2 Making the Parallel Family and Business Planning Process Work

All organizations need planning to survive, grow, and sustain themselves. Businesses are forced to plan by competitive pressures, customers, suppliers, taxes, banks, joint ventures, or acquisitions. Businesses can plan reactively by making changes based on competition, adaptively by making changes based on the market or environment, or strategically by anticipating competitive and environmental forces. All businesses have some form of planning whether it is formally documented and implemented, or informal and reactive on a day-to-day basis. Planning is recognized as an important driver of business success.

The external forces that drive business planning do not encourage planning for the business family. Founders are business focused and typically do not see the need for family planning, especially their children's participation. It is assumed and natural. The second generation (or Sibling Partnership) anticipates its children joining with some planning. Formal planning is usually triggered when the third generation (or Cousin Collaboration) get involved, joining the business as employees and potential owners. Third-generation business families without planning processes lack the tools to manage a family that is growing larger and more complex. By this phase the family faces very specific challenges about:

- family employment and compensation
- career planning and succession
- ownership transfers
- dividend versus reinvestment
- shared decision making across generations.

One of the most serious challenges facing business families is that their businesses may have excellent, well-crafted plans but the family may never have discussed issues like succession or even day-to-day matters like family employment and compensation. Often business families will have no specific plans regarding family careers, ownership, or decision making until a conflict or crisis triggers a response. Without planning, problems arise. Disgruntled family owners bring up unanswered questions with the CEO at family social gatherings; unhappy family employees discuss family issues at board meetings. There are many reasons for this planning disconnect – including the significant difference in planning for a business versus planning for a family (see Table 2.1).

Multi-generational business families need aligned planning and decision-making processes to ensure performance and protect both family and business from needless conflict. It is also important to plan because the family's participation and leadership are, when the family's role is fully understood and clearly focused, a competitive advantage. However, many obstacles can get in the way, especially in planning for succession and ownership roles. In some cultures simply discussing succession or ownership is perceived as inappropriate. And in all cultures senior family leaders may resist planning for succession because they view it as a threat to their leadership roles, choosing instead to delay the process because the next generation is "not ready" or the issues are "too controversial and emotionally risky." Family executives may also resist organizing family meetings for fear of family interference with the business or losing control over the decision-making process.

Table 2.1 *Business versus family planning*

Behavior	Business planning	Family planning
Style	Formal	Informal
Timing	Annual	Generational
Performance	Financial	Emotional
Authority	Management	Family
Information	Private	Shared

Some senior family members may feel that exploring family topics interferes with what should be a natural process. Any formal planning process requires that independent-minded business leaders share decisions – and private financial statements – with others in the family and company. Business families risk being hurt by family misunderstandings, unprepared family members, or a next generation's unclear interests, if there is no reliable planning process. Identifying family values as a part of that process will enable the family to stimulate ideas for actions, which will help overcome the obstacles and resistance discussed above.

The best way to show the *Parallel Planning Process* in action is to analyze a large family business that has used an aligned planning process for the family and business for many years. Cargill, one of the world's largest multi-generation family businesses, illustrates the power of parallel planning to avert family conflicts, protect against business stagnation and strengthen shareholder commitment.

CARGILL: FROM CONFLICT TO COMPETITIVE ADVANTAGE

The Cargills and their in-laws the MacMillans have owned the world's largest agribusinesses for over 100 years, but it is a family history filled with conflicts and recriminations.[1] The business was founded by the Cargill family, which remained in control until the early 1900s, when a son-in-law from the MacMillan family became the CEO and his family the majority shareholder. This difficult ownership transition to an in-law and the subsequent loss of Cargill family control generated strong resentment between the two family branches. Many Cargill family members believed that their family business had been "stolen" from them, while the MacMillans felt unappreciated despite having "saved" the business from financial ruin.

The resulting animosity between the two families did serve one useful purpose. It focused both families' attention on building a shared vision based on their core values of entrepreneurship, fair play, and a commitment to long-term family ownership. Early on, the families began planning for the business and family to ensure that the business was protected from family strife and that professional management roles were earned based on qualification and performance. Family members competed with non-family executives for promotions, and often the non-family members won. A global growth strategy, based on low dividends and high investment, was implemented. Cargill far-sightedly invested in a state-of-the-art communications system and was an early user of computer technologies, giving it a significant competitive advantage in trading commodities or reacting to volatile markets.

