



## Strategic Planning as a Foundation for Family Business Succession

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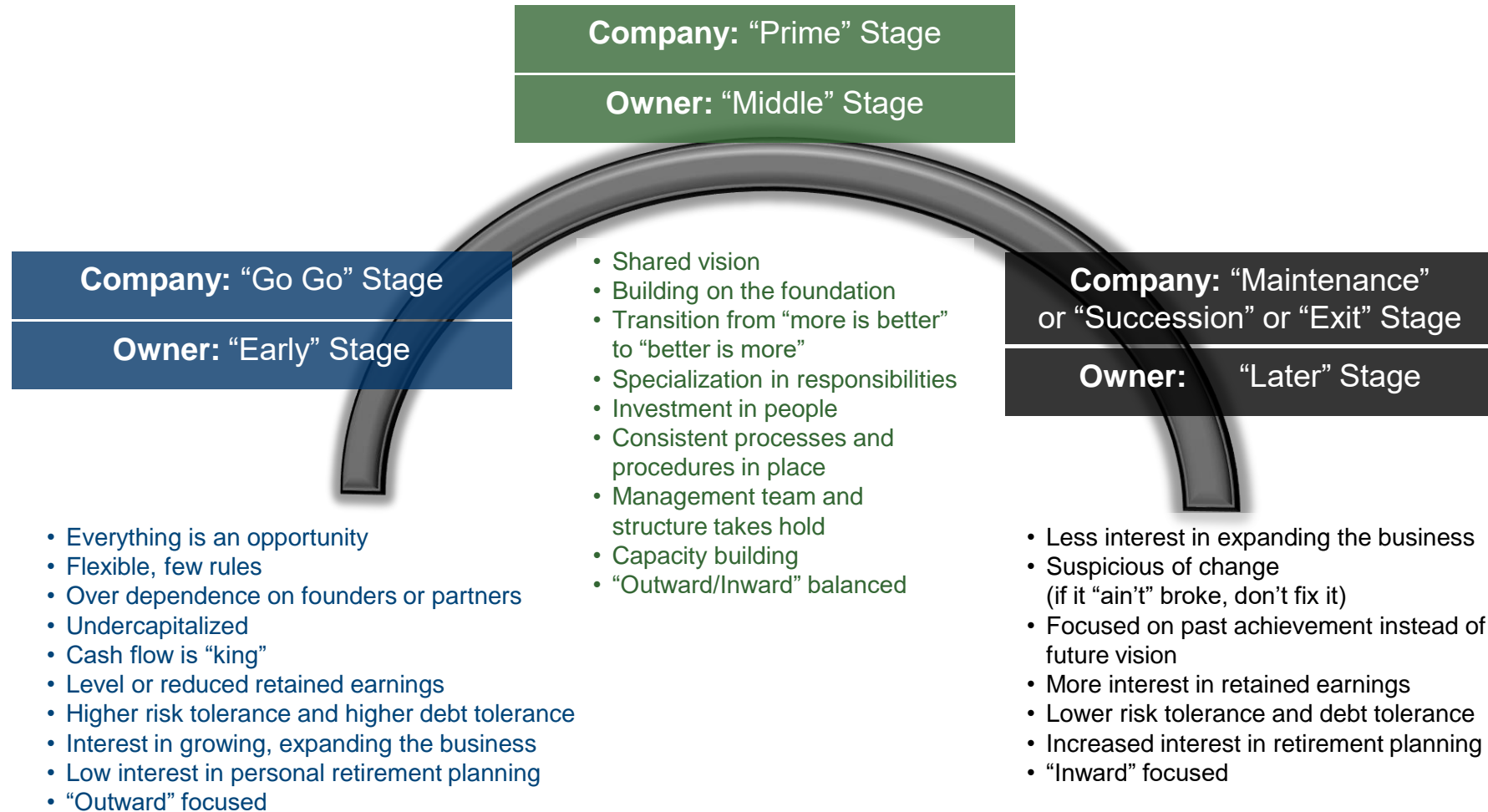
## TOPIC: Strategic Planning as a Foundation for Family Business Succession

