

# Strategic Planning in Family Business: A Powerful Developmental Tool for the Next Generation

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One of the major challenges for family firm continuity is to ensure competent family leadership across the generations. This becomes even more crucial when the next generation enters the business. The next generation members need to be equipped with the knowledge, skills and tools that help them steer the business. Though family business literature lays emphasis on a well-structured, formal leadership-training programme for next generation members, yet, gaps remain in identification of specific training tools. In this paper, the authors focus on training next-generation family members when they join the business management team. More specifically, they probe whether involving the next generation members in strategic planning process contributes to their development.

## **Strategic Planning as a Developmental Tool**

Strategic planning is a managerial tool using which managers formulate business strategy. This process requires managers to collect data, analyze, reflect, conceptualize, construct alternatives and evaluate them using business forecasting to steer the company from its current state to a more advantageous/desired state. Strategic planning facilitates - learning, analysis based strategic decision-making, more efficient resource utilization and integrative approach to goal achievement. Given its benefits, the authors posited that strategic planning could become an important developmental tool for the next generation. The authors tested its utility as a learning tool by conducting 64 interviews across 18 family businesses. They also analyzed the corporate archives, annual reports and other company data of those firms. Based on their case analysis, the authors arrived at the core constructs for perceived benefits of strategic planning.

They found that involvement in strategic planning process provides two distinct sets of benefits to the members of the next generation -

1. **Educational Benefits** - Involvement in the strategic planning process plays an important role in obtaining knowledge and skills and builds tacit knowledge among next generation members. They are able to hone their functional capabilities and decision-making ability. It also helps them in gaining industry knowledge and sharpens their business acumen.
2. **Relational Benefits** - As the next generation members deliberate upon strategic planning, they develop work relationships with a number of people/workgroups, which help them in the long term. Their relationship with the incumbent generation strengthens. They also develop relationships with employees and with external networks (like vendors, government agencies). All these relationships help in building credibility and legitimacy of the next generation.

The authors found evidence to suggest that the benefits of involving the next generation in strategic planning are further enhanced in the following conditions -

1. When the business follows a formal and broad strategic planning process and the exercise is not just limited to developing financial forecasts.
2. When the strategic plan is tied to an important business or ownership objective.
3. When the next generation is not only an observer of the process but is involved in doing things.

**Practical Implications** – The authors suggest that business families must introduce the strategic planning process in their business and involve their next generation members in the process. This will not only improve business decision-making but also help in grooming and development of the next generation. It is better to outline a clear ownership or business objective at the outset and define the roles for next generation members depending on their development needs.

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