,000,000;
- subsidies for new farmers, ranging from \$20,000-\$40,000.

Benefits:

- one of the best interest rates available at Desjardins;
- possibility of a discount on the interest rate during the transition phase;
- possibility of protection against rate increases, depending on eligibility.



## FARM SUCCESSION ASSISTANCE PROGRAMS AND INITIATIVES

New farm owners can rely on several initiatives to simplify the transfer.

LIST OF ORGANIZATIONS AND PROGRAMS	
<i>Financière agricole du Québec (FADQ)</i>	Subsidies for new farmers (\$20,000-\$40,000) Part-time business start-up grant (\$10,000) Consulting services support grant (\$1,500) Sécuri-Taux for new farmers, which guarantees a maximum interest rate for 5 years Seller-lender collateral formula, which offers a loan guarantee to parents who finance the sale of the business directly
<i>Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec (MAPAQ)</i>	Farm succession program: <ul style="list-style-type: none"> <li>• investment support for young farm owners</li> <li>• skills development support for young farm owners</li> <li>• support for CUMO and CUMA</li> <li>• support for regional and industry initiatives</li> </ul>
<i>Fonds d'investissement pour la relève agricole (FIRA)</i>	This fund, which is unique to Québec, is intended to simplify the transfer of a farm to a non-family successor. <i>Capital régional et coopératif Desjardins</i> , MAPAQ and <i>Fonds de solidarité FTQ</i> are partners in this fund.  From the buyer's perspective, the financial contribution in the form of a loan, lease-to-own plan or shares in the business simplifies the purchase of the business and reduces the debt load. From the seller's perspective, this type of financing helps ensure the continuity of the business.
Farm succession assistance cooperative fund (Desjardins, <i>Coop fédérée</i> and FRAQ)	Multi-phase financial support <ul style="list-style-type: none"> <li>• Desjardins (\$8,300 subsidies for new farmers for debt reduction, training, mentorship)</li> <li>• <i>Coop fédérée</i> (discount on the purchase of inputs and petroleum products, training and professional support components)</li> </ul>
<i>Centre local de développement (CLD)</i>	Support for the drafting of a business plan Grants
<i>Société d'aide au développement de la collectivité (SADC)</i>	Youth Strategy (loans of \$5,000-\$10,000 over 5 years, at low interest rates and possibility of a capital repayment holiday) Start-up and succession funds (loans)
<i>Fédération des producteurs de lait du Québec</i>	Succession assistance: loans of 5 kg of quota over 10 years, no payments for 5 years, then paid gradually in Years 6-10. Start-up assistance: loan of 12 kg of quota
<i>Fédération des producteurs d'œufs d'incubation du Québec</i>	Start-up assistance: payment holiday for farm successor(s) Start-up assistance for new farmers (non-family successors): quota loan of 900,000 eggs
<i>Fédération des producteurs d'œufs de consommation</i>	Start-up assistance for non-family successor(s): quota loan of 5,000 layers
<i>Éleveurs de volaille du Québec</i>	Start-up assistance for successor(s): quota loan of 200 square metres for a maximum term of 17 years, to be repaid starting in Year 13

**Other stakeholders**

- *Centres locaux de développement* (CLD)
- Canada Business Network – Government Services for Entrepreneurs
- Industry Canada
- Export Development Canada
- *Investissement Québec*
- Canada Economic Development
- Canada Small Business Financing Program
- Small Business Enterprise Centres (SBEC) (Ontario)



