

Balancing Family and Business Goals

When conflict occurs in the family business, it can be traced to a disparity in the goals of the individuals, the family or the business.

Perhaps a family member works in the business out of economic necessity, not because he or she wants to. Or perhaps the potential successor has plans for the business that differ from current management plans--different generations usually have different goals. Whatever the cause, the conflict must be addressed and resolved to avoid and prevent more serious problems later.

One way to define and align family and business goals is through business and family strategic planning. In these plans, you will create a mission statement for the business and for the family that allows each element to complement the other. Once you have completed this task, set goals for the family business that will allow the family and business to prosper. Next, develop a strategy to accomplish these goals and, finally, formulate policies and procedures that control the family's involvement in the business.

ü Business Strategic Planning

Strategic planning for family-owned businesses requires that you integrate family issues, such as:

- ü What are the long-term personal and professional goals of family members?
- ü What is the family mission?
- ü Why are you committed to establishing and operating the business?
- ü How do you envision the firm in the future?
- ü Will family members be active in management or will they be passive members?

ü How will issues such as compensation, benefits and performance evaluation be handled?

The answers to these questions will affect the business strategy and should be resolved before strategic planning begins.

Strategic planning involves analyzing the business in its environment and devising a process for guiding its development and success in the future. This process involves assessing the internal operations and the current external environment (i.e., economic, technological, social and political forces) that affect the business. To begin this process, identify internal strengths and weaknesses that may constrain or support a strategy. Components of this assessment include (1) the organizational structure, (2) the culture and (3) the resources. Make a list of the opportunities available (growth, new markets, a change in regulations) and the threats (increased competition, shortage of raw materials, price-cutting) to your business. This should give you some insight into the current situation and provide a strategic direction.

Next, list the objectives of you and your family, identifying personal needs and risk orientation. Many of these objectives and goals will be addressed in your family strategic plan. Also, you will find that your personal objectives will affect the strategy you choose. For example, if there is a great opportunity for growth in your market but you have a low risk orientation and a high personal need for security, you probably should not pursue high growth. It would be not only risky but also expensive. Growth consumes cash, and cash must be generated internally or financed externally. Your personal objectives should mesh with your strategy.

Once you have identified opportunities in the industry, assessed the strengths and weaknesses of the firm and listed your personal objectives, you can proceed with the strategic plan. This will involve:

- developing a mission statement,
- setting objectives,
- developing strategies to meet objectives, and
- developing action steps to implement the strategy.

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