NOTE TO THE READER
I wrote this in 1997 and many new planning ideas have emerged since then. Although dated, I still like this booklet as a primer that provides the basics to get started. Enjoy!

The Accidental Partnership® Series:
Professionalizing the Entrepreneurial Family Business

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This booklet is intended to provide general information and not country-specific legal, accounting, tax or other professional advice. Your own business is unique and presents its own issues, which may not be addressed in this booklet. You should always consult your business advisors prior to making important decisions.
Professionalizing the Entrepreneurial Family Business

At some point in development, most business families feel obliged to choose whether they wish the business to remain family owned and family managed, or family owned and professionally managed, where competent family members are invited to participate and contribute where they best fit.

Are you making decisions by default just as time runs out on you? Are you wearing the hats of chief executive officer, sales manager and operations vice-president? Do you find that there are not enough hours in the day to get things done? If you can answer yes to any of these three questions, you are probably one of the many entrepreneurs who is afflicted by hip-pocket syndrome – that is, shooting from the hip and managing by the seat of your pants.

There is only one cure for this affliction: to professionalize your company. Successful entrepreneurial businesses go through three broad phases of professional business development:

1. Product-driven: The company brings a product or service to market in a profitable manner. It develops a production and management system to deliver the entity.
3. Planning-driven: The business matures. The company uses planning to formalize its operations, pinpoint new areas for opportunity, rationalize its future growth and success, and provide the basis for professional management.
How does the family-owned business move from the product-driven phase to become planning driven? It often means crafting a strategic direction for the partnership and the firm and then weaving these ideas into the overall business operations plan. In other words, it’s a strategic management process.

The basic requirements for strategic management are:

- a vision statement outlining a shared business future;
- a written strategic business plan;
- a documented management plan;
- sound operating plans and methods;
- strong, competent management at all levels;
- precisely articulated performance expectations;
- an appropriate reward and compensation system;
- clear and consistent communications;
- formal management information and control systems; and
- outside assistance.

If the foregoing elements seem familiar, they should. They are elaborations on the key steps in the process of management: planning, organizing, staffing, directing, and controlling. The concept of strategic management goes beyond basic management theory, however, to recognize the critical importance of properly motivated, well-informed and talented people within an organization that has well-developed plans and systems for monitoring performance in relation to a strategic plan. (See the figure representing the strategic management cycle in the Strategic Business Planning section of this chapter.)

Although many organizations have plans, they lack the talent to implement them. Some have one or two star performers, but the rest of the team is made up of benchwarmers. Others have enough talented, motivated people, but fail to communicate direction or to monitor ongoing activities effectively. Sometimes, the act of business planning awakens family members to the idea that change is coming whether they like it or not, and as a result they start questioning some of the underlying business assumptions and family relationships that have not been challenged for years.

It’s not easy changing from a hip-pocket entrepreneur to a chief executive who understands the importance of planning and the power of inclusion within their organization. Although all family entrepreneurs silently hope that all staff will act in their image – like an owner –

**THE INGREDIENTS OF PLANNING**

- Your own knowledge and ability to commit to a plan
- Your own ability to make change less personal
- Your family’s willingness to change
- Choosing the right consultant and planning model is only a minor contributor to your ultimate success.
and make the best decisions, this is unrealistic unless knowledge is readily shared. Family owners are reluctant to share inside knowledge as they feel it might box them in to a direction that cannot be changed. The truth, however, is that good planning, whether it is for the business, next-generation participation, product launch or erecting a building, opens up options, creates flexibility and develops the ability to respond to change.

It generates more information through sharing and less uncertainty through understanding. It shows staff and family how the business is performing, it provides direction and shows how they all fit into the big picture. It allows others to understand the need for change and helps the company reach its objectives. It therefore includes personal needs – I am; I do; I fit – as part of its outcome. A business, although it may generate profits, drifts without a clear direction from the operators – the owners.

Planning to Plan

Due to their overpowering urge ‘to do’, entrepreneurs often forget that every journey requires a map. They often do their own “mapping” alone on airplanes and in their cars on the way to work. When there are more partners or key participants, planning has to be more collaborative than this. However it’s accomplished, the “planning to plan” phase is a key ingredient to professionalization.

The concept of crafting a shared future fits almost any organization. It becomes increasingly important in the family firm as the accidental partnership grows. We know

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1 Aron Pervin coined the term “accidental partnership” to describe the lack of choice in the sometimes unwilling alliance of family members in a business. See Aron Pervin, “How to Make the Best of an Accidental Partnership”, THE GLOBE AND MAIL – MANAGING – Thursday, October 15, 1998, B12
that individual values and family rules and traditions all affect the ability of each family member to articulate a vision for the partnership that satisfies everyone. This overlap of values and priorities between family and firm is described at length in another booklet titled *Family First! Business First! Balance Both!*

**The Starting Point**

Partners or family members working in the firm craft a list of statements that describe the business aspirations of each partner.

A quick and simple approach is to ask each partner to write a newspaper headline describing the partnership and business, say, three years in the future. Each family member will have a view that is colored by his or her personal history and ideas for the future. The outcome is usually very satisfying and offers a non-threatening starting point for the shared future discussion. Some partners write a brief title; some are more expansive; some write whole articles. The upshot is that each partner begins to understand the thoughts of the others, which hopefully generates discussion and, possibly, develops a consensus for a shared vision.

**Planning and Plan Formulation**

*Strategic planning isn’t strategic thinking. One is analysis, and the other is synthesis.*

- Henry Mintzberg, 1994

**An Overview**

The idea of a formalized process of business and continuity planning for the family firm has changed over the years. Conventional wisdom is that, in many instances, formal structure and methods often undermine the creativity that the process should embody, causing many individuals, both owners and managers alike, to “confuse real vision with the manipulation of numbers” (Mintzberg, 1994) and to view planning as less than beneficial.

This focus on the technical aspects has merit but it has also caused many individuals – that is, advisors, owners, family and managers alike – to forget that the family business is more than just a financial entity designed solely for the purpose of generating a profit. Capital investment in a closely-held business is minor compared with the emotional, physical and intellectual commitment demanded of the founder, or current family leader, and his or her partners, family or management group.

Planning for continuity, improved business performance and the transfer of ownership and management within the accidental partnership and family is an obligation. That’s a difficult point to win with many successful owners. After all, entrepreneurs have always relied on their intuition for business planning and they can’t see why that should change when they’ve been successful with that approach. But, sure enough, the next generation often confuses this success with skill, and therefore seldom spends enough time
evaluating ways to navigate the future and ensure the health of the firm. It’s with this “next generation” that the business planning process has its greatest positive impact over the long haul.

HOW DOES PLANNING HELP THE COMPANY’S LEAD GENERATION?

- Planning builds a knowledge base of how the business will proceed for the benefit of the accidental partners.
- It provides information for performance evaluation and assistance to the advisory board or board of directors, and allows inactive shareholders the opportunity to understand where their business is heading.
- When developed in concert with the next generation, the planning process helps the lead generation understand how they can exit and sell their shares – and signal the preferred path to others.
- It helps the next generation decide how they will act as stewards to the firm.
- It complements the more technical aspects of the succession, accession and retirement plans.

Strategic Business Planning

As much as we would like to imagine that the future is under our control, our better judgment tells us to gather as much market intelligence as possible and make plans that can accommodate economic and business fluctuations. In the absence of perfect information, entrepreneurs are known and respected for their reliance on intuition.

Most entrepreneurs are convinced that intuition exists as a distinct thought process and that it is different from, but not incompatible with, rational analysis. These entrepreneurs sometimes call their instincts “street smarts”. The point is that instinct grows out of experience, and it’s sometimes (but not always) dangerous to ignore either.

For the entrepreneur to put plans on paper is not to put instinct behind him. It’s simply a way of putting forward the best course – the preferred course – so others can share it. When the company is larger than a one-man show, and management must be shared, there has to be a common plan and a common memory in order to share a common future. Remember, it’s human nature to hear only what you want to hear: by putting the strategic plan on paper, you minimize the effects of a tremendous number of faulty memories.