## TAKING THE LEADERSHIP REINS



## 5 TAKING THE LEADERSHIP REINS

### TRANSFER OF POWERS

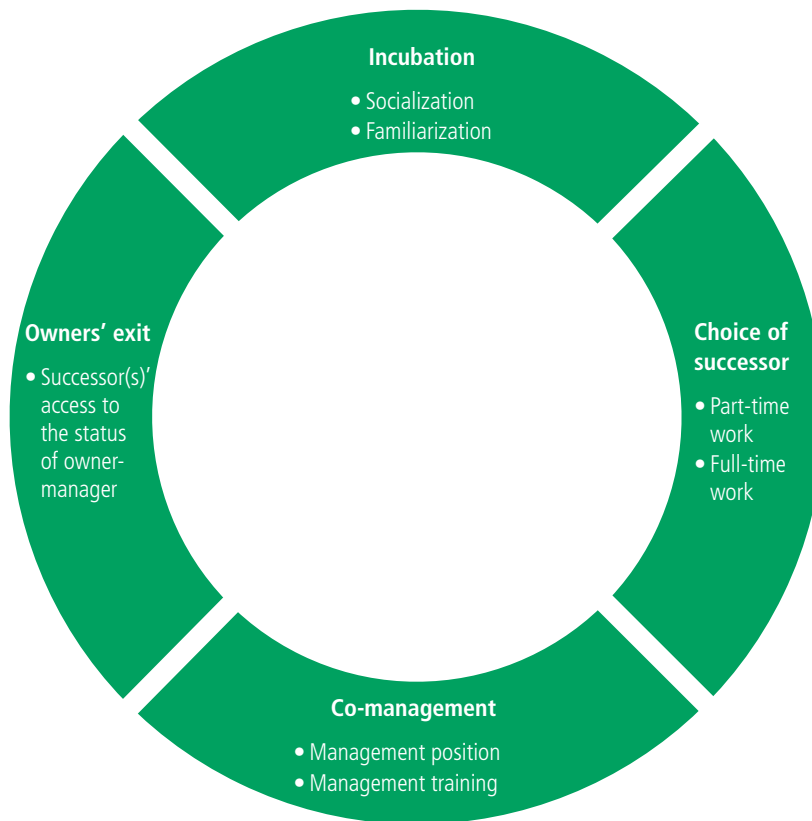
The transfer of powers is different from the legal transfer of assets. It refers to the division and delegation of strategic business responsibilities by the transferor to the successor(s). Knowledge transfer refers to the knowledge that the successor(s) must acquire. A well-planned transfer of powers and knowledge is key to a successful business transfer.

The required actions to create the plan for the transfer of powers and knowledge are:

- taking an inventory of the powers to be transferred;
- taking an inventory of the strategic knowledge;
- reviewing the organizational structure;
- determining the distribution of roles and responsibilities within the new structure;
- choosing strategies and activities associated with the transfer of knowledge and powers;
- setting a timeline for the transfer;
- deciding when progress will be measured.

Knowledge is also a form of power. As the buyer, you must create opportunities for dialogue with the owner, in order to acquire his strategic knowledge of the various business activities and specifics in terms of the market, competitors, clients, suppliers, financial backers, technology, etc.

## EXAMPLE OF A TRANSFER-OF-POWER PROCESS IN A FAMILY TRANSFER SCENARIO



**Incubation:** The family members start at a very young age to work within the business and to socialize with other employees. They contribute to the work, but do not necessarily have specific responsibilities or work hours.

**Choice of successor:** One or more family members are designated as successor(s). They have expressed interest in working in and managing the business. They are in training.

**Co-management:** The successor(s) are actively involved in managing the business alongside the parent-owners. This is the most crucial phase of a transfer. An interdependency is created.

**Owner's exit from the business:** The parent-owners gradually step down as managers, while continuing to work in the business. They assume the role of advisors. The successor(s) take over the management of the business.

These are the challenges of co-management during the transfer of powers to a family successor or non-family successor.

**For the owners, relinquishing their powers is one of the most difficult aspects of the transition.**

The successor(s) will face a number of major challenges:

- gaining access to strategic decisions regarding the growth of the business;
- learning about the management of the business and its human resources;
- becoming familiar with the roles and responsibilities of a business owner;
- sharing and subsequently taking over the reins from the parent-owners;
- moving from an employer-employee or parent-child relationship toward an equal partnership;
- a potential power struggling between heirs, between the successor(s) and staff, or between the successor(s) and parent(s);
- establishing an interdependent relationship.