Cargill's executive leaders have demonstrated their ability to maintain core values while changing the nature of the organization. They have always reflected a strong belief in "growing their own" top executives; in fact, all seven of Cargill's top executives have worked at the company for 30 years or more. Gregory Page, currently Cargill's (non-family) CEO, joined right after completing his university degree.

On the other hand, Cargill's ability to change its business strategy was reflected in the company's recent move from commodities to higher value-added activities. "It was clear in the late 1990s that the business model of the company for effective trade and processing was breaking down," said finance director Bob Lumpkins. "There was consolidation of our customers. Our offering wasn't very differentiated. We were up against focused competitors and our cost structure was too high."[2] In mid-1998 a team was created to set the direction until 2010. The review – dubbed "Strategic Intent" – involved considering four strategies, from reinvention as a volume supplier to focusing on specialty ingredients and consumer branding.

As Whitney MacMillan, the last family CEO, said shortly before his retirement, "As a company, we have believed in the same family values for 125 years, even though we have changed the business every five years." The link between this changing business strategy and sound planning for the family was evident in several innovations: the five board seats reserved for family directors (with five for independents and five for management); regular family meetings; and a strong family council. Cargill even organized a stock buyback to purchase shares from family members who no longer felt a commitment to the business and wanted to exit as owners, or needed some personal liquidity to continue their commitment. The stock was then sold to an employee ownership trust, making the Cargill Employee Stock Ownership one of the largest voting blocks – not a bad way to build employee commitment.

Perhaps the most important innovations are in family education and training. Waycrosse, the Cargill family office, handles training and education, as well as a wide range of family matters, such as financial planning, tax, and estate planning. A key goal is to keep family members who are not working in the business engaged with Cargill and with the family itself – to maintain the family connection. To achieve this, Waycrosse organizes education programs, summer family meetings, plant tours, shareholder meetings, and family task forces. The mandate of one task force, for example, the Family Connections and Education Task Force, is to "encourage education for the next generation as well as maintenance of that family glue."[3]

In short, the *Parallel Planning Process* at Cargill meant that, despite inter-family conflicts, the business was protected from family interference and was able to perform effectively. And the family glue was strengthened to support the business through its major changes in management and strategy. Greg Page, CEO of Cargill says it best: "The number of times I have been called by a family member to compare this year to last year is seldom."

As the Cargill case demonstrates, business planning is important, but it is planning for the family that sustains multi-generational ownership. It is also the latter kind of planning that presents the biggest challenges because of emotions, differences in talent and motivation, and family relationships. Business interactions are professional and temporal, meaning that plans require clarity and a relatively short time frame; family relationships, in contrast, are emotional and last forever. Planning is also typically not a part of the family's experiences; founders do not need or want formal structures or processes, and the Sibling Partnership generation adapts this informal style, working on a personal individual-to-individual, issue-to-issue basis. Consequently, in most successful first and second-generation firms there is a limited amount of formal planning for the family because an informal and reactive model has always worked well enough.

THE BENEFITS OF PARALLEL FAMILY AND BUSINESS PLANNING

In Chapter 1, we explored some of the particular structural challenges that make family businesses so complex, challenges that require family businesses to engage in a parallel process that takes into account the expectations of the family and the needs of the business. Indeed, the primary benefit of the *Parallel Planning Process* is that it aligns family and business plans so that they can mutually support each other's needs and goals, rather than work against each other's interests. For example, business strategies need to be considered in the context of the family's values and financial expectations. If, for example, the family values wealth creation, to continue with a low-profit business strategy would not meet the family's needs.

Families are organizations, and as they grow in size and complexity, they need a planning process to coordinate thinking, participation, and action. A well-organized family reduces the opportunities for conflict and therefore has more time to strengthen family relationships. Planning also reduces the potential for conflicts in the business and between family members by providing a structure to deal explicitly with important family questions, which all too often remain implicit. The planning process enables the family to address these hidden issues especially around inherently difficult topics such as capital (money), careers (work), and control (decision making). It also serves to strengthen boundaries between the family and the business by offering a forum to discuss family concerns or issues that might not otherwise be properly discussed – or even worse, become part of the business' agenda.