The Strategic Plan

A strategic business plan is central to professionalization. The plan can be the vehicle both for positioning the business externally and for pinpointing internal issues that must be resolved before growth can occur.
The strategic business plan should address a realistic time frame – say, one to five years. It should be recorded in writing. It should spell out the mission of the business (including family priorities, if and when appropriate), goals, objectives, strategies, action programs, implementation considerations, and financial projections.

For family-owned businesses, it’s especially important for the strategic business plan to address human resource concerns such as recruitment, selection, performance appraisal and compensation. These areas are most problematic for the family-owned business because of the conflict between family versus business interests.

In a family-owned business, the strategic planning process begins with the “planning to plan” stage that includes an assessment of the expectations, needs, goals and priorities of key family members. At a minimum, all family members who are involved in the ownership or operation of the company should be included in the assessment.

Once this is complete, it’s time to begin the strategic business plan. In some cases, it may make sense for the family members to consolidate their thoughts into a distinct strategic statement regarding the family’s intentions for – and behaviour toward – the business. In any case, after the family position has been set forth, the owner-operator and key managers of the business should collaborate to analyze the strategic planning data, reach the necessary conclusions, and commit the business to future courses of action.

The strategic planning process is about making deliberate choices rather than waiting for the situation to dictate actions. It doesn’t necessarily mean vast changes for the
company, although that may be the choice management makes, but it does mean that the company takes the opportunity to use existing changes – in personnel, competition, market conditions, demographics, or other areas – to its advantage.

**WHAT’S IN A PLAN?**

Although the content of strategic plans varies considerably, the basic ingredients include:

- **Mission/Vision Statement:** A clear definition of what the business will be like at some future point in time (usually one to five years), what the business expects to accomplish, the products or services it will provide, who the customers are, and the primary purpose(s) for existence.
- **Goals:** Measurable statements of what the business will accomplish in areas such as growth, profitability, and research and development.
- **Strategies:** Broad initiatives to achieve specified goals.

Planning challenges traditional thinking and asks hard questions about the contribution or value that a process or activity brings to the overall business direction and profitability. Therefore, in part, it is about anticipating market conditions, analyzing alternative responses, and taking the appropriate steps to remain competitive. The key is that the planning process focuses on solutions, rather than on finding excuses for poor performance.

**Who Should Do Strategic Planning?**

In large corporations, strategic planning was once the function of an in-house department or group of individuals. In many instances, strategic fact-finding analysis and direction setting for these companies was also performed by external consultants.

Times have changed. Back in 1984, Business Week heralded a “new breed of strategic planner”: the senior management team. The insular but powerful planners had come up against the resentful operating managers who were supposed to implement their brilliant strategies. The result: few plans were ever put into play.

The impasse was resolved by senior managers reclaiming the planning function. Large businesses had learned what smaller businesses know instinctively. For planning to be effective, it must be done by the key managers and owners of the business. These individuals understand the business best, recognize its potential and limitations, can commit the necessary resources, and can monitor results to make sure it gets done.

This does not mean that internal planners or external consultants cannot play a role in providing information that can be used for planning purposes, or to help pave the way for the plan’s development. Indeed, both staff and outsiders can be invaluable resources in the planning process.
The bottom line, however, is that the entrepreneurial firm’s strategic planners should be its owners and key managers. They should do the formal analysis of strategic planning data, reach the necessary conclusions, and commit the business to future courses of action.

**HOW DOES STRATEGIC BUSINESS PLANNING HELP THE COMPANY?**

The overriding purpose for strategic planning is to develop a roadmap for the business to achieve a competitive advantage. Here’s how:

- It defines in measurable and objective terms what is most important and what specific steps the business needs to take to accomplish these objectives.
- It anticipates problems and suggests positive steps to eliminate them.
- It builds commitment to a common purpose among the members of the business’s senior management team.
- It charts a clear direction and intermediate “marching orders” for the business and its employees to follow.
- It defines in measurable and objective terms what is most important and what specific steps the business needs to take to accomplish these objectives.
- It anticipates problems and suggests positive steps to eliminate them.
- It builds commitment to a common purpose among the members of the business’s senior management team.
- It charts a clear direction and intermediate “marching orders” for the business and its employees to follow.
- It ensures consistency in decision-making and determines priorities in the allocation of resources such as people, equipment, facilities and product or service changes.
- It establishes a firm basis for evaluating performance, both corporate and individual.
- It provides a management framework that can be used to respond quickly to changed conditions, unplanned events and deviations from plan.

**How Is Strategic Planning Done?**

There are numerous strategic planning models, but the basic steps in strategic planning remain the same. They are:

1. Conduct a values audit.
2. Diagnose the business situation.
3. Diagnose the family and owner’s situation
4. Develop a vision statement.
5. Develop a mission statement.
6. Develop goals.
7. Define strategies.
8. Determine impact on the business.
9. Implement and monitor the plan.
10. Revise the plan as required.

1. **Conduct a Values Audit**

*It’s the ideas of a business that are controlling, not some manager with authority.*

- Robert Haas

A values audit is an examination of the values of the members of the ownership, family and management group within the organization. It takes into account:

- the current values of the family and the organization
- the organization’s philosophy of operations
- the assumptions that the organization ordinarily uses in its operations
- the organization’s culture
- the values of the stakeholders in the organization’s future.

In the values audit, the planning team moves from an individual focus to a broader examination of the organization and how it works. It is the first formal step of strategic planning, setting a critical foundation for the success of the entrepreneurial business. Values affect all other stages of the strategic planning process, especially the implementation stage. What a company stands for and what its people believe in are crucial to its competitive success.

Many companies avoid the values audit, as it is an exceedingly difficult part of the planning process for those unaccustomed to setting their values out in words. Perhaps one of the most unfortunate and preventable reasons for the disintegration of the family firm, however, is having an unclear operating philosophy. The values audit takes an in-depth analysis of the most fundamental beliefs that underlie the business – and such confrontation can be a painful experience.

What happens if you don’t do it? From experience, differences in values, philosophy and assumptions will surface continually in the planning process and block forward movement. Once resolved, the differences do not interfere with the planning process and it is relatively easy to move to the next phase of the process.

How does it make a difference? Sir Adrian Cadbury, chairman of Cadbury Schweppes PLC, tells the story of how his grandfather received an order in 1900 from Queen Victoria for a decorative tin of chocolates for all the British soldiers serving in the Anglo-Boer War. Yet his grandfather was deeply opposed to the war. He decided to fill the order at cost so that his employees would get the work and the soldiers would get their gift, but he would make no profit on what he saw as an unjust war.
Cadbury didn’t record a statement of ethics, but he knew them and kept them at top of mind. For any family business, it’s worthwhile to think your values through. They can guide your thoughts in times of stress and conflict, and keep your company’s deliberations consistent and uncluttered.

Once the values audit is complete, do a reality check. Go to your close business associates – your trusted suppliers, vendors, professional advisors, key employees, bankers, and key customers – and find out whether they agree with your perception of your identity and values.

2. Diagnose the Business Situation

In *The Rise and Fall of Strategic Planning*, Henry Mintzberg notes that entrepreneurs base many decisions on data and planning information that is old, limited in scope and undifferentiated. This makes the plan dated before it’s even enacted. What’s interesting, then, is that soft information and data traditionally viewed as subject to bias and therefore unreliable, becomes a key planning ingredient. In fact, many family businesses run on instinct and experience; in many instances, it works.

With its values audit complete, a company begins its strategic planning activities by taking a critical look at itself and the environment in which it operates. This exploration process can take many shapes and there are a number of models available to assist in formulating the diagnosis. The one most commonly used is called SWOT analysis, the first letters representing the headings of Strengths, Weaknesses, Opportunities and Threats.

<table>
<thead>
<tr>
<th>INTERNAL</th>
<th>STRENGTHS</th>
<th>Positive features of the firm and factors that differentiate it from the competition.</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>WEAKNESSES</td>
<td>Deficiencies of the firm or areas of competitive disadvantage.</td>
</tr>
<tr>
<td>EXTERNAL</td>
<td>OPPORTUNITIES</td>
<td>Positive conditions such as new market openings, population shifts and social change that present a chance for the business to benefit.</td>
</tr>
<tr>
<td></td>
<td>THREATS</td>
<td>Negative conditions such as government regulation, market segment decline, technology shifts and changing economic climate that pose challenges to the business.</td>
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The diagnosis can be quite detailed as the focused questions presented in the Resource and Checklist section of this book indicate. In general, however, it looks inside and outside the organization in order to identify the strategic decisions confronting managers.