For information, we suggest that you review and fill out the tool:

- Transfer of powers and knowledge

This tool will help you to:

- understand the management model in place at the business;
- provide stakeholders with the appropriate support in this phase of the business transfer.

### SUCCESSION TRAINING PLAN

The purpose of a succession training plan is for the successors to acquire the technical, administrative, managerial and personal skills and abilities they will need to fulfill the business's objectives, and to be effective business owners and managers.

### **Directory of educational practices to promote knowledge transfer and successor training<sup>1</sup>**

#### **1. Specify expectations and goals**

The training must account for the fact that the learner has already defined his professional goals — goals which are to be discussed with the training instructor.

Measures, such as the implementation of activities or projects, need to be planned in order to achieve these goals. The training will include a follow-up of the progress achieved.

<sup>1</sup>Roussel, J.-F. (2011). *Gérer la formation – Viser le transfert*. Montréal, Guérin éditeur (Ed.).

## **2. Include knowledge transfer situations**

The training model must outline situations within which the learner can apply what has been learned.

The learner is encouraged to make a list of learning situations in line with his goals; the training is structured into work-learn cycles, thereby enabling the gradual integration of knowledge transfer situations in the workplace.

## **3. Promote informal learning (i.e. hands-on learning)**

The training model must include learning situations based on actual cases that require solving.

## **4. Outline the steps in a skills development plan**

Training is an integral part of a skills development plan.

The learner provides input into the design of the project or plan, which must be an ongoing, regularly updated initiative.

## **5. Incorporate the training as part of the learner's career plan**

Training is an integral part of the learner's career plan.

This career plan must be part of the business's comprehensive successor development initiative; the learner and his immediate supervisor must discuss the plan and update it regularly.



# Powers and knowledge transfer tool

The **Powers and knowledge transfer** tool will help you determine which powers and knowledge you need to acquire, and how to go about it.

## The purposes of this tool are to help you to:

- create a list of the different knowledge and powers that you must consider during the reflection on your business transfer;
- determine which knowledge/skills you must acquire or improve;
- decide who, either within or outside of the business, is qualified to transfer the required knowledge;
- determine the powers that need to be assumed;
- establish a schedule for the powers and knowledge transfer;
- plan the powers and knowledge transfer so as to ensure the continuity of your business;
- do preventive planning for the management of your human resources.

## Instructions:

1. Determine the knowledge/skills you feel you must acquire or improve.
2. Under each statement, determine who in your family, or among your employees/other parties would be best placed to manage the knowledge transfer.
3. Think of training activities that could round out this knowledge.
4. If applicable, write down a target date for the completion of the knowledge transfer.
5. The transfer of powers is done in cooperation with the current owners. Determine which powers will be transferred and exactly which tasks will be assumed, and set a target date.

# Powers and knowledge transfer

**KNOWLEDGE TRANSFER PLAN FROM:**

KNOWLEDGE	KEY INFORMATION TO BE TRANSFERRED	WHO (family, networking, institution, etc.)	TRAINING ACTIVITIES	SCHEDULE Target date for completing the activity
The activity sector in general				
Management of field operations				
Herd management				
Machine and equipment maintenance				
Technologies				
Management of environmental norms and other regulations				
Employee management				
Suppliers				
Clients				
Competitors				
Accounting				
Analysis of financial statements				
Strategic planning				

## Powers and knowledge transfer

### KNOWLEDGE TRANSFER PLAN FROM:

KNOWLEDGE	KEY INFORMATION TO BE TRANSFERRED	WHO (family, networking, institution, etc.)	TRAINING ACTIVITIES	SCHEDULE Target date for completing the activity
The financial situation of the business				
Lenders and financing products				
Advisors and technical support				
Other aspects				

