

Strategic Planning: The Key to Growth and Sustainability

In today's hypercompetitive business environment, strategic planning is an imperative for sustainable business. Its relevance is even more in the context of family businesses. This is the main theme of the article by Richard A Harvey Jr, titled 'Strategic planning is the key to growth and sustainability,' published in the *Family Business Magazine*, 2009. He notes that strategic planning enables companies to achieve competitive advantage by balancing the interests of various stakeholders. It can serve as an invaluable tool mainly for family businesses, where the potential for the conflicts of interests are relatively much higher because of the emotional nature of relationships.

Strategic planning will be in particular useful for medium-size family businesses because understanding and implementing suitable growth strategies is critical for these firms for their long term sustenance. By using strategic planning, the family business owners can not only understand their core competence and accordingly do the resource allocation but also explore other alternatives to create value throughout ownership transitions across generations. The author subsequently elaborates on four unique dynamics that affect strategic planning process in family-owned companies: varied shareholder objectives, family legacy issues, limited access to capital, and succession challenges.

i. Varied shareholder objectives

Unlike the large public companies, shareholders in family business often have multiple goals. The primary focus is not profit maximization. In such a setting of diverse objectives, conflicts are bound to occur, and failure to delineate family and business issues further exacerbates the situation, ultimately leading to family disharmony and business breakdown. By using strategic planning family business can avoid such downfall. It provides a unified vision for the family business and enables striking the fine balance between business strategy and family ownership.

ii. Family legacy issues

The growth of a family business often gets stunted due to fixation with its old legacy. To maintain an edge in the dynamic competitive environment it is necessary that businesses constantly redefine themselves. Family businesses that stick on to their established but outdated ways of doing business are doomed to perish. Strategic plan can enable family businesses to overcome this growth challenge by providing a framework through which they can continuously redefine themselves by taking into consideration both family legacy and business opportunities.

iii. Limited access to capital

Because of concentrated ownership, most family businesses have limited access to new capital. For this reason, they have to primarily rely on the generation of internal cash flows to run the business. This becomes even more demanding as the business grows and matures. Eventually they need to look for alternate sources of funding to fuel growth. Strategic planning can be used to evaluate and select the appropriate capital source while safeguarding the family's ownership.

iv. Succession challenges

Management succession is a key challenge in family business. Unlike in public companies where leadership transition is institutionalized, in family businesses the process is often informal and therefore relatively difficult. In addition, the emotional undercurrents can make the process formidable. Management succession is one of the key focusses in strategic planning. Used in the context of a family business, a succession plan can clearly delineate the criterion as well as the process of succession. It could explicitly outline that succession is based on merit rather than on birthright, and stipulate conditions when the non-family professional management should be included in the business.

In conclusion, the author reiterates that by formally addressing these unique dynamics through strategic planning, family businesses can successfully exploit the growth opportunities and create

shareholder value. A thoughtful engagement with the strategic planning process will eventually ensure the value realisation and sustainability of the family business.

Source: Richard A Harvey Jr., “Strategic planning is the key to growth and sustainability,” Family Business Magazine, spring 2009: 34-35.