At the conclusion of the strategic diagnosis, the top management team should agree upon those issues that are most critical and are to be addressed in the strategic plan.
It’s critical that solutions stay within the company’s strengths, and that the opportunities be real and not perceived or imagined. It’s easy to get caught in lazy thinking. Samuel Johnson, of S. C. Johnson & Son, offers this story about new product development and positioning. It’s a tribute to his father’s instinctive SWOT analysis – although he probably never heard the term.

“I can remember when I was the first new-products director of the company back in the fifties. My father, who recognized the need for new products because the wax business wasn’t growing, told me, ‘Sam, it’s up to you to find something new.’”

After a few months, I came up with a proposal for a new product – a Johnson’s aerosol insecticide. He looked skeptically at the prototype can and commented, ‘Don’t you know we can’t make any product without wax in it?’”

“We could put some wax in it,” I answered, “but I doubt if it will improve the insecticide.”

‘What’s better about it than the competitor’s products?”

“It’s an aerosol,” I noted.

‘There are other aerosols on the market,” he responded.

“Well,” I said. “We’ve got a nice label.”

‘There are other nice labels out there. What’s really better about it?”

‘It’s a very good formulation, but I doubt that it’s better than what’s out there,” I admitted. His final comment was, “When you come up with something that’s really better, then we’ll talk about getting into the insecticide business.”

It was a good lesson. I went back to the lab, authorized further research, and discovered that all of the insecticides then on the market were solvent based, and they smelled bad. Also, if you used them near house plants, the solvent (not the insecticide) killed them. We reformulated the insecticide into an aqueous system that could be used safely on plants and didn’t smell like kerosene. We named it ‘Raid House and Garden Insecticide.’ It was a winner, and we’re now the world’s largest producer of insecticides. If you’re going to get into a new field, you have to have a better product, one the consumer recognizes as demonstrably superior to that of your competitors.”

(From The Essence of a Family Enterprise, Curtis Publishing, 1988)

3. Diagnose the Family and Owner’s Situation

As the figure below describes, the family focus and the business focus of the strategic planning process can typically pull in opposite directions. The family system stresses security and individual and family growth, and, therefore, the status quo. Planning for business growth means change, ambitious goal setting and accountability. No wonder so many plans are never enacted – the tension between these opposing concepts is overwhelming. Without finding some accommodation for the two viewpoints – some shared values, ideas and direction – the business family will choose avoidance, and freeze in its tracks.
What does the family and owner(s) want to do, given these opposing forces? Can they resolve the family considerations and press forward on the business front? How much money can be taken out of the business annually? The questions are as diverse as the families themselves.

**Figure 2: Planning Decisions**

Here are the most common decisions that families need to resolve as they diagnose their “situation”:

- How to co-exist and co-operate as accidental partners in spite of past problems
- How to overcome resentment due to family expectations and historical comparison and competition
- What is the ultimate objective: keep, sell, merge, IPO, ESOP
- Who should be brought into the business
- What should they be paid
- How to establish a learning and career program that works
- How to evaluate performance
- Whom to designate as successor
- How to bring non-family staff onside with family goals
- How to bring in outside leadership and management where necessary
- How to establish an independent board
- Whether or how to share ownership (active and inactive shareholders)
• How to deal with changing roles and contributions
• What to do that’s meaningful once the need to operate the business is minimized
• How to address taboo topics.

For many business families, the biggest area of uncertainty concerns what the family wants to do with its wealth and how much will be reinvested in the business. They need to resolve how much will be available to the business and how much the family will harvest for its own needs.

Once the answers to these questions are out in the open, the statement that results may be quite straightforward. Here’s how one family summarized the priorities of its partnership:

“To enjoy an improved lifestyle that balances work and personal time, to prepare the business for the highest return on its sale and to increase the wealth of the operating partners through increased salary and profits.”

4. Develop a Vision Statement

Without a destination, no wind is the right wind.
– Author Unknown

If you don’t know where you’re going, you might end up someplace else.
– Yogi Berra

Every partnership, whether it’s an accidental family partnership or one comprised of non-related entrepreneurial individuals, needs to get every participant’s commitment to a shared business future. This is commonly described as a vision statement. Note that the mission of a business is different – it states the purpose of the firm in the marketplace.

A vision statement is a description of what the organization aspires to be in the future. It is more than a dream or a set of hopes, because top management endorses it: it is a commitment.

Any vision is a mental model of a desirable or idealistic future for the organization. Let’s look at a few examples of business visions. Consider Toyota’s dream of producing a vehicle – later called the Lexus – engineered to go beyond the existing standards of high-performance luxury automobiles. Or Walt Disney’s vision, as he described it, for a new kind of amusement park:
The idea of Disneyland is a simple one. It will be a place for people to find happiness and knowledge. It will be a place for parents and children to spend pleasant times in one another’s company: a place for teachers and pupils to discover greater ways of understanding and education. Here the older generation can recapture the nostalgia of days gone by, and the younger generation can savour the challenge of the future. Here will be the wonders of Nature and Man for all to see and understand. Disneyland will be based upon and dedicated to the ideals, the dreams and hard facts that have created America. And it will be uniquely equipped to dramatize these dreams and facts and send them forth as a source of courage and inspiration to all the world.

Vision statements that have these properties challenge and inspire people in the organization and help align their energies in a common direction. They prevent people being overwhelmed by immediate problems because they help distinguish what is truly important from what is merely interesting. In a sense, a vision can program the mind to selectively pay attention to the things that really matter.

Another sample vision statement, this from Levi Strauss & Company, demonstrates how you don’t have to open a theme park to have a vision. The Levi’s vision, created in 1992, sets the highest standards in every aspect of its business, yet it is plainspoken and clearly attainable.
We will strive to achieve responsible commercial success in the eyes of our constituencies, which include stockbrokers, employees, consumers, customers, suppliers and communities. Our success will be measured not only by growth in shareholder value, but also by our reputation, the quality of our constituency relationships, and our commitment to social responsibility. As a global company, our businesses in every country will contribute to our overall success. We will leverage our knowledge of local markets to take advantage of the global positioning of our brands, our product and market strengths, our resources and our cultural diversity. We will balance local market requirements with a global perspective. We will make decisions which will benefit the company as a whole rather than any one component. We will strive to be cost effective in everything we do and will manage our resources to meet our constituencies’ needs. The strong heritage and values of Levi Strauss & Co. as expressed through our Mission and Aspiration Statements will guide all of our efforts. The quality of our products, services and people is critical to the realization of our business vision.

Products

We will market value-added, branded casual apparel with Levi’s® branded jeans continuing to be the cornerstone of our business. Our brands will be positioned to ensure consistency of image and values to our consumers around the world. Our channels of distribution will support this effort and will emphasize the value-added aspect of our products. To preserve and enhance consumers’ impressions of our brands, the majority of our products will be sold through dedicated distribution, such as Levi’s® Only-Stores and in-store shops. We will manage our products for profitability, not volume, generating levels of return that meet our financial goals.

Service

We will meet the service commitments that we make to our customers. We will strive to become both the “Supplier of Choice” and “Customer of Choice” by building business relationships that are increasingly interdependent. These relationships will be based upon a commitment to mutual success and collaboration in fulfilling our customers’ and suppliers’ requirements. All business processes in our supply chain – from product design through sourcing and distribution – will be aligned to meet these commitments. Our sourcing strategies will support and add value to our marketing and service objectives. Our worldwide owned and operated manufacturing resources will provide significant competitive advantage in meeting our service and quality commitments. Every decision within our supply chain will balance cost, customer requirements, and protection of our brands, while reflecting our corporate values.