Just like business planning, where a critical activity is developing human talent, family planning must address the development of the family's skills and capabilities for leadership and ownership, especially in the next generation. Founders and their children generally do not discuss ownership roles and responsibilities, but as the family grows they need to clarify them. What are the rights and responsibilities of the family owners? And how do family members communicate their concerns about the business' performance? When the family agrees on guidelines it creates more time for constructive efforts and less conflict on specific issues or decisions. Generally families will require a longer period of time to develop planning processes compared with their businesses. Families, especially after the Sibling Partnership phase, need to build working relationships and trust, and to begin by exploring highly emotional issues such as family values, vision, and commitment.

Throughout this book we will meet families that engage in parallel planning, each one in their own unique style. A few do it across all areas of the business; others use it in specific parts of the business, to deal with very specific questions and issues. Some do it in a more ad hoc manner; others do it more systematically. But all have experienced clear benefits through planning and managing the business and the family in a parallel process that recognizes their interdependency. We will use real examples from many leading family businesses around the world to demonstrate how the *Parallel Planning Process* can be used to create value for the family enterprise.

THE ***PARALLEL PLANNING PROCESS***

Many business families espouse values and a vision that suggest a strong commitment to their firm's future success but fail to take the action for planning, investment and governance required to support the business' long-term performance. The *Parallel Planning Process* is a five-step strategic tool to help business families explore their role as owners and is designed specifically to address three weaknesses often found in family businesses:

- limited family communication about family and business activities
- a lack of a professional process for decision making about the two systems
- accountability for family and business performance.

This chapter introduces the five planning steps, each of which will be further discussed in later chapters. It will be clear from the discussion of the five steps that they are interrelated, and that business and family actions are often difficult to distinguish from one another.

Effective business families, who are concerned about their performance, work hard to integrate their values and vision with strategy, investment, and governance activities. The new *Parallel Planning Process* meets this challenge with five interrelated and interdependent action steps for the family and business: values, vision, planning, investment, and governance (see Figure 2.1).

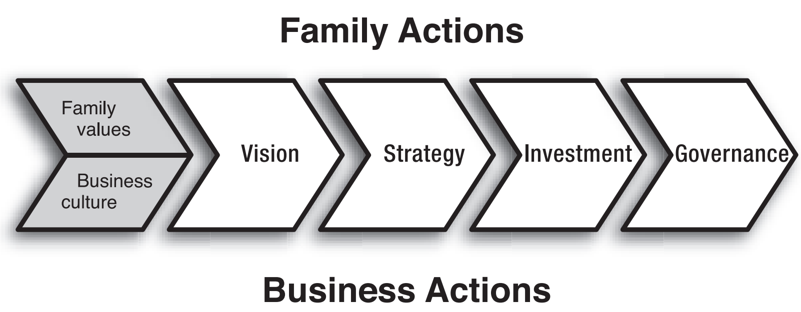
Figure 2.1 *The family and business planning action steps*

There is logic to starting any planning process with an exploration of values but unfortunately this is not the way family businesses operate. In normal circumstances, if a family is struggling with conflicts over say the dividend rate, its members will often want to discuss the issue immediately rather than taking a big-picture view. Business families are action-driven and often see exploring values as a luxury reserved for large, publicly owned corporations. But because the five planning steps are interrelated, the family's thinking and action on dividends must be analyzed as a part of their values, vision, planning, and investment to create alignment.

Step 1: Family values and business culture

Business families of all cultures, from the Cargill-MacMillans of the American Midwest (whom we met in earlier in this chapter) to the Tangs of the Far East (whom we met in Chapter 1), are driven by values that reflect their shared beliefs, experiences, and goals. The first step of the *Parallel Planning Process* is to clarify family values in order to begin the process of developing the family's shared vision. When an entrepreneur creates a business there is a personal commitment to the business' success that aligns values and actions. It is important to recognize that a family's values are the most important influence on vision, strategy, investment, and governance.

Figure 2.2 *Family values and business culture*



Family values

The first step is to clarify family values so that they can be written down and shared to explore the family's interests based on family beliefs, legacies, common experiences, and individual concerns. It may sound obvious that a family needs to be actively interested in any business it owns, but this is not always the case, as we discussed in the Bancroft story in Chapter 1. Sometimes the changes in family commitment over time can be disruptive or even harmful. It is during these generational transitions that the family needs to explore family commitment, and specifically how the family's vision is supported by investment of their human and financial capital.