### OVERVIEW:

- Effective succession in a family business starts with a shared vision and growth strategy for the company.
- Doing what's right for the business serves as the best compass on which the eventual transfer of both ownership and management authority should be built.
- In this brief high-level presentation, key and useable concepts will be shared including drivers of strategic thinking, central components of a strategic plan, best practices of a high impact planning process, and traction in execution.
- Rallying family members in the business around a shared picture of the desired future for the company and the win strategy to achieve it will go a long way in proactively preparing and engaging the next generation.

# The Challenge: Aligning Company and Ownership “Lifecycles”

Getting consensus between current and future ownership of the company’s strategy is critical to effective future succession.



# Bridging the Transition Between Generations in a Family Business



## COMPANY BUSINESS Strategy

- Longer-Term Vision + Goals (3 – 5 Year Strategic Direction)
- Strategy (Game Plan of Priorities of How We Intent to Win)
- Action Plan (Who Does What When and the Resourcing to Make It Happen)

## MANAGEMENT Succession

- “Who” has the authority and accountability for decision making and leading the company + “How” and “When” will the responsibility be transferred
  - Selection
  - Development
  - Transition
  - Transfer

## OWNERSHIP Succession

- “Who” owns + “How” and “When” ownership will be transferred
  - Gifting
  - Retention in Estate
  - Sale to Family or Key Employees
  - Sale to Third Party

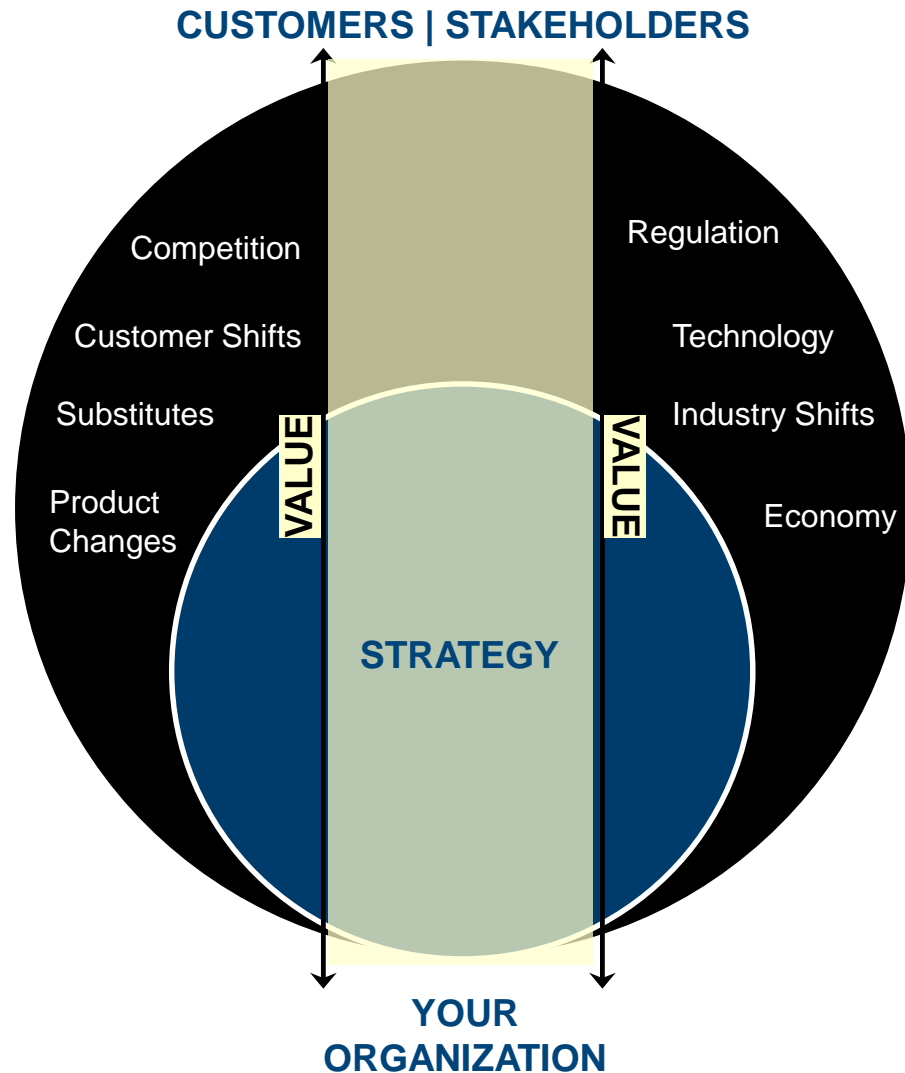
# Going Beyond Day-to-Day Management to Strategic Thinking