People

LS&CO. will be the “Employer of Choice” by providing a workplace that is safe, challenging, productive, rewarding and fun. Our global workforce will embrace a culture that promotes innovation and continuous improvement in all areas, including job skills, products and services, business processes, and aspirational behaviours.
The Company will support each employee’s responsibility to acquire new skills and knowledge in order to meet the changing needs of our business. All employees will share in the Company’s success and commitment to its overall business goals, values and operating principles. Our organization will be flexible and adaptive, anticipating and leading change. Teamwork and collaboration will characterize how we address issues to improve business results.

(Reproduced from P. Jones and L. Kahaner, Say It and Live It, Currency Doubleday, 1995.)

Now that we know what a vision statement is, let’s be clear on what it is not. A vision statement is not...

### What a Vision Statement is Not

- a prophecy (although after the fact it may seem so).
- a mission. To state an organization’s mission is to state its purpose, not its direction.
- necessarily factual. It doesn't exist presently, and it may never be realized as originally imagined. It deals not with reality but with the attainable future. It is full of speculation, assumptions and value judgements.
- true or false. It can be evaluated only relative to other possible directions for the organization.
- static, enunciated once for all time. Rather, vision formulation should be seen as a dynamic process, an integral part of ongoing ownership and leadership.
- a constraint on action, except when inconsistent with the vision. Instead, it is designed to channel the energy of an organization in a common direction, and to serve as a catalyst for the changes needed to ensure the long-term success of the firm.

Why do you need a vision? A vision, combined with a business mission, provides the direction for the strategic plan and the operating plan. A strategy is only as good as the vision that guides it, which is why purpose and intentions seem to be more powerful than plans in directing organizational behaviour.

### 5. Develop a Mission Statement

Your vision is the destination. Your mission is what you presently do – it is your present point in the journey, covering the next one to five years as you progress toward the destination. It expresses the basic intent of the business.

The mission statement should answer the following questions:

- What business are/will you be in?
- What is the current stated mission or purpose of your firm?
- Who are/will be your customers?
- How do you want to be known by them?
  - for quality?
for service?
unique position in the industry?

- Why are you in business?
  - to make a profit?
  - to provide security and employment to others?
  - what value do you provide to society?
  - what does it take for you to succeed?

The tone you are looking for is one of simplicity, stating what the company does and how it does it. The Levi’s mission statement, crafted in 1986, uses simple language to describe exactly what the company does, the challenge it faces, its community values, and the principles in play in its relations with its workforce.

The mission of Levi Strauss & Co. is to sustain responsible commercial success as a global marketer of branded casual apparel. We must balance goals of superior profitability and return on investment, leadership market positions, and superior products and service. We will conduct our business ethically and demonstrate leadership in satisfying our responsibilities to our communities and society. Our work environment will be safe and productive and characterized by fair treatment, teamwork, open communications, personal accountability and opportunities for growth and development.

**EXERCISE:**

Stop for a moment and think about the questions. Write down your first thoughts on a piece of paper. Put it aside for a day and then review and confirm, add, modify and/or change your comments. Share your response and ideas with your accidental partners, key managers and business family when you feel comfortable and the timing seems right. Ask for their comments and feedback. This is one way to start the planning process.

6. **Develop Goals**

Goal articulation is a key aspect to the planning and strategy formulation process. It focuses on attainable solutions. Simply put, goals are the measurable objectives that the company must achieve in order to accomplish its mission and satisfy its vision.

Using the strategic diagnosis in steps two and three, the management team should determine goals for each operational area, spelling out what the business should accomplish in the next one to five years. The team should set a goal for each critical
issue pinpointed as a result of the strategic diagnosis. Ordinarily, this means that the business will have somewhere between four to eight goals.

Some businesses use the term “goal” for long-term direction and “objective” for the more specific short-term target. Because goals address accomplishments over longer periods – say, three to five years – they sometimes leave open the question of how to get there. The company that relies solely on long-term goals for guidance will find that it doesn’t progress very far. Shorter-term objectives, by defining more specific, short-term measures of accomplishment, fill in the framework of goals. Therefore, each goal should have a couple of objectives to support it.

How should they be phrased? Each should be written as a measurable and precise statement of what is to be accomplished within the strategic time frame. You can think of it as a formula, with “How will we know it has been achieved” representing the measurable result and the timeframe within which it must be achieved.

Many goals are expressed as quantities (sales, production volumes, market share) within given timeframes. But it’s also necessary to consider quality goals – and how quality will be measured. There is also the important consideration of what costs are acceptable to achieve the stated goals. With each statement, ensure that the goal is:

- **Specific**
- **Measurable**
- **Achievable**
- **Compatible (with overall goals and other relevant objectives)**

**WHAT IS TO BE DONE**

**How we will know it has been achieved**

**Goal Setting**

For one family, the planning process came to an abrupt halt at the goal-setting stage. The three next-generation siblings had worked diligently through their ideas for the future of the business and were very proud of their achievements, especially their vision statement. They invited their father to join the meeting so they could include him in the goal-setting process and then proceed together to develop the strategies. After listening to their ideas for the future of the firm, the father stated calmly that only he sets the goals for the firm – and he left the meeting.

The siblings recognized the situation for what it was: their father needed to exert power and control. His children continued with the plan, although in a modified format, and carried it out without the benefit of their father’s wisdom. In the end, the business prospered, the siblings learned how to better co-operate, and the accidental partners allowed the major shareholder, their father, to call the shots, which they modified privately to fit their plan.

Sometimes an informal system works – but this is seldom the best method for long-term co-existence.
• **Challenging.**

Setting goals is the essence of planning – planning opens the door to communication; communication reduces ambiguity; clarity produces less argument and healthier relationships – and better relationships mean a more positive and satisfying experience whatever the chosen direction.

### 7. Define Strategies

After the firm’s strategic goals have been developed, the corporate management team develops a set of strategies that describes how to accomplish each goal. For each goal in the strategic plan, the team should specify:

- Action steps to be taken
- Persons responsible for completing the steps
- Time frame for performance
- Resources and assistance required to take the steps.

Strategies bring to life the goals and objectives set for various functional areas of the business. Creating strategies is truly a creative exercise. They must differentiate what the company intends to do in order to accomplish its goals.

The following chart shows the relationship between goals, objectives, strategies and tactics (or action plans):

<table>
<thead>
<tr>
<th>Goal</th>
<th>Objective</th>
<th>Strategy</th>
<th>Tactics/Action Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>To achieve an overall market share of 30% by 2000</td>
<td>To achieve an annual revenue growth rate of 15% with a minimum pre-tax margin of 10% in target markets</td>
<td>To market the highest quality – as determined in marketing studies – specialty food products in the North American target market</td>
<td>Develop two new forms of specialty food – one liquid and one solid</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Develop economy packaging in bulk resealable packages</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Provide additional incentives to brokers to stimulate sales</td>
</tr>
</tbody>
</table>
8. Determine Impact on the Business

The last step in the strategy formulation process consists of reviewing the newly defined vision, mission, goals and strategies to assess the demands that they will place or the effect they will have on the business. After all, when all this is done, you still have a business to operate. Areas to be considered include:

<table>
<thead>
<tr>
<th>⇒ RESOURCE REQUIREMENTS</th>
<th>What will total plan implementation cost?</th>
</tr>
</thead>
<tbody>
<tr>
<td>⇒ PEOPLE</td>
<td>Are human resources adequate? Will staff have to be added? Developed? Retrained? Replaced? Where and how do the present and future shareholders participate?</td>
</tr>
<tr>
<td>⇒ FACILITIES/EQUIPMENT</td>
<td>Is the production capability sufficient? What changes will be necessary?</td>
</tr>
<tr>
<td>⇒ ORGANIZATIONAL STRUCTURE</td>
<td>Is the business appropriately organized? Is a succession or accession plan documented? Is leadership in place over the long haul?</td>
</tr>
</tbody>
</table>

9. Implement and Monitor the Plan.

The development of the vision, mission, goals and strategies will not in themselves ensure success, even if the strategic plan is feasible given the firm’s strengths, resources and capabilities. Successful plan implementation will require some redirection of resources, both financial and non-financial, assigning the right people to be the champions of the strategies, organizational realignments within the company and, finally, the commitment of the accidental partners and other key managers.
Once these areas are addressed, it’s usually prudent to establish regular reviews – monthly, quarterly, and annually – to assess individual and team performance against the plan in order to sustain momentum.