The family's values are the starting point for the *Parallel Planning Process* and creating a platform for decisions about the business vision, strategy, investment, and governance. The family's values focus on a shared picture of how the family contributes to supporting the business' future success. Pernod Ricard, the world's second largest wine and spirits group, recently completed a major acquisition with its purchase of the Absolut brand. The family's entrepreneurial values support a vision of global market leadership. The acquisition of a global brand was a reflection of family values about growth and entrepreneurial behavior that has been driving the company since its founding as a small pastis distiller in the South of France. The family and business values, vision, strategy, investment, and governance are aligned because the family values and vision supported this major acquisition.[4]

Family values can also reflect how the family interacts with employees and other stakeholders. Timpson, the fast-growing British shoe-repair and key-cutting company, which now offers many other services, demonstrates a caring, family-like relationship with the company's staff. Employees get a day off on their birthday, the company provides time at holiday homes for employees, and operates a fund for people in financial distress. It is also active in the community, including a recent initiative to hire ex-offenders and set up a training centre in a Liverpool jail.

For John Timpson, the firm's chairman, this support and respect for employees and work in the community is nothing to do with corporate social responsibility; rather, it is an expression of family values. "We don't see this as a responsibility. It's not about giving something back;

we do it because we enjoy doing it, because it matters to us," he says. "We are able to do it because we have the privilege of owning a profitable business. Other business owners might have an interest in a football team or they might buy paintings; we happen to do other things that we care about."

Business families need to develop a shared understanding about the family's values, which ultimately shape the family's vision and decision making, and the culture of the business. Values act as powerful glue for the business and family, and are also a powerful rudder in times of change and upheaval. Clarifying and agreeing on values is a key step toward reducing potential conflicts and encouraging entrepreneurial strategies. Although the family may not fully agree on all of the values, and conflicts may arise about the family's participation in the planning process, this is a positive and crucial step toward helping the family assess its current situation and begin to make plans that resolve the issues.

"Our values are the cornerstone of what really holds us together today," says Grant E. Gordon of William Grant & Sons, Ltd, a fifth-generation family-owned business and one of the largest Scotch whisky makers in the world, "We are proud we are an independent family company. We are proud of our heritage as a Scottish family company and conscious of the privilege we have of being a family, and naturally take pride in our products and their quality."

Family business culture

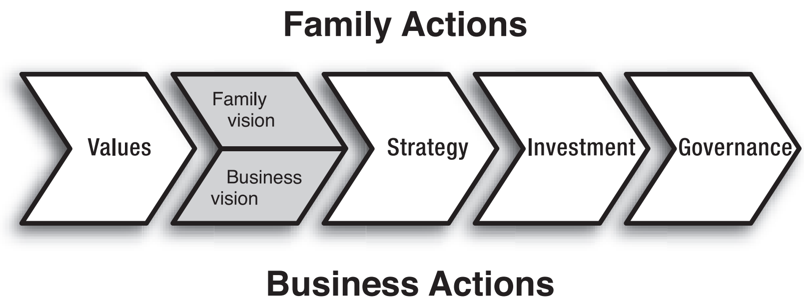
Business families have values and their businesses have an organizational culture. The firm's culture is a shared set of beliefs held by the organization and its stakeholders about how and why the firm is successful. The culture can be a powerful tool for motivating employees and creating behavioral norms that support the firm's strategy. The firm's culture is strongly influenced by the family's values and behaviors as owners and leaders. Pictet & Cie, the Swiss private bank, uses its marketing to communicate the owners' three core values of respect, integrity, and independence. Like most family businesses, Pictet's actions are driven by these values and their work environment is based on them. In times of stress and uncertainty these values are fundamental in demonstrating to employees and other stakeholders what behaviors support the bank's continued success.

Business culture is an important topic in management literature, so we are not going to include a long discussion, except to point out that family business culture can be an advantage over more anonymously owned and widely traded firms, where financial performance dominates all aspects of culture, strategy, and rewards. These firms may lack a strong culture that creates a sense of belonging or human connection. They are driven by extensive control and management information systems using policies and procedures, performance reviews, audits and budgets, and a hierarchy of approvals rather than trust or belief in a shared purpose. In contrast a family business culture, built on human relationships and demonstrated concern for all stakeholders, encourages long-term thinking and stewardship. A family that shares its stories and history with its employees as a tool for encouraging creativity and entrepreneurship can build an empowered firm.