*Asking “Are We Doing the Right Things?” (Strategy),  
instead of just “Are We Doing Things Right?” (Management)*

DAY TO DAY MANAGEMENT	STRATEGIC THINKING
Shorter Term (Often More Immediate)	Longer Term Vision and Direction
Reactive	Proactive
Doing Things Right	Doing The Right Things
Efficiencies	Competitive Advantage / Differentiation
Incremental Change (Evolution)	Transformation (Revolution)
More Internally Focused	Greater Consideration of External Forces

# Winning Strategy – Relevance | Differentiation | Tradeoffs

## Adapting to Changing and Shifting External Factors



Organizations that enjoy enduring success have core aspects that remain fixed while also endlessly adapt to a changing world. This dynamic of preserving the core while stimulating progress is the reason that elite institutions are able to renew themselves and achieve superior long-term performance.

# Core Components of a Strategic Plan

Strategy (A Practical Definition): The collection of ideas of how you intend to win...





- ❑ Identify and prioritize the **top trends** that are most likely to impact your organization – for each “area” on the left (note whether the trend is positive or negative).
- ❑ Preliminarily outline strategies to take advantage of **favorable** trends.
- ❑ Preliminarily outline strategies to minimize the impact of **unfavorable** trends.
- ❑ **Don't plan in a vacuum.** Identify and prioritize the top external trends that significantly impact your organization and therefore should shape your strategy.



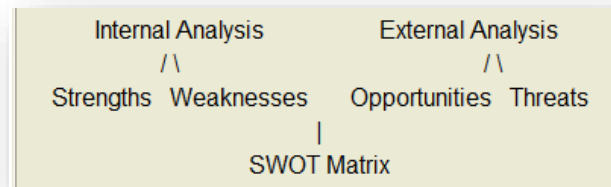
### 1. Summary Financials (3 – 5 Years of Income Statements and Balance Sheets)

2. Customer Rankings (Rev+Profit)	3. Product / Service Rankings (Rev+Profit)	4. Selling Personnel Metrics	5. Operational Metrics (Delivery)	6. HR Metrics (Rev/Empl)
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∴ Capture the Top Company Performance Trends