10. Revise the Plan as Required.

Remember that the key to success is flexibility. Add or delete plan elements when necessary – don’t stick slavishly to the plan if conditions have drastically changed. The regular plan review may prompt this reappraisal, or current market intelligence may reveal opportunities that were previously unplanned. By keeping the plan flexible, it will always remain alive and useful.

What Form Should the Strategic Plan Take?

A strategic plan that isn’t written cannot be shared in more than general terms. It is far more likely to be understood and followed when it is written – even if it is only on one page. It’s especially tempting to forego a written document when businesses are smaller – but keep in mind that when a business is small, it’s easier to share a vision of the future and hold to it. Write it down – you won’t be wasting your time.

As businesses grow, a written strategic plan becomes even more crucial. Shareholders become active and inactive participants in the firm, and more people have to buy into the strategic plan concept, such as the members of your advisory board and board of directors. Committing the plan to paper demonstrates the seriousness of the planning effort and provides a tangible reference point for evaluating the progress against the plan.

In spite of the necessity of “putting it in writing”, however, it is important to re-emphasize that even after the plan is committed to paper, the real plan is not the written document,
but a set of management decisions about what the firm will do to be successful. These decisions can be changed if necessary.

Here’s an abbreviated outline for a typical strategic plan.

**OUTLINE FOR STRATEGIC BUSINESS PLAN**

1. Executive Summary (highlights, vision, mission, major goals and strategies)
2. The Values Audit
3. Strategic Diagnosis Findings
   - A. Strengths
   - B. Weaknesses
   - C. Opportunities
   - D. Threats
4. Strategic Direction
   - A. Vision Statement
   - B. Mission
   - C. Goals
   - D. Strategies
   - E. Action Programs
5. Implementation Considerations
   - A. Organization and Structure
   - B. Operations and Technology
   - C. Human Resources, Policies and Procedures
   - D. Resource Allocation
6. Contingency Plans
7. Financial Plan
8. Sales/Marketing/Competitive Analysis
9. Revenue/Expense Forecast
10. Exhibits
11. Reference Material
12. Partnership Considerations (usually private)

**Figure 3: Strategic Plan Outline**

**How Should the Plan Be Implemented?**

The process of plan implementation is a complex one to which entire books have been devoted. Given that the accidental partners are committed to the planning process, and
have a strong inclination to follow through on the directions identified in the plan, the following steps will put the plan into play:

1. Communicate the plan to all those to be involved in putting it to work.

2. Hold people accountable for achieving goals and implementing strategies in areas for which they are responsible. Reward successful performance against the plan.

3. Review progress and update the plan quarterly.

4. Use the plan as a decision-making tool, modifying and changing it as required.

5. Review the plan annually and develop a new plan on a regular basis.

Management Plan

After the strategic plan is in place, the business may develop a management plan. The management plan primarily concentrates on addressing the organizational and human resource issues required to translate the business plan into action. The management plan can also help the business address some of the more sensitive issues related to having family in the business, such as job to be held, compensation, performance expectations, training and development and leadership transitions.

Some business families add a private section to this plan that addresses the continuity of family management – that is, accession and succession activities, and the exit strategy of the current leader, including personal financial planning or retirement planning. Other business families create a separate plan. Whichever is the chosen direction, the family and accidental partnership transition strategies must be integrated into the overall business planning endeavour.
Key elements for inclusion in a management plan include:

- documented organizational structure and job descriptions
- measurable performance goals
- objective performance review and appraisal system
- training and development program
- competency/contribution-based compensation
- managerial/staff recruitment and selection standards and procedures
- monitoring and control methods
- provision for board of directors.

**GOOD FAMILY RULES MAKE FOR GOOD STOCK PRICES**

The family management plan at a national grocery distribution company was the same for the last three generations. Based on the rules for ongoing participation that were administered by the Board, competent family members could rise to the apex of their respective areas and proceed to senior management positions once they had demonstrated the requisite competencies, skills and talent to do the job. This philosophy serves this publicly traded firm and its stock price well, as the market analysts always viewed the owners to be prudent business people who put meritocracy – a professional management team – above nepotism. The second generation leader groomed his nephew from the day he arrived on the scene. He was educated at the best schools and put together with the wisest of the key hired hands as part of his personal and career learning program. But, at the untimely death of the leader, the Board’s succession decision was not easy.

As they weighed the advantages and disadvantages of a family leader – the nephew – in the CEO spot, the stock began to spiral downwards, losing almost 15% of its value. The Board and the market were not keen on a family choice and for the first time in almost 100 years, a non-family member was chosen to the most senior corporate role. The nephew was disappointed, but indicated that he placed the best interests of the family business first. The stock rebounded within a day, closing above its previous high price point.

**Operating Plans and Methods**

In addition to its management plan, some family-owned business may develop an operating plan and methods to guide the process for interactions within the firm. Agreed-upon procedures should be spelled out in areas such as communications, decision-making and problem resolution.

Agreeing on how the family and other members will interact will help to avoid the unnecessary intrusion of personal family matters into business discussions and make all communication more productive.
Factors that can contribute to a positive operating environment include:

- regularly scheduled meetings
- objectives and agendas for meetings
- records and minutes of meetings
- open and direct communications about significant issues
- structured channels of communication to minimize “gossip” and confusion
- a formal and participative decision-making process
- a clear division of authority and responsibility
- non-judgmental and non-blaming problem investigation and analysis
- a win-win approach to the resolution of conflicts or differences.

Strategic management and operational plans provide the framework for sound business practices and processes within the family business. To check the soundness of your business in this area, refer to the Resources and Checklists chapter.

Strong, Capable Management

Having carefully mapped out plans for the business, the organization must make sure it has the people capable of implementing them — and a structure that supports professional management rather than stymies it. While this may seem rather obvious, experience shows that many businesses fail on this point. Often, owners hesitate to hire or have difficulty attracting the qualified personnel needed to support the business in its growth cycle.

Sometimes, the problem is simply a failure to recognize the need for experienced management with particular skills. Other times, however, family partners or the founding owners may feel uncomfortable relinquishing what has been their sole management prerogative. Or, while an attempt may be made to attract outside talent, the organizational structure in which the new executive must exist is so Byzantine or constricted that it makes it impossible to survive, let alone succeed. A newcomer’s failure only reinforces management’s belief that outside talent was a bad idea in the first place.

The lesson: keep the organization as flat and reporting relationships as simple as possible. The growth and change constantly facing today’s businesses demand talented people properly supported throughout the entire organization to deal effectively with these forces.
**Known Expectations and Rewards**

One of the great advantages of strategic planning is that it sets clear goals for each part of the company. Everyone works toward the same end point if they buy into the vision, the mission and the goals. Making sure they keep their eye on the ball is simply a matter of tying rewards to the accomplishment of the goals along the way. When people know with certainty what types of rewards they can expect in reaching their goals – promotions, salary increases, bonuses, profit sharing and so on – they have an incentive to move in the direction you have set. It’s a way of making sure you get the full benefit of all the planning you have done.

A performance-based compensation program is especially useful. It links corporate performance (usually a target level of pre-tax earnings) and individual performance (achievement of previously established and agreed-upon objectives). Here’s how it generally works:

1. Top management determines a corporate earnings threshold beyond which a performance bonus pool is established. This threshold can be a “stretch” for the organization, but participants must perceive that it is attainable or they may lose the incentive to perform. Nevertheless, the target must also be high enough to achieve the necessary increases in profitability to afford the bonus payout without eating up all the company’s gains.

2. Performance targets are set in “key results areas” for each manager. Results are often defined in terms of growth (reaching given sales or production levels), profitability (achieving profit margins or expense reductions), or human resources (preparing a subordinate for promotion or improving management skills). Targets should be concrete, containing measurable statements of what is to be done, the time frame for completion and how one will know whether the objective has been accomplished.