Step 2: Family and business vision

The family's shared vision for the business and for itself is the main criterion for making decisions and the second action step in the *Parallel Planning Process*. Discussion about the shared vision is critical for helping the family articulate their thinking and develop a consensus about the family and business strategies to pursue. Family members who see the business primarily as a source of dividends and wealth will not have the same vision as those who interesting in reinvesting the profits in a high-growth strategy to strengthen the business' competitive position.

Figure 2.3 *Family and business vision*



Business vision

A family business vision consists of two interrelated parts. The first is the state of the business in a given future time frame, say ten years. What does the family want the business to become in terms of impact, size, reputation, markets, financial structure, number of employees, and profits? This is a very quantifiable discussion that, when it results in clear agreement, establishes the parameters for the second part of the vision: a clear understanding of how the family contributes to and benefits from the business' success. The *Parallel Planning Process* allows families to explore first their vision for the business, then how family ownership becomes a competitive advantage to the business.

Family vision

The exploration of family vision also has a transformational effect, reframing family conversation from "what's in it for me?" to "how do we contribute?" The idea of the family's contribution to the business' continued success is the basis for stewardship – leaving the next generation and other stakeholders a more valuable asset than you inherited. The family's long-term vision can become a competitive advantage to the business. Developing a shared vision influences family behavior by encouraging a long-term perspective on plans and decisions.

Many families make their vision the guide to investment and strategic actions. For example, Roche, the giant Swiss pharmaceutical company, focused its efforts on diseases that are difficult to treat because the Hoffmann family's controlling ownership gave them the benefit of a very long-term investment horizon. As André Hoffmann, non-executive vice president of Roche Holding Ltd, says,

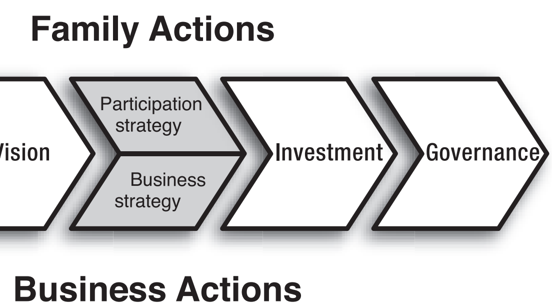
> The goal of our family owners is based on a duty to pass on a stronger business to the next generation. This creates incredible glue that focuses on the best interest of the family. We also have a sense of responsibility to our "compagnons de la route."[5]

Step 3: Family and business strategy

Strategic planning for a family firm is the same as in any other firm – except for the ownership and family concerns discussed throughout this book. Strategic planning is the tool to ensure ongoing communication that helps management, board, and family align the family's expectations with the business' needs.

Participation planning for the family is very different. Businesses focus on technical tasks (marketing, finance, distribution), whereas families are about social tasks and human relationships. The goal of planning for the family is to prepare its members for participation in the business as executives, owners, and board members, and in new family enterprise activities such as a family council, family office, or family foundation. This often means helping individual members develop new skills and knowledge, to create more effective interpersonal relationships, and to ensure that there is sufficient leadership and governance talent to fill roles in both the family and the business.

Figure 2.4 *Family and business strategy*



Business strategy

Strategic business planning provides a systematic way to ask critical business questions. What market opportunities should we exploit? What resources do we need to develop to compete successfully in the future? What is the required level of financial investment? These questions challenge historical business practices and allow the exploration of new opportunities and actions. It is at this point that the family's investment decisions shape the actual strategy, as the owners determine, often with the board, the balance between reinvestment and dividends.

Designing a business strategy aligned with the family's vision will ensure that everyone shares a clear picture of the company's future and of the resources available to support the strategy. In a family business, management needs to consider the family's values and vision carefully to ensure that the owners are agreed on their intentions and commitment. The interaction of the family's vision and commitment drives the planning process for family investment decisions. For example, if a family decides to reduce its investments in capital expenditures by increasing dividends, it would be very difficult for management to develop an aggressive growth strategy using only internally generated funding. Measuring the family's commitment, based on the investment of its human and financial capital, is a critical concern for management in planning the firm's long-term strategies and investments.