# Strategic SWOT – Strengths, Weakness, Opportunities, Threats

## Establishing the Baseline of Where Your Organization Is Today



		Positive	Negative
Internal factors	<b>Strengths</b>	<ul style="list-style-type: none"> <li>&gt; Technological skills</li> <li>&gt; Leading Brands</li> <li>&gt; Distribution channels</li> <li>&gt; Customer Loyalty / Relationship</li> <li>&gt; Production quality</li> <li>&gt; Scale</li> <li>&gt; Management</li> </ul>	<b>Weaknesses</b> <ul style="list-style-type: none"> <li>&gt; Absence of important skills</li> <li>&gt; Weak brands</li> <li>&gt; Poor access to distribution</li> <li>&gt; Low customer retention</li> <li>&gt; Unreliable product / service</li> <li>&gt; Sub-scale</li> <li>&gt; Management</li> </ul>
	<b>Opportunities</b>	<ul style="list-style-type: none"> <li>&gt; Changing customer tastes</li> <li>&gt; Liberalisation of geographic markets</li> <li>&gt; Technological advances</li> <li>&gt; Changes in government politics</li> <li>&gt; Lower personal taxes</li> <li>&gt; Change in population age-structure</li> <li>&gt; New distribution channels</li> </ul>	<b>Threats</b> <ul style="list-style-type: none"> <li>&gt; Changing customer tastes</li> <li>&gt; Closing of geographic markets</li> <li>&gt; Technological advances</li> <li>&gt; Changes in government politics</li> <li>&gt; Tax increases</li> <li>&gt; Change in population age-structure</li> <li>&gt; New distribution channels</li> </ul>
External factors			

## CURRENT STATE

ASPECTS OF  
TODAY WE MOST  
WANT TO  
CHANGE

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- 
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## STRATEGY

### TOP STRATEGIES

(WHAT ARE THE BIG STRATEGIC IDEAS THAT WILL MOST IMPACT FUTURE GROWTH AND SUCCESS?)

1.

2.

3.

4.

5.

## 3-5 YEAR VISION

OUTCOMES  
DESCRIBING  
THE DESIRED  
FUTURE

- 
- 
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# 3-5 Year Vision (Overarching Goals) – 4 Quadrant Model for Balanced Goal Setting



- ① **Target Markets/Customers**  
What markets/customers are you targeting? Are you segmenting these markets effectively? What is the criteria for a high potential customer? You cannot be all things to all people.
- ② **Product/Service Offering**  
What products/service (and programs) are you planning to offer to which segments? How will you price it?
- ③ **Sales and Distribution**  
How are you taking your products to market? How many of what types of salespeople do you need selling what products to which markets? The answer to these questions alone can lead to major strategic advantage.
- ④ **Business Model**  
Is your business model aligned to achieve the outcomes you are seeking? What structure/formation, processes and systems need overhauling? Remember to stay flexible and ready to change your formation as necessary to achieve objectives.