3. Top management conducts performance reviews. If management considers other factors in addition to the performance targets to be important (for example, personality issues), participants have a right and a need to know this.

4. Bonuses are then payable based upon the business reaching its earnings threshold (thereby establishing a bonus pool) and the manager achieving some or all of the performance targets. The payout amounts are usually defined as a percentage of the bonus pool or base salary.

For more information on the establishment of performance-based compensation systems, I strongly suggest that the reader source a reputable firm that specializes in this area.
Clear, Consistent Communication

As an organization grows, entrepreneurial management often fails to communicate to employees at all levels.

This occurs for a variety of reasons. Family partners accustomed to running the whole show may be reluctant to reveal what they view as private information. Also, classic entrepreneurs move at a fast pace, sometimes too fast to communicate with the team. Finally, precise and consistent communication, particularly in a fast-paced environment, is often difficult. Simply stated, writing a memo, holding a staff meeting, or having a shop-floor chat may seem bothersome to owners or managers with many items on their daily agendas.

So what can be done?

- Take the time to communicate with staff.
- Do it regularly – at least quarterly from the top and weekly from senior managers
- Prepare your remarks. Make specific points.
- Ask for questions and feedback. Listen.
- Create tiers of information about the company’s performance. Tier One is the data that’s privileged. Tier Two may be for bankers and trusted consultants. Tier Three is to be shared on a regular basis with employees. Display it on a bulletin board or other public area.

Business Controls and Timely Reporting

Management reporting provides another critical link in the strategic management chain: the ability to quantify results and measure them against various standards, and to take corrective action as necessary.

What makes a good reporting system? There are some common elements:

First, the system must be used. Management must be comfortable with report formats, must regard the information as appropriate to its needs, and must have a high degree of confidence in its accuracy.

Second, the relevant information must be reported on a periodic basis appropriate to the user. For example, the shipping clerk may need to know on a daily basis the number of shipments scheduled and completed, but unless there is a problem the president can rely on weekly or monthly shipping reports. Similarly, no one prepares daily financial statements, but on a monthly/quarterly/annual basis they are an absolute necessity.

Third, management reports must be produced on a timely basis. There isn’t much that can be done about accelerating the collection of June’s accounts receivable if the report isn’t received until September. Reports comparing actual expenses to budgeted
amounts are not useful for controlling expenses if they’re received two or three months later. The cash management system must work to make timely and substantive decisions.

Effective management reporting systems will help to provide the necessary link to close the loop on the strategic management process and then begin it again.

**HOW TO ASSESS YOUR REPORTING SYSTEMS**

1. Start with your plans. What are the organization’s goals and objectives? How will they be measured? On what periodic basis? What are the key variables in running your business? At a minimum, the management reporting system should be structured to supply this information.

2. Take a critical look at the reports. Is the information easily readable? If comparisons are made across periods or budget versus actual, are the differences expressed in both amounts and percentages? Would a graph be easier to read than dollar amounts, a chart or a table? Remember, just because reports have always looked a certain way doesn’t mean that is necessarily the best format.

Are reports received in sufficient time to take corrective action? If not, examine the reasons for the delay. Is your staff delivering an encyclopedia when a few pages will do? Are you trying to report with too much precision or accuracy (in dollars and cents when thousands of dollars will do)? Nothing hurts more than receiving critical information when it’s too late to correct the problem.

**Outside Assistance**

Outside assistance can contribute significantly to the professionalization of the family business. It may be helpful to the founder – and critical to sibling and cousin partnerships – to get objective advice not only on business matters but also on emotional issues arising from family involvement in the business.

The boards of directors of most family-owned businesses are composed of the minimum number of members required by law. They generally consist of family members and corporate counsel, and their principal responsibility is limited to signing the necessary legal documents as instructed. Often, the directors sign the minutes of meetings that never happened.

Many accidental partnerships are finding, however, that an independent board of directors, or non-legal advisory board, staffed with peers that meet regularly, can provide invaluable management advice. It is surprisingly easy to create one of these boards. Many astute business people (lawyers, bankers, entrepreneurs) are quite pleased to sit on a board for nominal compensation. If they are truly unbiased (that is, not already working with the firm) and if the founder can relate to them openly, their objectivity can be most valuable in dealing with many issues, including delicate family situations.

Finally, in addition to outside board members, the lawyer, accountant, insurance professional and trained business consultants who serve the family firm as outside
professional advisers are also in a unique position to understand both the business and, depending on the individual practitioner, family issues. The family business should retain professionals who have both business competence and the experience to provide objective guidance relating to problems unique to the business family.

These thoughts are further described in other booklets and/or articles on Governance and Accountability.

"Daddy, does this mean we're poor now?"

Additional Considerations

The "Traps" in Strategic Thinking and Action

The planning process is complicated, and there are some significant traps to be avoided in the implementation of new strategies. These traps fall into five major categories:

1. Growing the business.
2. Improving profitability.
3. Communicating the strategy.
5. Managing the intangibles.

Growing the Business

There are three significant traps that a firm can fall into as part of its growth process. The first is believing that bigger is better. Many of the strengths that exist in the smaller, flexible entrepreneurial business operation cannot be replicated in larger scale operations. The critical success factors for the business inevitably change as the firm
becomes larger; at a minimum, the competitive situation faced by the firm changes as it becomes larger. It is a demonstrated fallacy to assume that bigger automatically means more profits and market power. Growth means a different cost structure, a more price-sensitive competitive situation, and the need for higher level management skills. Failure to acknowledge these changing requirements inevitably leads to a situation where “bigger is worse”.

A second trap associated with growth is spreading yourself too thin. This occurs when the firm is pursuing so many different opportunities that it fails to take advantage of any of them. The way to avoid this trap is through strategic planning. The mission statement provides the foundation for developing consistent strategic directions for the firm. If business opportunities are pursued erratically, the firm will soon find itself in strategic chaos. In this position, the strengths of the firm cannot be effectively exploited, and the competitive position will steadily erode.

A third trap associated with growth is the failure to establish a sustainable competitive advantage. This occurs when the firm tries to pursue more than one focused competitive strategy in the marketplace and finds itself “stuck in the middle”, to borrow a phrase from Michael Porter’s *Competitive Advantage*. When a firm is stuck in the middle, it is unable to attain the full benefits of any of its competitive strategies; thus its competitive position is not as strong as it should be.

*Improving Profitability*

As it wages the battle to improve profitability, the firm faces four strategic traps. The most devastating trap is to become too focused on improving product capabilities and to lose touch with customer needs, preferences and motivations. Classic examples of firms in this trap are those that become too product-focused or enamoured with a particular technology.

Another trap is to assume that customer buying behaviour is totally driven by price, and therefore, that cheaper is better. This assumption arises out of the firm’s failure to understand customer needs, preferences and motivations of their customers. Price is an important strategic variable, but buying behavior can also be driven by convenience, quality, image and company affiliation in the community, among other factors. Pricing policy has to reflect the attributes of the firm’s product, target customers and the competitive situation. In some cases, cheaper is better – but it is not a universal truth. Compete on price only if that is a long-term, sustainable position.

A third, critical trap is to underestimate the competition. Don’t assume that competitive situations are stable. Recognize that for any strategic action there is a probable strategic reaction by one or more competitors. Competitors can have as much, or more, strategic insight and wisdom as you do. The key is to watch your competitors closely – and be prepared to respond.

The fourth trap is to resist change. Although constant tinkering can be counterproductive, a continuous and systematic search for ways to improve performance
is necessary in the dynamic, highly competitive conditions that characterize the business environment. Successful strategic management requires a pro-active, improvement-oriented approach that is continually asking 'what if' questions about the firm’s operations and competitive position.

**Communicating the Strategy**

This chapter has emphasized and re-emphasized the importance of communications for the successful execution of the strategic business plan. The general guiding principle is that the organization and its people need to know where they are trying to go in order to get there. The first fundamental trap in communicating the business strategy is failing to lay out the “big picture” for everyone to see – in other words, telling people only what they need to know to execute their specific responsibilities. Experience shows that this approach puts staff in blinkers and kills motivation. Remember, it’s the same staff members that you rely upon to execute the strategic plan – you have to tell them where you’re headed and why.