Participation strategy

Family discussions about values and vision are the starting point for exploring the kind of participation that sustains multi-generational ownership. It is also participation strategy that presents the biggest challenges of the *Parallel Planning Process* because of emotions, differences in talent and motivation, and family relationships. Business interactions are professional and temporal, meaning that plans require clarity and a relatively short time frame; family relationships, in contrast, are emotional and last for life. Family issues, like succession, careers, and ownership, are highly personal – making it simpler to avoid rather than confront them. Yet as the number of generations grows and the business becomes more complex, the family has to become more professional in its interactions – clarifying decision making, planning, and leadership roles for its members.

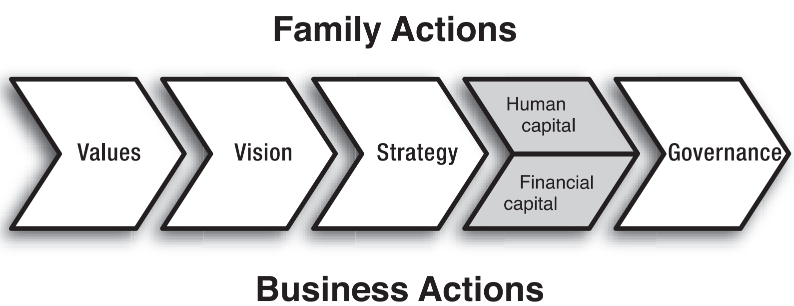
One important reason for undertaking family and business strategic planning in parallel is to ensure that the two systems' goals, plans, and policies are coordinated to focus efforts and prevent conflicts. A family business in which family and management are strongly aligned around the future is positioned to develop a clearer strategic direction and mutually supportive goals.

Step 4: Investing human and financial capital

Often we discover that the lack of family investment in human and financial capital (leadership and money) is the stumbling block to business growth and continuing the family's ownership legacy. The lack of financial investment results in lost business opportunities, and a lack of investment of human capital results in family conflicts, uncertain leadership, lack of decisions, and no accountability.

Investment decisions are always difficult because they have an impact on so many family concerns: lifestyles, reputations, wealth creation and protection, business growth and sustainability, and the family's psychological connection to the business. A business family that wants to explore its future together needs to answer two questions. First, what is the potential of the family business for long-term value creation? Second, what level of financial investment (reinvestment versus dividends) and human capital (family leadership and governance talent) is required to support the business' future success?

Figure 2.5 *Investing human and financial capital*



Financial capital investment

A business family needs to think strategically about its investment to ensure that the business is fully utilizing the family's commitment to exploit market opportunities. The Ülker family business, Turkey's leader in chocolates and biscuits manufacturing, is a good example of how family commitment should be expressed. When Godiva, one of the world's top chocolate brands, was offered for sale, the family was prepared to outbid many larger global players because it knew the strategic value to its firm. The family owners were fully supportive of the Godiva acquisition and enabled the business' management to outmaneuver many significantly larger competitors. The Ülkers are an entrepreneurial family with a small group of owners, but a larger family needs the discipline of a planning process to ensure that the family and business remain aligned.

Human capital investment

A committed business family also needs to consider investment of the family's human capital. This second form of investment, especially in capable leaders and owners, represents the family members' willingness and capability to support the family business. Rolf Abdon, founder and CEO of Abdon Mills, with facilities in Europe and North America and operations in Asia, shares how important the development of family human capital was in his "family" business success:

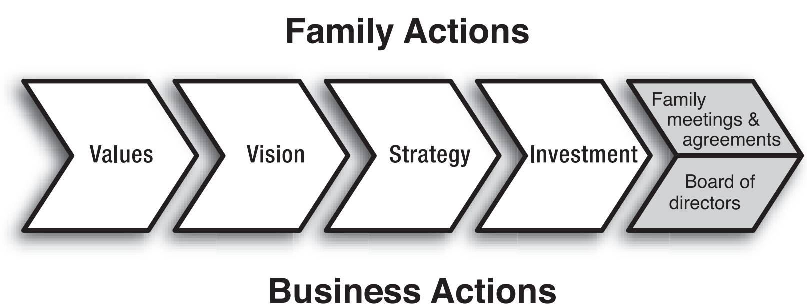
> I feel like mine is a second or third generation family business because my father was the CEO of the largest grain miller in Northern Europe. He was a non-family executive and I inherited from him not a business but something more important: his knowledge, attitudes, wisdom and experience. In many ways it was better to inherit these soft skills rather than a business.

