



# Strategic Planning in the Family Business

Colorful Street in San Miguel (Natalie Guess)

In a family business, both the family and the business are at stake. The leader's challenge is to achieve the vision for both.

*by David Dudon*

Anyone who knows me or has read my writing knows that I am passionate about family businesses. The reason for this is simple: I'm the product of a family business. My father started a machining and fabrication business that supported our family during my childhood years. I eventually served as the CEO of that business for sixteen years. In addition to providing our livelihood, that business was the source of many treasured memories, shared priorities, and mutual rewards for our family. It definitely had its unique challenges, but all things considered, I wouldn't trade the experience for anything.

My experience is far from unique. About 90% of American businesses are family owned or operated.<sup>1</sup> About half of our gross national product is generated by family businesses. So when one talks about family business issues, he is really talking

about American business issues. As such, we all have a stake in their healthy operation.

That is why I so enjoy advising family businesses today. When I sold Mutual Tool & Die, I realized that I did not want to just golf my remaining years away (though I sometimes wonder whether that would have been so bad!). I have years of lessons learned – things I found to work well, things I wish I would have done differently, and things I know now that I wish I would have known a long time ago – to share with today's business leaders, particularly family business leaders. I enjoy sharing those lessons in hopes of helping others do a better job than I did. Besides, business done well is incredibly fulfilling, and I still want to be able to contribute to that.

The best way for me to do this is to engage family business leaders at the strategic level. That is the arena of the CEO,

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and that is ultimately where family businesses succeed or fail. Strategic planning is important to all business, but it is especially imperative to the family business because there are two entities at stake: the family and the business. Neither operates in a vacuum. Family operations affect the business, and business operations affect the family.

In the early stages (the entrepreneurial phase) of the family business, the business and family grow together. The challenge is to grow them together in a way that achieves the visions of both. If the family vision and business vision do not complement each other, something will fail. You certainly don't want that to be the family, and you really don't want it to be the business, either. The livelihoods of you, your children, and future generations (not to mention your employees) depend on it.

Have you thought about the Envisioned Future of your

family and your business? Have you written them down? This is incredibly important. Both the family and the business should have a clearly worded vivid description of the future. Will a family member always be running the business? If not, how will you structure the leadership while maintaining ownership? How will the authoritative roles of the family and business leadership work together? Who in the family will be involved, and how will you determine this? What if future family members don't want to be involved? How will you approach a sale? What will happen to the profits? An exit strategy is perhaps the most important component of any strategic plan.

These plans are not set in stone; you should revisit them annually and revise them based on current events and understandings. But write them down. It will help you focus your activities on both the family and business side, and it will eliminate surprises and misunderstandings down the road that hurt feelings and threaten to tear your family and business apart.

The nice thing about family businesses is that core values and passion points tend to be somewhat naturally aligned. You share histories, experiences, memories, and ways of seeing things. Sure, personalities will always vary widely and disputes



Sunday at the Beach (Natalie Guess)

will creep up from time to time, but you are still family. You are all in this together, and you all want to see it succeed for everyone's benefit.

From this standpoint, strategic planning should be an enjoyable exercise for business families. It's a chance to define your legacy for years to come. The Ford family is a well-known example of this. Despite its size and global reach, you will still hear Detroit-area employees talk about "working at Fords." It still has a bit of that hometown, family-run feel, and Henry Ford's great-grandchildren are now the stewards of that legacy.

I am a strong believer in the value of the Rockefeller habits: priorities, data, and rhythm. This is another vital component of strategic planning that should be present in both the family and the business. Establish a consistent rhythm of family council meetings along with the strategic business meetings. They may not be as frequent (annual might be enough, whereas businesses should get together quarterly), but they are just as important.

These habits are the nuts and bolts of alignment, and family alignment must parallel business alignment. If this is not the case, bad things happen. For example, what if one family member is pushing for annual dividends while other family members want to reinvest in the business? Such an issue must be fleshed out before it becomes a cancer.

Two illustrative examples come to mind. The first is that of the Miami Dolphins and the Robbie family. Joe Robbie was the original owner of the NFL team beginning in 1966. His family owned the team for more than two decades that included a perfect season, two consecutive Super Bowl wins, and building the stadium in which the Dolphins still play. Sadly, it all fell apart in 1994 due to a family rift created partly by poor succession planning. Almost 50% of Robbie's estate was lost to federal estate taxes, and the family was forced to sell the team at a bargain price in order to pay them. The strife and bitterness within the family over the whole ordeal was widely documented. The worst part is that it all could have been avoided had the family's plan aligned with the business plan.

The second example is also somewhat sad, but not nearly as tragic. Arnold Transit Company is the longest-operating tourist and freight ferry service to Michigan's Mackinac Island. Founded by lumberman George T. Arnold in 1878, it has been owned by the family of Prentiss Brown Sr. since the mid-1920s. In 2010, however, the family sold the business based on a straight family vote. Many of the third generation family members have branched off into other careers and are

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not as closely attached to the business as their parents.

I was impressed as I read the account of the Arnold sale<sup>2</sup>. The family was not aligned in their passion for the business, so they convened a family meeting, addressed the issue head-on, voted on it, and moved forward. Is it difficult for some family members – particularly the older ones – to let it go? Sure it is. Even those who voted to sell acknowledge how tough it is to let go of the family heirloom. But they have accepted it. In reading about it, I detected no bitterness among the family. Plus, they had the foresight to make the decision before tax changes went into effect that would have drastically increased the amount lost to taxes. All the way around, it appears this family handled a tough business situation the right way.

The bottom line is that strategic planning in the family business must align with the family's planning and include succession and estate planning. If you are the leader of a family business, it is your job to make sure this happens. You must prioritize time to paint a picture of the future for your business and family and structure a roadmap to get you there.

Someday, you can advise other family businesses on what you have learned.

### End Notes:

1. Seen on 8 October 2010 at <http://www.referenceforbusiness.com/small/Eq-Inc/Family-Owned-Businesses.html>
2. Devaney, Tim. (2010, August 14). "Sale of Mackinac ferry service splits family." The Detroit News. Retrieved from <http://detnews.com/article/20100814/BIZ/8140368/Sale-of-Mackinac-ferry-service-splits-family>



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