There’s another major communications gaffe: sloppiness. Sometimes, it shows up in the use of stilted, complex language that no one understands, or it may be an incomplete or haphazard explanation that leaves out parts of the plan and its implications – the why, what and how. Or it may be demonstrated in an over-reliance on one-way (written memos) versus two-way (presentations with questions and answers) forms of communication.

Something else to watch for: the need to build joint ownership of the strategic plan among managers and throughout the firm. Even bright business entrepreneurs have been known to do an eloquent selling job for the company’s strategic plan – but fail to get buy in. Strategic planning is a process – nothing beats participation in that process for building buy-in. Get your key people involved. Make it a company mission right down to the lowest-paid employee. No amount of eloquent speech-making can overcome the failure to build participation and commitment through the strategic planning process.

**Managing the Intangibles**

Strategic planning and implementation involves change. Some changes, such as performance levels or employee responsibilities, are fairly tangible. Others, such as employee values, management style and corporate culture, are less tangible. Don’t be fooled into thinking you should only worry about what you can touch and measure. Managing the intangibles is often more important to the success of the strategic plan than many of the tangible goals that have been set.

It is sometimes assumed that any competent manager can effectively manage any kind of corporate change. In fact, it’s important that the manager for the job will be one with a good “fit”. Failure to mesh management skills with requirements, especially in relation to intangibles such as culture and style, can be counterproductive at best, disastrous at worst.
Another potentially devastating hazard in managing the intangibles is to ignore the family culture. These cultural elements are often deeply ingrained. Any business strategy that ignores or runs counter to the established cultural dimensions of the firm will be doomed to failure, unless management takes pro-active steps to change that culture over an extended period of time. Unfortunately, many management groups don’t understand the culture of their companies, or the forces that drive the culture, and therefore fall witlessly into this trap.

**Summary**

Company management must always remember that strategic planning is a means, not an end. As noted by management theorist Peter Drucker, entrepreneurial success often hinges on “exploiting the unexpected”. Providing the firm with the capability to take advantage of the opportunities created through the dynamics of the market, including competitive interactions, is a primary purpose of strategic planning.

Here’s how Henry Mintzberg sums up strategic planning:

> The story of strategic planning, in other words, has taught us not only about formal technique itself but also about how organizations function and how managers do and don’t cope with that functioning. Most significant, it has told us something about how we think as human beings, and that we sometimes stop thinking.

**Ten Major Mistakes in Strategic Planning**

These are the most common mistakes in strategic planning.

1. **Assuming the planning function can be delegated to a planner.** Planning (particularly strategic planning) is the responsibility of the firm’s top management. It’s all about making decisions about the firm’s future. Who can make these decisions other than the managers who work in the company?

2. **Getting engrossed in current problems and putting off long-term questions of growth and development.** Planning is not primarily a problem-solving technique; it is a way to articulate a vision of the future. Because strategic planning entails an analysis of internal weaknesses and environmental threats, it is very easy to lapse into a focus on what’s wrong with the firm rather than on where the firm should be going.

3. **Failure to develop goals suitable to long-range planning.** One of the greatest difficulties in strategic planning is to be able to think in long-range, strategic terms. Remember, goals should aim toward a competitive position and an organization that cannot be achieved for three to five years. Aim high, because if you don’t, the firm fails to achieve the benefit of strategic planning: a long-term sense of direction and motivation.
4. **Failure to properly involve line personnel.** The success of planning is highly dependent on the quality of information and perspectives involved in the process. Line personnel (management and non-management) see the firm from a practical, operations level. Failure to properly involve line personnel in the planning process means a higher probability that the plan may lack feasibility or relevance.

5. **Failure to use the plan to measure managerial performance.** Making management accountable for achieving specific segments of the strategic plan is critical. If some measures of management performance are not tied to the objectives and benchmarks defined in the strategic plan, then management attention will be focused elsewhere, and strategic planning will not be viewed as particularly important or valuable.

6. **Failure to create an organizational climate that is conductive to strategic planning.** The biggest problem occurs when a strategic plan has been developed but the culture and dominant management style of the firm continues to be focused only on measures of short-term success. The culture and management style of the firm must focus on rewards for accomplishments (not sanctions for non-performance), recognition for new ideas, promotion of teamwork, mutual (not individual) accomplishments, and the value of long-versus short-term results.

7. **Assuming that planning is a separate activity from management.** To have credibility, planning must have a direct, visible impact on activities in the firm. If planning is – or is perceived – as a function apart from management’s regular duties, it may be seen as just another management whim that will soon pass.

8. **Injecting too much formality into the planning process.** Strategic planning requires flexibility, creativity and openness. If it becomes just an exercise in filling out forms rather than making active analyses, document production rather than decision making, or a ritualistic series of steps rather than a dynamic, interactive process, planning will become frustrating and staff interest will whither away.

9. **Failure to review long-range plans with managers and supervisors.** All managers and supervisors should understand the strategic plan, and top management must follow up with individual managers and supervisors to ensure that their plans are consistent with the goals and priorities defined in the strategic plan.

10. **Failure to use the planning mechanism to make decisions.** This is a very common mistake. No single action will undermine the credibility of the strategic planning process more than the failure of top management and especially the family owners and shareholders (active or inactive in the business) to use the strategic plan or the structure of the planning process to make decisions about what the firm will do.
The Hired Hands

At some point in the professionalization process, the accidental partners begin to realize that they can’t manage everything on their own. They also realize that most of the people they have placed in key positions have grown up within the organization and have a strong attachment to the firm, family, operating principles and culture. These traits are valued.

However, the position of the outside manager can be difficult. In the family firm, outsiders may control some decisions, but they can never control the emotions and the politics of the family.

First, there’s the question of family pride. The outside manager may be considered a threat by some family members, or as a force against which they must prove their superiority. The next generation may feel that they will be passed over in favour of the professional, or that the outsider’s presence is an indication that other family members don’t consider them to be competent. These situations are often ignited during the planning process as roles are clarified and qualifications defined. Compensation and incentives can also set off fireworks. These insecurities can drive a wedge between the hired hand and the accidental partners.

Only the selection process can really minimize these problems. Once accidental partners are clear as to their personal plans and the direction of the family and firm, they can develop a job profile and set selection criteria for outside managers. Generally, most business families look for a successful, talented and skilled individual who has documented success. Although this may sound obvious, other families instead choose cronies and do not conduct an objective search.

TO LEARN WHAT NO ONE HAS LEARNED BEFORE

Everything I know about business I could have learned from Star Trek.

There’s a famous television program about a small team of co-workers that careens around the universe in decidedly entrepreneurial fashion. Although they do report to a head office (“Earth”), they pretty much make their own decisions. Which may be why they call their starship “Enterprise”.

For those who grew up watching Star Trek, here are 10 deep-space business lessons that may save you shelling out megabucks for an MBA:

1. Always obey the Prime Directive – except when it gets in the way.
2. Logic is never enough.
3. Very few conflicts can be settled with a phaser.
4. Anyone can do Warp 14. But they can’t keep it up for long.
5. No matter how advanced we think we are, there’s always someone who’s faster, stronger or smarter.
6. The unidentified crewman always gets killed.
7. Engineering can always get things done sooner than they say they can.
8. Never judge anyone by his or her ears.
9. “Boldly” is the only way to go.
10. Being captain is the best job there is.
What’s the most common cause of failure when an outside manager doesn’t work out – even after a proper selection process? A lack of cultural fit. This is a difficult problem to foresee, because it can take years to become apparent, which is frustrating for everyone.

In selecting an outside manager, it’s probably worthwhile keeping in mind that anyone working at a senior level in a family firm will have to be confident and secure enough to subordinate personal ego to the family’s interests, diplomatic enough to be unwilling to take sides and, at the same time, forthright enough to make sure that decisions are made and goals met. If a candidate arises who fits these difficult criteria, make an offer of employment.

Creating the High Performance Company

The fundamental objective of professionalization is the high-performance company where competence is valued most of all – employees possess both the ability and the desire to do what needs to be done. This can happen only in the right organizational environment. Competence will become manifest only if conditions encourage collaboration, commitment and creativity.

