Integrated Strategic Planning for the Family Business System

Planning for growth, unity and continuity

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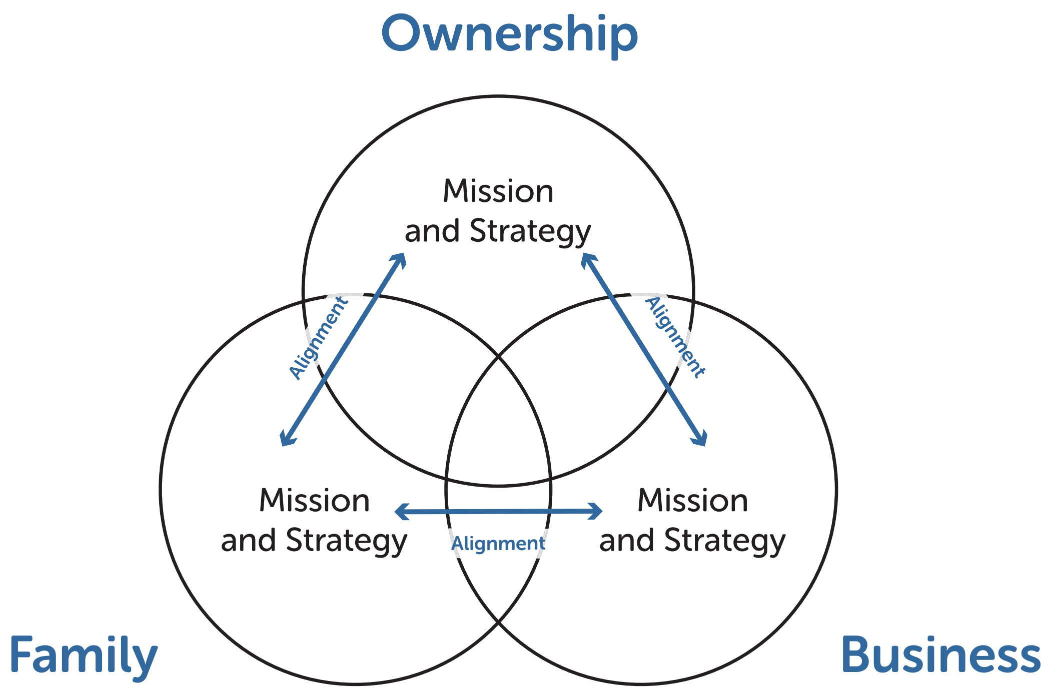
The Cheshire Cat in *Alice in Wonderland* teases and provokes Alice, telling her that "if you don't know where you are going, it doesn't matter which road you take." The Cat makes an important point for us, although I would say it positively—it helps immensely to know where you want to go in order to choose the right road to get there. But the Cat (a Zen master of strategic planning) misleads Alice by saying it doesn't matter which road you take. Even if you are unsure of your exact destination, it does matter which road you take. If you take the "right" road, you are more likely to prosper and survive. Conversely, if you take the "wrong" road, you will need to recover from that mistake and choose a better road going forward. A series of wrong turns generally leads to misfortune and even one's demise.

In the family business world, the Cat would tell us, it's important for the business, the owners, and the family in business to know where they are going and to choose the right road to get there. Each of these three groups needs to have a clear mission, vision, values, and goals (a destination) and a strategy to achieve these goals and vision, live by these core values, and fulfill the mission (the "right" road). The members of each group need to be aligned on where the group intends to go and how to behave as a member of the group. When top managers or different groups of employees of a company disagree about mission, vision, values or important goals for the company, the company can become stalled or worse, come apart. The same is true when important owners of the company or family leaders disagree about these things.

Furthermore, because all three groups are interconnected—each influences and relies on the other two—their missions, visions, goals, values, and plans should be aligned, meaning they are consistent and mutually supportive. We all know what happens when the managers and owners of a company struggle over its direction or culture. Or when the family behind a company no longer supports the way the managers run the business. Experience sows that high-performance family businesses are well aligned with the owners and family. Achieving this alignment is the job of integrated strategic planning.



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Strategic planning has long been employed to help a business determine its mission and core values, set important goals and priorities, and create policies and plans. We are comfortable using formal processes and ways of thinking in business. They are seen as indicators of professionalism.