# Strategy – Identifying Strategic Priorities

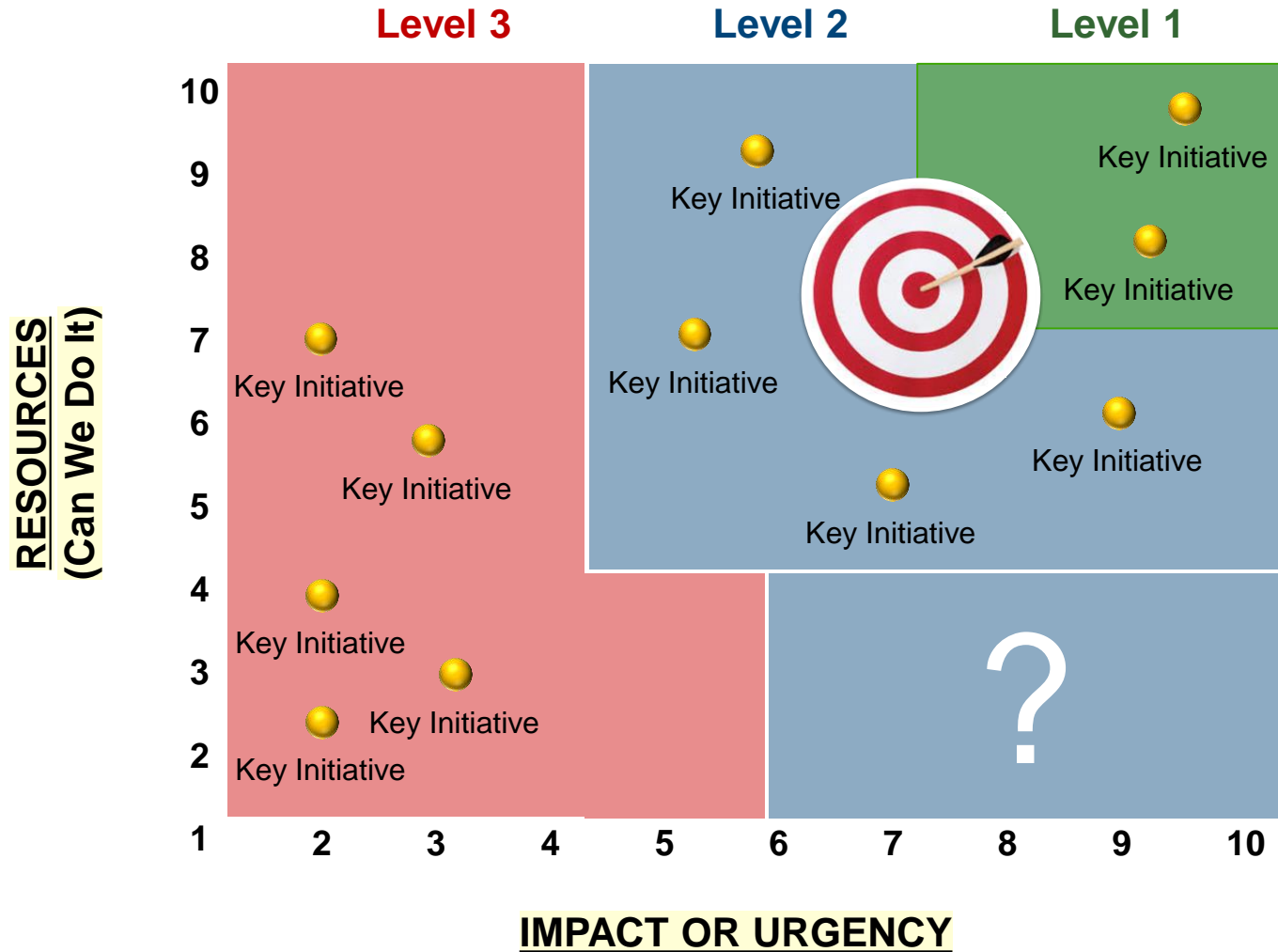
## The 4 Quadrants of Growth

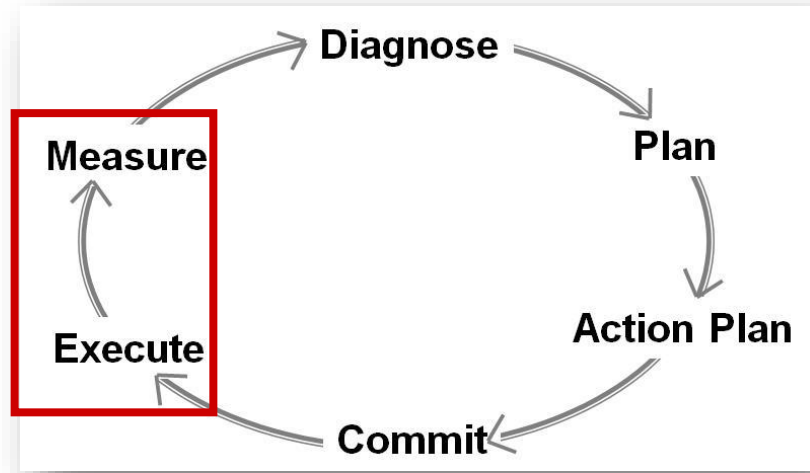
	Existing Products	New Products
Existing Markets	Market Penetration	Product Development
New Markets	Market Development	Diversification