Collaboration: Conditions in support of collaboration ensure the involvement of people in making work-related decisions. Policies and reporting relationships that reflect a belief in employee capabilities and respect for their desire to contribute lay the foundation for management and co-workers to join together in a collaborative effort. Collaboration means a sense of shared ownership and partnership, and combined resources for addressing problems.

Commitment: Conditions in support of commitment empower people to act on their best judgments at the point of impact – where the work is being done. Teamwork brings shared commitment, and work is relevant, two points that are sometimes lost in family businesses.

Creativity: Conditions in support of creativity free people to look for better ways of doing their work. Candour, spontaneity and fun can often lead to better ideas and new concepts.

Collaboration triggers competence. Commitment supplies the energy. Creativity ensures an outlet for people’s innovative and ingenious talents. The only caveat is that workers have little control over such conditions. The accidental partners determine productivity because they create, or fail to create, the conditions that support productivity.

Collaboration, commitment and creativity will make everyone act like an owner – and that’s what makes a healthy company.
Professional or Entrepreneurial: Judge for Yourself

Eric Flamholtz compares professional to entrepreneurial management to show just how sweeping the change must be as companies make that transition.

<table>
<thead>
<tr>
<th><strong>Key Result Areas</strong></th>
<th><strong>Professional Management</strong></th>
<th><strong>Entrepreneurial Management</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit</td>
<td>Profit orientation; profit is an explicit goal</td>
<td>Profit is seen as a byproduct</td>
</tr>
<tr>
<td>Planning</td>
<td>Formal, systematic planning: Strategic, operational and contingency planning</td>
<td>Informal, ad hoc planning</td>
</tr>
<tr>
<td>Organization</td>
<td>Formal, explicit role descriptions are mutually exclusive and exhaustive</td>
<td>Informal structure with overlapping and undefined responsibilities</td>
</tr>
<tr>
<td>Control</td>
<td>Formal, planned system of organizational control, including explicit objectives, targets, measures, evaluations and rewards</td>
<td>Partial, ad hoc control; seldom uses formal measurement</td>
</tr>
<tr>
<td>Management Development</td>
<td>Planned management development: --identification of requirements --design of programs</td>
<td>Ad hoc development, principally through on-the-job training</td>
</tr>
<tr>
<td>Budgeting</td>
<td>Management by standards and variances</td>
<td>Budget not explicit; no follow-up on variances</td>
</tr>
<tr>
<td>Innovation</td>
<td>Orientation to incremental innovations; willingness to take calculated risks</td>
<td>Orientation to major innovations; willingness to take major risks</td>
</tr>
<tr>
<td>Leadership</td>
<td>Consultative or participative styles</td>
<td>Styles may vary from very directive to laissez-faire</td>
</tr>
<tr>
<td>Culture</td>
<td>Well-defined culture</td>
<td>Loosely defined, family-oriented culture</td>
</tr>
</tbody>
</table>

Figure 4: A Comparison of Professional and Entrepreneurial Management
Additional Planning Ideas from Henry Mintzberg

Premises of the Entrepreneurial School

(Adapted from Strategy Safari by Mintzberg, Ahlstrand and Lampel 1998)

We summarize the premises that underlie the entrepreneurial view of strategy formation briefly below.

1. **Strategy exists in the mind of the leader as perspective, specifically a sense of long-term direction, a vision of the organization’s future.**

2. **The process of strategy formation is semiconscious at best, rooted in the experience and intuition of the leader, whether he or she actually conceives the strategy or adopts it from others and then internalizes it in his or her own behaviour.**

3. **The leader promotes the vision single-mindedly, even obsessively, maintaining close personal control of the implementation in order to be able to reformulate specific aspects as necessary.**

4. **The strategic vision is thus malleable, and so entrepreneurial strategy tends to be deliberate and emergent—deliberate in overall vision and emergent in how the details of the vision unfold.**

5. **The organization is likewise malleable, a simple structure responsive to the leader’s directives, whether an actual start-up, a company owned by an individual, or a turnaround in a large established organization many of whose procedures and power relationships are suspended to allow the visionary leader considerable latitude for manoeuvre.**

6. **Entrepreneurial strategy tends to take the form of niche, one or more pockets of market position protected from the forces of outright competition.**
Reflections of an Entrepreneur

Quotes from Richard Branson (1986:13—18)

➢ “The biggest risk any of us can take is to invest money in a business that we don’t know. Very few of the businesses that Virgin has set up have been in completely new fields.”

➢ “I have not depended on others to do surveys or market research, or to develop grand strategies. I have taken the view that the risk to the company is best reduced by my own involvement in the nitty-gritty of the new business.”

➢ “... There is always another deal. Deals are like London buses—there’s always another one coming along.”

➢ “... Reduce the scale of... risk through joint ventures... [and] have a way out of a high risk venture.”

➢ “... As businesses grow, watch out for management losing touch with the basics—normally the customer.”

➢ “[Our] ‘keep it small’ rule enables ... more than usual numbers of managers the challenge and excitement of running their own businesses.”

➢ “... Pursue a ‘buy, don’t make’ strategy.”

➢ “Having evaluated an investment... and having decided to make an investment, don’t pussyfoot around. Go for it!”
Strategic Thinking as “Seeing”  
(by Henry Mintzberg, adapted from an article in Nasi, 1991)

If strategies are visions, then what role does seeing play in strategic thinking? Three pairs of factors are presented below, together with a seventh that knits them together into a framework of strategic thinking.

Almost everyone would agree that strategic thinking means seeing ahead. But, you cannot see ahead unless you can see behind, because any good vision of the future has to be rooted in an understanding of the past.

Many people also claim that strategic thinking is seeing above. It is as if strategists should take helicopters, to be able to see the “big picture,” to distinguish “the forest from the trees.” But can anyone really get the big picture just by seeing above? The forest looks like a rug from a helicopter. Anyone who has taken a walk in a forest knows that it doesn’t look much like that on the ground. Forestry people who stay in helicopters don’t understand much more than strategists who stay in offices.

Finding the diamond in the rough might be a better metaphor. Strategic thinkers have to find the gem of an idea that changes their organization. And that comes from a lot of hard and messy digging. There is no big picture ready for the seeing; each strategist has to construct his or her own. Thus, strategic thinking is also inductive thinking: seeing above must be supported by seeing below.
You can, however, see ahead by seeing behind and see above by seeing below and still not be a strategic thinker. That takes more—creativity for one thing.

Strategic thinkers see differently from other people; they pick out the precious gems that others miss. They challenge conventional wisdom—the industry recipe, the traditional strategy—and thereby distinguish their organizations. Since creative thinking has been referred to as lateral thinking, this could be called seeing beside.

But there are many creative ideas in this world, far more than it can handle—just visit any art gallery. And so, besides seeing beside, strategic thinkers have to see beyond. Creative ideas have to be placed into context, to be seen in a world that is to unfold. Seeing beyond is different from seeing ahead. Seeing ahead foresees an expected future by constructing a framework out of the events of the past—it intuitively forecasts discontinuities. Seeing beyond constructs the future—it invents a world that would not otherwise be.

But there remains one last element. What is the use of doing all this seeing—ahead and behind, above and below, beside and beyond—if nothing gets done? In other words, for a thinker to deserve the label strategic, he or she must also see it through.
Seeing it through.

Put this all together and you get *strategic thinking as seeing*.

Strategic Thinking as Seeing
Aron R. Pervin

Aron Pervin is an organizational consultant, psychotherapist, coach/mentor and social entrepreneur. A respected thought leader, Aron has spent more than 40 years working with business family owners on issues of concern to family enterprises, including relationships, continuity, management, ownership and governance, and the impact of each on enterprise performance.

Through his ongoing involvement in industry associations around the world, Aron’s views on accountability and results have literally changed the conversation for business owners, providing thought provoking perspectives on decision-making, management and transition.

Most recently, Aron’s relentless passion for improving the way consulting services are delivered has led to the development of Optimizer720. This unique business intelligence tool leverages the experience of both seasoned and next generation consultants, allowing them to more effectively advise their mid-market and family enterprise clients.

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