

# Family Business Planning Guide

## Family Business Basics

### Overview and Objectives

This guide is intended to begin the family business planning journey and sets the stage for ongoing and constructive discussions. A successful planning process will align the family business cornerstones, strategic plans, longer term goals and action plans.

After completing this guide, participants should:

- Have a basic knowledge of family business fundamentals and terminology.
- Understand the high-level process and steps for family business planning.
- Know how to get help and additional resources from Northwest FCS.
- Commit to start the planning process, agree upon ground rules and plan next steps.

### Introduction

Family business planning is a foundational process that can help ensure generational success. Family businesses are arguably more complex than non-family businesses due to the intimate relationships between family members and the emotional attachment to the family farm. Accordingly, the planning process needs to meet the unique needs of family businesses. There are many approaches to business planning, but the process outlined below is proven and has been used by Northwest Farm Credit Services with hundreds of family businesses for more than 20 years.

### Process is Important

The planning process includes multiple meetings and steps, sequenced specifically to build on each other. This step-by-step process supports generational dialogue and helps families think about their business together and explore how to best position themselves for enduring success. The progression ensures sound, open and constructive conversations and is designed to help your family overcome challenges and identify opportunities related to effective communications, relationships, management, compensation, asset ownership and/or transition.

The sequence of these topics is important, and it is highly recommended they are completed in the order listed below:

#### 1. Family Business Communications and Cornerstones:

- Family Business Basics
- Family Business Communication
- Family Business History and Timeline
- Family Business Values

#### 2. Strategic Planning:

- Strengths, Weaknesses, Opportunities and Threats (SWOT)
- Personal Goals
- Business Vision

#### 3. Succession Planning:

- Transition Timeline
- Roles and Responsibilities

#### 4. Estate Plan Philosophy

#### 5. Strategic Decisions and Action Planning

## Family Business Planning Cornerstones

Starting the family business planning process requires preparing all family business members for the conversation. This includes:

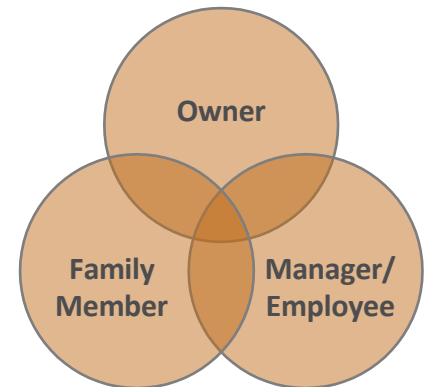
- Having a basic knowledge of family business fundamentals and terminology.
- Recognizing and appreciating everyone's role, priorities and perspectives.
- Understanding the process and common challenges.
- Committing to the planning process and establishing ground rules for the planning process.

### Roles, Priorities and Perspectives

Understanding perspectives of all involved in a family business is foundational to begin the planning process. Individual perspectives vary significantly depending on each person's involvement and relationship to the business.

Perspectives and priorities can generally be categorized as follows:

- **Owner:** Focused on financial performance, business values, vision, succession and legacy.
- **Management/Employee:** Focused on operations, teamwork, planning, compensation and execution.
- **Family Member:** Focused on emotional connections with family and farm, work/life balance and legacy.



It is not uncommon for family members to have one or several of these perspectives if they are working in the family business and/or share ownership. The perspective(s) a person brings to a discussion or decision are naturally influenced by the specific topic, business environment, commodity cycles, personal and professional goals. When individuals emphasize different perspectives, conflict and disagreement can arise. Determining which perspective each person brings to the table can help family members understand each other better and diffuse unconstructive conflict.

### Common Challenges

It is important to be aware of common challenges in family business before beginning the process. Families can overcome these challenges by following a clear and agreed-upon process, committing to open communication and treating each other with mutual respect. Some common challenges are:

- **Deferred Relationship Maintenance:** Maintaining relationships requires ongoing work, which when deferred can erode trust, make communication more difficult and get in the way of working together. The more deferred maintenance, the bigger challenges it presents.
- **Lack of Clear Vision:** It is important for everyone in the business to understand and work towards common goals. When strategic direction and long-term goals are unclear or misunderstood, it is difficult to agree on short-term goals and individuals begin driving the business in different directions, causing conflict and confusion.
- **Ineffective Decision-Making and Communication:** Decision-making and communication are required for any business to function. As the number of people in the business grows, decision-making and communicating becomes more complex. If timely decisions aren't made or if communication breaks down, it is easy to make mistakes and cause frustration.
- **Disagreement on Emotional and Economic Rewards:** The emotional and economic rewards of family business are both important. Animosity, frustration and resentment can build if individuals have different views about the rewards they (or others) receive.

## Ground Rules

Establishing meeting ground rules is helpful to manage the meeting and keep conversations productive. Ground rules may include:

- Always assume good intent.
- Everyone has a voice and all voices need to be heard.
- Be open-minded and seek to understand perspectives; search for better ideas (maybe not your own).
- Focus on alignment (“I can live with that”).
- Use a parking board for tangent ideas/discussion to stay focused without losing thoughts.
- Anyone can call a timeout.
- Respect confidentiality: what’s said in the room stays in the room.

## Group Discussion Guide

Including all family members and spouses in these discussions is important to ensure transparency, understand all perspectives and to maintain family relationships.

### Prepare Participants

- Schedule a dedicated time (1-2 hours depending on the group size) for a focused discussion.
- Recommend listening to the [Family Business Basics episode](#) of the Northwest FCS Strategic Planning audio series.
- Provide this Family Business Basics Guide to all participants.

### Define Roles

- Identify a facilitator to keep the group focused and moving through the discussion.
- Designate one person to take ‘official’ notes, documenting the discussion and any decisions.
- Review the meeting ground rules and verify agreement or possible changes.
- Give each participant an opportunity to share their perspective to ensure everyone’s voice is heard.

### Instructions

- Discuss the questions below and use the space provided to take notes on family perspectives. Give everyone an opportunity to share their perspective and be heard.

Discussion Questions	Discussion Notes
What resonated with you most from the audio episode regarding our family business (barn, bus, kayak/raft and ring, other)?	
Are we as individuals and as a family ready and committed to start this process?	
Who is going to lead and facilitate this process (schedule and run meetings)?	
What is the next step in the process (see recommended steps below) and when should we meet again?	

\* Email [bmc@northwestfcs.com](mailto:bmc@northwestfcs.com) to schedule a free 60-minute consultation and Q&A.

### Recommended Next Steps:

- Schedule a dedicated time (1-2 hours depending on the group size) for a focused discussion on Family Business Communication.
- Listen to the [Family Business Communication episode](#) of the Northwest FCS Strategic Planning audio series.
- Read the [Family Business Communication Guide](#).
- Consider having all family members complete a DiSC behavioral assessment to share during the session. More detail on how to obtain an assessment may be found in the [Family Business Communication Guide](#).

Please share your feedback! [Click here](#) to complete a short two-minute evaluation of this business resources.