**+ Capacity Building to Support the Above**

# Strategic Priorities

## Selecting the Top Initiatives (Making Choices/Tradeoffs for Focus)





1. Ensure the Vision (Overarching Goals) and Strategy are in alignment
2. Focus on the top 3-5 most important Strategic Priorities to achieve the Vision  
(the critical few Versus the good many)
3. Breakdown the Strategic Priorities into Action Plans (who does what when) with an assigned Champion for each
4. Establish a means for communicating and tracking results (Strategy Dashboard)
  - Cascade longer term goals into shorter annual Intervals
  - Monthly actions required to achieve major milestones
5. Form an Ongoing Plan Management + Execution Tracking Process
  - Periodic reviews to assess progress and potential direction changes based on new knowledge and insights
6. Communicate the Strategic Vision/Goals to the organization
  - Break down the Strategy to a unit/individual level goals



# Strategic Alignment

3-5 Year Vision (Goals) → Strategy → Annual 1 Key Initiatives



What Is Our Core Purpose and What Guides Us	MISSION AND CORE VALUES					
	Mission					
	Core Value: _____	Core Value: _____	Core Value: _____	Core Value: _____	Core Value: _____	Core Value: _____
What Is Our Shared Vision	3 – 5 YEAR VISION					
	Strategic Aspiration (BHAG): To Be the Fastest Growing Company in Our Space					
	Financial Goal: Profitable Growth to \$100MM in Annual Revenue at ≥ 20% in Operating Income	Customer/Market Goal: Double the Number of \$1MM+ Key Accounts in Each Market  To Be in the Top 3 in Each of Our Chosen Markets	Operational Goal: Operations Scaled to Support 3X Growth with\ Operating Expense Increasing by only < 50%	Organizational Development Goal: A “One Firm” Culture Across Multiple Offices		
What Is Our Game Plan	3 – 5 STRATEGY					
	Strategic Priority Cross-Selling to Key Accounts with the Highest Growth Potential	Strategic Priority Expansion to New Market Verticals	Strategic Priority Accelerated New Product Development	Strategic Priority Leveraging Automation	Strategic Priority New Leadership Formation for Firm-Wide Integration & Collaboration	
What Will We Do	YEAR 1 ANNUAL KEY INITIATIVES					
	1.	1.	1.	1.	1.	
	2.	2.	2.	2.	2.	
	3.	3.	3.	3.	3.	

Why ↑

What ↓



## Strategic Thinking Amidst Uncertainty

- A more empowering perspective → COVID-19 as the “accelerator” of change (not the “cause”)
- Not waiting for a “snap back” but positioning for the “bounce forward”
- Flexibility and adaptability are critical
- Speed to change matters (“Thrival of the Quickest”)

## Enhancing and Aligning Your Strategic Planning Process

- **Looking Out the Window**  
Don’t plan in a vacuum – do an external scan for changes to how customers are buying, competitive scan, suppliers, regulation, technology, etc.
- **Looking in the Mirror**  
What are the most significant internal trends over the past 18 months – top customers/markets, top products/services, operating model, etc.
- **Pressure Testing the Prior Plan**  
What priorities of the current strategic plan are less relevant or less important (no automatic carryovers)
- **Adjusting to a Faster Pace of Change**  
Plan in shorter time horizons (e.g. a rhythm of quarterly deep dives with monthly tracing/adjustments), develop multiple scenarios (if this, then that...), etc.
- **Building Two Muscles Working Together**  
Form two distinct but coordinated teams – “Execution” Team (focused on today’s challenges) and “Development” (focused on tomorrow’s opportunities)
- **No One Bats a 1000**  
When trying new thing or doing thing differently, assess your portfolio of initiatives in shorter bursts. Leverage pilots (failing fast and failing cheaply).
- **Establishing a Timely Feedback and Decision-Making Loop**  
Set objective performance milestones, clarify decision making authority, etc.
- **Setting an Expectation of Agility and Responsiveness**  
Strengthen the organization’s speed to change with company-wide coordination to communicate pivots and shifts


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