# Powers and knowledge transfer

## POWERS TRANSFER PLAN TO :

POWERS	WHO (family, networking, institution, etc.)	ANTICIPATED RESPONSIBILITIES	SCHEDULE Target date for completing the activity
<b>Production</b> <ul style="list-style-type: none"> <li>• crop management</li> <li>• herd management (feed, health, husbandry)</li> <li>• equipment maintenance</li> <li>• other</li> </ul>			
<b>Procurement and relationships with suppliers</b> <ul style="list-style-type: none"> <li>• choice of suppliers</li> <li>• negotiations and transactions</li> </ul>			
<b>Marketing and distribution</b> <ul style="list-style-type: none"> <li>• customer relations</li> <li>• development of marketing aspects for the products sold</li> <li>• price setting</li> </ul>			
<b>Human resources management</b> <ul style="list-style-type: none"> <li>• organization of the work</li> <li>• hiring, negotiations</li> <li>• conflict management</li> <li>• other</li> </ul>			
<b>Relationships with in-house advisors</b>			
<b>Investment and financing decisions</b>			
<b>Administration</b> <ul style="list-style-type: none"> <li>• signatures</li> <li>• votes, convocations</li> </ul>			
<b>Other</b>			



## EXIT OF THE CURRENT OWNER



## 6 EXIT OF THE CURRENT OWNER

This step involves the gradual transfer of leadership, which usually occurs in phases.

### The usual exit phases include:

- an openness to the successor's ideas/input;
- responsibility-sharing and consultations;
- the sharing of decision-making powers;
- the creation of a new role in the business: consulting, expertise sharing, advising;
- complete withdrawal.

A complete withdrawal is when the owner relinquishes all management duties and effectively retires. In the case of a property transfer, owners commonly retain shares in the business without actively participating in its management. The transferor's personal financial situation is a key determining factor of the type of link he maintains with the business and the type of relationship he builds with the successor.

If he is financially secure, chances are very high that he will explore new opportunities, and the issue will be deciding between a gradual departure or a rapid withdrawal. Whatever the case, a transferor will always find it difficult to leave his business, which is often the embodiment of everything that has given meaning to his life.







SO, DO YOU THINK  
YOU'RE READY?

Desjardins & Co.



## **7** SO, DO YOU THINK YOU'RE READY?

Below is a summary of the steps involved in **acquiring a family business**.

### STEP 1:

**Choose whether to join the family business or explore a new opportunity**

### STEP 2:

**Determine the knowledge and skills you need to run the business**

At this stage, take the time to clearly define your vision, gather pertinent information, and subsequently share your vision with the owners and any other individuals involved in the transfer process.

### STEP 3:

**Complete a skills profile and a psychological profile**

These tests will enable you to better understand your strengths, weaknesses, management skills, communication and decision-making style. They will provide an accurate and compelling portrait of the type of entrepreneur you are and what training you need.

### STEP 4:

**Business diagnostic**

Several experts can be of assistance — our advisors will help find the right specialists for you.

Main assessment criteria:

- Management structure
- Key employees
- Production process
- Innovation and creativity
- Diverse, high-quality customer base
- Level of dependence on suppliers
- Financial structure and profitability

## STEP 5:

### **Transfer financing scenarios**

The financing set-up for a transfer project differs from one business to another. Contrary to popular belief, there is no universal financial product for business transfers.

You must carefully and thoroughly assess your financial needs and those of the business. In addition, you must ensure that your scenario is both flexible and able to drive business growth.

## STEP 6:

### **Due diligence, price adjustments and other conditions**

At this stage of the negotiations, you will need the support of your advisors (lawyer, accountant, tax specialist) to implement the conditions for a successful transfer.

## STEP 7:

### **The legal transaction**

This step includes the drafting by legal advisors of all legal documents and contracts. You must ensure you understand the legal aspects of all deeds, documents and contracts involved in the transaction. Your legal advisor will clearly explain them to you.

## STEP 8:

### **Entrance strategy**

A well-planned entrance strategy is very important; careful planning will help ensure a smooth transition. The transferor's participation, particularly when meeting with employees, is essential. From the beginning, employees need to be reassured about any future decisions and projects. Take the time to listen to and ease their concerns.

### **Need more time to reflect on the above?**

**Consult our Guide for acquiring a farm business or visit our site at [Desjardins.com/businesstransfer](https://Desjardins.com/businesstransfer)**

Below is a summary of the steps for **acquiring a non-family business**.

