

Plan Of Attack

Why Your Family Firm Needs To Get Back To Its Business Plan

by michael ferraro

We often turn to our family in difficult times for support, guidance, and comfort. The depth and length of the current recession certainly qualify these as difficult times for many. However, family businesses face additional challenges. Members of a family business do not enjoy the ability to separate their professional and personal lives as most of us do. In particular, family business leaders are managing their businesses in uncertain times while struggling to nurture the relationships that are at the core of every family.

To overcome this weak economy, family business managers and owners need to write new business plans and act upon them. Revisiting your current business plan or developing a new one will help you identify new ways to beat the challenges of the day.

Family business managers and owners seek to maximize the wealth of shareholders; however, they also strive to create sustainable businesses that will provide for the family in good times and bad.



MICHAEL FERRARO

So, prior to developing a new business plan, remember that the following elements are often key to developing and maintaining a sustainable business. Sustainable companies are:

Purposeful. Your company's purpose should easily fit on the back of a business card.

Focused. Customers will buy a product or service when it provides clear value to them.

Agile. Companies with stealth and speed will win over their larger competitors.

Frugal. Spending only on what's critical to the success of the business will maximize the wealth of the family.

With the above in mind, you are ready to write your business plan. In your business plan, present as much information in as few words as possible. By using this discipline, you will enhance your and your organization's ability to execute upon your plan.

The first thing to do is to look at your firm's relationship to its external environment. You need to understand your firm and its potential by completing a strengths, weaknesses, opportunities, and threats (SWOT) analysis. Follow this by de-

scribing the market, including size as a factor, in which your firm operates. You should outline your firm's financial strength, profitability, and its ability to grow. Then assess the attractiveness of the markets, including size as a factor, in which your firm may operate. List your company's current and potential competitors, including their competitive advantages.

Next, you need to clearly illustrate your company's purpose. Define the business in a single declarative sentence using the results of the above analysis.

You need to understand what will drive potential customers to buy from you. So the next step is to describe the current and potential needs of your customers. Outline how your current or potential customers address their needs today.

Demonstrate your company's value proposition to make the customer's life better.

Describe your product or services. Include information on their form, functionality, and features. Then define recent trends that make your solution possible or sustainable.

Identify any significant intellectual property that enhances the value of your product or service offering.

Business Model

You're not going to be able to drive your firm to success if you don't know how to make the pedals work. Describe the firm's revenue model. Articulate your pricing policy and strategy. Describe your business development and distribution model. This will help you focus on the important elements you need to keep at top of mind.

Similarly you should evaluate the ownership and management structure of the firm. The idea is to create a shared future vision of the firm for its various stakeholders.

Part of knowing where you're going is knowing where you've come from. That means that you should analyze your firm's historical financial statements to understand the key drivers of historical profitability and growth. You'll need that to develop projections that reflect the various elements of the business plan.

Once you have finished your plan, have confidence in it and carry it out with determination. Update it when your or your family's conditions change. The business planning and the initial execution stages are some of the most exciting times when running a business. ■