Family ownership groups and families in business, however, are not very accustomed to thinking strategically about their interests or going through a formal process to clarify their missions, values, goals, and plans. Family ownership groups sometimes set goals for dividends but they are less likely to define their mission or vision, clarify their important goals for the business or identify their core values; these topics, however, tend to surface when the owners are disappointed with the performance of the business. Then they ask: what performance and behaviors do we expect from management, or what is it that we really want to achieve by owning this company? Instead of waiting for problems to stimulate these important discussions, it would be helpful to the management of the business, the board of directors, and the family to know the owners' mission, values, goals, and policies and plans up front. I wish I had a dollar for each time an independent board member of a family business told me: "I wish I knew what the family (the family owners) wanted from this company."

Likewise, it is helpful to the business and the owners for the family to be clear about the family's mission, values, goals and plans. Families are, in fact, organizations with many of the same organizational needs as businesses, although families generally don't think of themselves in this way. Most families in business, for example, see the family as an "organic" group that will evolve in a natural, uncontrollable way. It is true that you don't have as many levers to control the direction and performance of a family. You have some control over who becomes a member of the family (through birth, adoption or marriage), little control over who leaves the family, and it undeniably difficult to manage the performance of relatives. But these challenges make it even more important to develop a compelling mission, values, and goals and plans so you can motivate family members to contribute to the family's interests. High performing families in business teach us that to be successful in business for more than a generation, the family needs this kind of guidance.

COMPONENTS OF A STRATEGIC PLAN

Strategic plans come in many forms but most include:

1. A statement of the mission of the organization—what the organization (business, family, ownership group) intends to be and how it is positioned or distinguished from others. Often, the core values of the organization (the organization's important behavioral choices) are included in this statement. By developing this statement, groups become clearer about where they are going and if their efforts are leading to the intended destination.

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2. A vision statement—how members of the organization see the organization at some point in the future. The vision often mentions the organization's size, important activities and values, strengths and performance, and the unity of its members.
3. Key goals over the short and medium term, including financial, market, and organizational objectives.
4. A statement of the core values that are at the heart of the organization's culture—choices the organization makes that define members' expected behavior. An organization generally only has a small number of "core" values—members of organizations can deviate in their values beyond these central standards. A business's core values may involve commitments to quality products, innovation, employee loyalty and teamwork. A family might stress individual responsibility, integrity, humility, honesty, and mutual loyalty. An ownership group can prefer long-term loyalty and investment, modest risk, and building a business and business culture the family is proud of.
5. The strategy of an organization is actually the sum of the organization's actions to achieve its desired aims. To help drive out the right actions, organizations develop policies (rules and guidelines) and plans that hopefully help the organization achieve its goals and advance towards its mission and vision, while living its core values.

THE ART OF INTEGRATED STRATEGIC PLANNING

The components of a business's, the owners', and the family's strategic plans need to be compared to see how aligned they are. Expect to see some differences but inconsistencies need to be examined and minimized. For example, the business may want to reinvest aggressively and want to assume higher debt to achieve its goals of growth or positioning vis-a-vis its competitors, while its owners desire higher dividends and fear higher leverage of the business. These differences can be the result of different missions, visions, goals, values, or policies between the managers of the business and its owners. It is important to understand if the disagreement is a reflection of superficial or deep differences between the two groups and where the disagreement occurs—in their missions and values, or just their policies?

In a client company I advised for years, the family (owners and non-owners) was upset with the new family leader of the business because he changed the culture of the company in a worrisome way. For decades the culture of this industrial company valued having a very clean work environment—clean floors, tools, and uniforms—and a superb record of safety. When the successor took over running the company, he relaxed the cleanliness standards, claiming that it had nothing to do with safety and also reduced profits unnecessarily. The issue came to a head in the family council where the majority of the family (including the controlling owner) saw this change as a reflection of important differences in mission and core values. Unable to resolve this difference in the family council, the issue was taken to the board where the independent directors sided with the family council and directed the new CEO to comply with the "old" core values of the business and family. When the CEO continued to violate the culture of the family (and other differences in values appeared) he was replaced.

The main point of these two examples is that alignment between the three groups is vital and that true alignment is only verifiable when there is clarity in each group about its mission, vision of the family business system, core values, and key goals. Alignment, itself, is the result of dialogue and commitment to developing a consistent system that will survive for generations.

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