**STEP 1:**

**Decide whether to proceed with the project alone or with a partner**

- You want to buy a business and become the sole owner.
- You want to partner with one or more people.

**STEP 2:**

**Define the target business criteria based on your requirements and financial capabilities.**

Economic activity sector: \_\_\_\_\_

Production capacity: \_\_\_\_\_

• Cultivable area: \_\_\_\_\_

• Building capacity: \_\_\_\_\_

Geographic location: \_\_\_\_\_

Selling price: \_\_\_\_\_

Financial portrait: \_\_\_\_\_

Market: \_\_\_\_\_

Labour force: \_\_\_\_\_

Management structures: \_\_\_\_\_

Other criteria: \_\_\_\_\_

**STEP 3:**

**Determine the knowledge and skills you will need to manage your target business.**

At this stage, take the time to clearly define your vision, gather pertinent information, and subsequently share your vision with the owners and any other individuals involved in the transfer process.

#### STEP 4:

##### **Complete a skills profile and a psychological profile**

These tests will enable you to better understand your strengths, weaknesses, management skills, communication and decision-making style. They will provide an accurate and compelling portrait of the type of entrepreneur you are and what training you need to succeed.

#### STEP 5:

##### **Business search**

Talk about your interests with family and friends. Get involved in business transfers; you'll develop a network of contacts who can help you find your dream opportunity. Several sites such as Acquisition.biz can also be of interest. Your advisors can guide you here.

#### STEP 6:

##### **Assessment of the target business**

Once you've found a potential business that meets your selection criteria, start the evaluation and assessment process. Several experts can be of assistance — our advisors will help find the right specialists for you.

Main assessment criteria:

- Management structure
- Key employees
- Production process
- Diverse, high-quality customer base
- Level of dependence on suppliers
- Financial structure and profitability
- Regulatory compliance (environment, land protection, etc.)

## STEP 7:

### **Consider various acquisition scenarios with the transferor**

While acquiring a business can be done in one step or gradually, the latter approach is often necessary. It provides the successor with an opportunity to become familiar with the business and to gradually assume responsibilities. It is also preferable for the seller to ensure business continuity after his departure and to ease him through the process if he is not quite ready to retire immediately.

Both the transferor and the successor need to be open about their needs and plans. In this business partnership, communication and detailed planning of each step are essential.

## STEP 8:

### **Negotiate with the transferor**

The conditions for acquiring the business must be negotiated in order to reach an agreement. Several scenarios are possible: selling a portion of the assets, lease-to-own, leasing, etc. After agreeing on the terms and price of the sale with the seller, you must write a letter of offer; this will demonstrate your commitment as a serious buyer, subject to certain conditions. A specialized attorney can guide you here. Our advisors will ensure you have access to the right specialists.

## STEP 9:

### **Transfer project financing scenarios**

The financing set-up for a transfer differs from one business to another. You must carefully and thoroughly assess your financial needs and those of the business. A number of financing strategies will be examined: financing by the seller, bank loan, access to an investment fund, etc. In addition, you must ensure that your scenario is both flexible and able to drive business growth.

## STEP 10:

### **Due diligence, price adjustments and other conditions**

At this stage of the negotiations, you will need the support of your advisors (lawyer, accountant, tax specialist) to implement the conditions for a successful transfer.

## STEP 11:

### **The legal transaction**

This step includes the drafting by legal advisors of all contracts and deeds. You must ensure you understand the legal aspects of all deeds, documents and contracts involved in the transaction. Your legal advisor will clearly explain them to you. To safeguard the transaction, life insurance policies need to be revised and a stakeholder agreement must be clearly defined.

## STEP 12:

### **Entrance and integration strategy**

A well-planned entrance strategy is very important; careful planning will help ensure a smooth transition. The power transfer plan and training plan are key tools. The transferor's participation, particularly when meeting with employees, is essential.

### **Need more time to reflect on the above?**

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