A family's investment of its human and financial capital clearly demonstrates a belief that its ownership creates a competitive advantage for the business. Baron Jean-Pierre Berghmans, chairman of the Executive Board at the Lhoist Group in Belgium, speaking to a group of INSEAD MBAs, argued that "You must have the full commitment of the shareholders in a family business if you want to succeed." He cites his family's commitment to investing capital and to serving as executives or directors as two factors that have helped sustain the company's spectacular growth. When family owners are active, they are more likely to keep a sharp eye on performance – their own and their competitors' – and avoid falling into the trap of complacency.

Step 5: Family and business governance

Governance is the final action step in the *Parallel Planning Process*, essential to ensuring that families and management work together on decision making and accountability. Three key governance mechanisms are common in family businesses: the board of directors, family meetings or family council, and family agreements. The board of directors represents the business, employees, and shareholders for addressing critical decisions, protecting business viability, and ensuring management performance. Family meetings serve a similar function, but address only family issues, such as communication, relationships, education, agreements, conflict, social activities, and philanthropy. Family agreements are written policies (also known as family constitutions, charters, or protocols), which address all the topics connecting the family and business discussed in this book (such as, family values, employment policies, dividend policy, and roles and responsibilities of ownership).

Figure 2.6 *Business and family governance*



Business governance

All businesses have some form of board of directors, whether it exists for legal purposes only or as a critical tool for strategic planning, business direction, and management accountability. An often-missed opportunity is the board's potential contribution to the strategic planning process through identifying critical issues, discussing possible scenarios, and challenging management's thinking. The board can also develop policies to guide business activities, investment, and compensation, and to monitor management's performance. The importance of the board's role increases over time, as the business and family grow and become more complex.

Family governance

Thinking about family governance is often foreign to many business families. "We're a family; we do not need a board!" is a popular reaction. Yet expanding business families require formal planning, decision-making, and problem-solving processes just like their businesses. Families need to make decisions about employment, board representation, dividends, and investment. In the start-up stage the founder handles these issues, as a part of operating the business. When the family moves to the second generation of siblings or beyond, or if there is a separation of management and ownership roles, a new structure is needed to make decisions.

Grant E. Gordon, speaking at a Kellogg School of Management Conference, shared a powerful thought:

> Even though the company is run by an outside management team and chaperoned by a professional board it is important that the family has oversight and that we discuss the key strategic issues. You have a governing structure with, on one hand, the family council, which represents the shareholder group in family issues, the vision, and the various other issues under our family charter. And you have the supervisory board, which really sits on top of the business to make sure it's successful.

Who is flying the family airplane?

One metaphor we learned from colleague Ivan Lansberg that may help business families, especially those headed by founders and entrepreneurs, to think about the need for family and business parallel planning is to ask how the family would deal with owning an airplane together. Everyone agrees that flying a plane is a serious undertaking that requires planning and decision making. Owning a family business is a lot like owning an airplane because it requires careful planning about the final destination (vision), crew (family and non- family executives), and flight plan (business strategy) before attempting to fly. This parallel planning is fundamental as it reduces the chances of having too many pilots in the cockpit trying to fly the plane to many different destinations.

If the family and management have a clear vision, they will know how much fuel they will need, how many pilots they require, how many passengers they can carry, and the type of flight plan they need to prepare. If the pilots develop a flight plan (business strategy) based on where the passengers (owners) want to go, considering the weather conditions (economic environment) and the air traffic controllers' instructions (board of directors), then there will be a shared commitment to everyone staying on the plane.

There is little doubt about who should fly the plane – a professional pilot with sufficient flight hours, full certification, and an agreed flight plan. Staying the course also requires instruments (financial reports) and air traffic control (governance), as it is these systems that ensure not only that the plane is flying to the right destination, but also that proper maintenance (investment) is completed to keep the it airworthy.

One question is seldom asked on planes but frequently leads to family business conflict: Who can change the flight plans in mid-air? Many family firms struggle with the answer – is it the board, management team, or the family? After all, each of these groups has a deep commitment to the business and often long experience. We would suggest that there is no single right answer. This is a fundamental governance issue that must be clarified in family agreements and governance processes so that none of the passengers ends up trying to pilot the plane – unless of course they have the requisite license and flying hours.

