

The family need to agree the objectives of the business. An independently-moderated family meeting is the best start to creating a conflict-avoiding constitution

A business plan brings a degree of focus and purpose to any enterprise.

In our feature [Routes to success - deciding what you want](#) we discuss how important it is that each of the co-owners of a business should be clear between themselves about what they want from it.

The same applies to family businesses. But we are not talking about the sort of business plan that you rush out because you need some money from the bank and they want to see something on paper. The important part of the plan is not the end result but the process of consultation that leads to agreement on the way forward.

So just what should be involved?

The first stage

The aim is to bring together everyone with a stake in the family business to talk about the important issues. The sensitive areas are usually those where the business and family are seen as being in conflict. When that happens, which comes first - and if both must be taken into account, how?

We have found that the best way to discuss and resolve these matters is at a family retreat - perhaps at a hotel, or certainly a 'neutral' venue - away from day to day distractions.

The areas to be covered frequently include:

- agreeing the long term goals;
- defining the management philosophy, which includes the values and policies that are at the heart of the business;
- share ownership and management - what is fair for the family and effective for the business;
- what are the criteria for selecting family members for involvement in the business? What talents or abilities must they have? How will their performance be judged, their salaries and benefits set? Will different standards be applied to their performance and that of other employees?
- how to deal with loyal and talented non-family employees;
- involvement of non-executive directors or outside advisors;
- professionalising the business, or deciding if experienced and capable managers with outside experience need to be brought on board;

...a written document - a constitution that sets out the family's values and policies in relation to the business.



- what mechanisms are to be used to monitor progress and maintain communication between family members and business activists.

These can be difficult topics to discuss in a non-confrontational way and the chances of a successful outcome are much greater when an impartial, outside facilitator is present. The person selected can act as chairman and should encourage everyone to express their point of view.

The end result of the meeting should be a written document - a constitution that sets out the family's values and policies in relation to the business.

The second stage

Once the constitution and goals have been agreed attention can focus on the business plan itself. This will define the strategy which arises from the constitution and deal with the key questions:

- where are we;
- where do we want to be;
- how do we get there?

The contents will depend on the nature of the business - but it should translate the strategy into individual objectives using SMART techniques - each should be

Specific - exactly what needs to happen?

Measurable - how will we know when it has happened?

Agreed - everyone involved must buy into this

Realistic - everyone must accept the targets as achievable

Timed - what is the timescale?

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Alongside the plan there has to be agreement on management reporting, or the methods to be adopted to measure progress and keep things on track.

The constitution needs to be reviewed and, if necessary, updated once a year. The plan may need to be revised more often as goals are achieved and market requirements change.

Is this really worth doing?

When we have suggested these steps to people in family businesses in the past the reaction from many has been that it is totally over the top.

Maybe. But as we have said in earlier articles in this series, although family businesses have the potential to achieve great success they are frequently held back by family disputes that these processes can help resolve.

Certainly the majority of those persuaded to give it a try have quickly seen the benefits that flow from resolving long-standing differences and reaching amicable compromises on what the purpose of the business should be. And that has helped them to clear the barriers and move the business on with a cohesive family approach to its development.



While the difficulties in all businesses may vary, there is one problem that every family business will meet - what to do when it's time for the current generation to step down?

Next, we'll look at succession planning.

Thank you for downloading this document from Riley. If you would like further information on this subject please contact us on info@rileycom.co.uk or call us on 01752 203640