A ***PARALLEL PLANNING PROCESS*** USER GUIDE

As readers may have noticed, this is a different kind of family business book. It does not aim to provide solutions to all the specific problems or issues that arise in family business – so do not look up "succession" in the index and expect to find nine steps to managing family business succession. What this book does provide is a systematic planning process that enables members of a business family to work together and deal with the key issues that will allow them to become more effective and committed owners of their family firm – to create a competitive advantage for the business.

The *Parallel Planning Process* allows families to explore their commitment, values, and vision, to agree on roles, to develop processes, and to ensure timely decision making and accountability through governance. It is a powerful and proven system but does not have to be implemented from A to Z. Our work with the *Parallel Planning Process* suggests a few principles that are effective for business families. These insights are offered to encourage families to start the process and not to be discouraged by setbacks.

- *It is not a plan or an agreement unless it is written down*. The world is full of ideas, most of which are never acted on. Families need to write notes and minutes as a basis for developing agreement and action planning. These notes do not need to be a final complete document. But they are a beginning. And there is a paper trail. The family's first written document is a simple code of conduct drafted at the start of the first meeting (see Chapter 3). Minutes from all meetings are essential to clarifying information and ensuring that everyone is included in the process, even if they can't attend a meeting.
- *The entire family does not need to take part in the family planning process*. Planning works best when interested and committed parties are involved as a task force that represents the entire family. Start the process with everyone who expresses an interest (if the group is large you may need to create smaller task forces to work on different parts of the process), and hopefully others will join you, when they feel able. If an important family member refuses to participate, begin the process without them, but make sure that they – and the entire family – know about all discussions and plans. There are no secrets.
- *The only place to begin a process of change is with yourself*. At the end of the day, only you can change your behavior (unless it is against your will, which does not count). When you change your behavior you will influence changes in the way others react to you, but your goal is to change yourself first and foremost. New behaviors are necessary to create new solutions.
- *Get professional help*. If the family gets stuck and cannot communicate or organize effectively it may be necessary to ask a trusted family advisor, board member, family business consultant, or professional mediator to join the process and get things moving. If you repeat the same ineffective behaviors you can be reasonably certain of having the same outcomes over and over again. Often

families get stuck because they have not learned to work together or they do not fully understand the issues created by family business ownership. So another possible action is to attend a family business executive program like those offered at INSEAD and the Kellogg School of Management.

- *Some aspects of the family planning process will be ongoing without a final plan or full agreement*. This is fine. Families need time, and sometimes agreeing to start a project is a good first step. Families need to work with what is possible, rather than try and achieve too much – even small changes in the system can lead to larger changes elsewhere. Some families do not complete all of the *Parallel Planning Process* steps. This is not a problem if the family is able to work effectively together to develop plans and actions.
- *Take small steps and follow the path of least resistance*. At any moment there will be several possible priorities competing for the family's attention. Some of these will be bigger and more challenging; others will be smaller and more manageable. Sometimes it is better to focus on the low-hanging fruit, to make progress with a smaller issue than take on a more challenging one. This makes people more confident as they learn to work together and gain confidence in their own ability to solve problems. In addition, the impetus and momentum can be applied to other business challenges. The decision on how to proceed is always with your task force or family.
- *Proactive family planning is a learned behavior*. In our experience families change when they need to. There is usually a trigger for the desire to deal with a particular problem. Again the principle here is a simple one – learning to plan and take action is better than waiting for a problem or conflict to arise. If the family's concerns for planning or decision making are driven by conflict over an issue, it is important to get professional help to reduce the pain. If someone's son or daughter was refused employment in the family business because of an unwritten agreement, then the family should address the issue as soon a possible. Once the planning process begins, many families maintain an annual agenda of priorities and work through the topics at regularly scheduled meetings. It is important to be proactive so that discussions and decisions are not based on a specific family member or incident.

- *There is no single path for business families to follow in order to address their planning needs*. It may take several years for the family and business plans to interconnect fully and for the goals of each to become fully aligned. The example of Cargill demonstrates this point: its planning process is ongoing, developed over many years, and based on continuous improvement. Parallel planning for the future alignment of the business and for the future of the family is nearly always a continuous process at the heart of a successful family business.
- *Education and training is a priority.* Again, Cargill shows the way. Planning is not possible without a knowledge and shared understanding. And understanding has to be developed and nurtured by the family as a part of the family's participation plan discussed in Chapter 5. In the end, the equation is simple: Education enhances the family's development of human capital as a competitive advantage.