

Section 6 Business audit and action plans

Introduction

This section is different from the previous sections in that it does not introduce new content. Instead it provides you with a place to summarise the results of the work you do in earlier sections.

This section consists of a number of 'Audit and action plans', one for each section, each of which is divided into several parts. Each part of the plan relates to one or two topics in an earlier section and consists of questions which will help you to summarise the main points of what you have learned from your work on those topics. If you have used the Check Points in earlier sections to make notes, you will find it easier to consolidate your ideas and relate what you have learned to your own business.

You may use the Action Point headings to note down important action points, such as steps to take or improvements you have identified as a result of thinking about your business and how it operates.

Once you have completed this section, you will have a useful summary of action you should be thinking of taking.

Don't just write down your ideas and then ignore them. Think about how you will put these points into practice!

Learning outcomes

In this section you will be concentrating on the following learning outcomes:

- carry out an audit of your business's current situation
- critically analyse your own situation and devise strategic action plans.

Action plan 1: Understanding the business

This action plan will help you to:

- examine your understanding of business in general and your family business in particular
- list possible action to take to improve the way your business operates.

Action plan 2: Key issues for family businesses

This action plan will help you to:

- examine your understanding of key issues affecting family businesses and your business in particular
- list possible action to take to improve the way your business operates.

Action plan 3: Start-up

This action plan will help you to:

- assess your own business in terms of key aspects of its operation and early development
- list possible action to take to improve the way your business operates.

Action plan 4: Development and consolidation

This action plan will help you to:

- assess aspects of your own business's development
- list possible action to take to improve the way your business operates.

Action plan 5: Exit

This action plan will help you to:

- assess your plans for retirement or exit from the business
- list possible action to take to improve your planning in this area.

Action plan 1 Understanding the business

Here you can record the key points you have learned from your work in the nine topics of **Section 1, Understanding the business**. Use the space in the following boxes to summarise your thoughts and note down action points.

A family business?

Topics 1–2

What makes your business a family business? Summarise the key factors that you consider give your business the special feel and status of a family business. Refer to the factors discussed in Section 1, Topics 1 and 2.

The uniqueness of your family business

Topic 3

How has your business benefited from each of the five factors:

1 Commitment and stability:

2 Knowledge:

3 Flexibility:

4 Long-range stability:

5 Reliability and pride:

Other strengths your business possesses:

Action Point

What can your business do to build on the strengths it derives from being a family concern?

Characteristics of family systems

Topic 4

In what ways does your family exemplify the following characteristics? Note down ways in which these have proved strengths for it and ways in which they have proved weaknesses.

	Strengths	Weaknesses
• tendency to look inwards	<input type="text"/>	<input type="text"/>
• reliance on habit and emotion	<input type="text"/>	<input type="text"/>
• unconditional acceptance	<input type="text"/>	<input type="text"/>
• willingness to share	<input type="text"/>	<input type="text"/>
• lifetime membership	<input type="text"/>	<input type="text"/>
• aversion to change.	<input type="text"/>	<input type="text"/>

Action Point

What can be done in your family to turn these more into strengths?

Family vs business: conflict or compromise?

Topic 5

What happens when there is a conflict between the demands of the business and the demands of the family? How well does your family balance the different characteristics of family and business systems, as outlined in Topic 5?

Action Point

What can you do to improve the balance between family and business systems?

Circle models of family business

Topic 6

What potential for confusion and role conflict do you see in your own business? Note any examples, together with how the confusion or conflict was resolved.

Possible causes of conflict/confusion

Example

Resolution

Action Point

What steps can you take to clarify roles or eliminate confusion?

Steps needed

Target date

Who else to involve

Analysis of types of family business

Topic 7

Remind yourself of where your business sits on Leenders and Waarts' matrix, and the reason why.

Is this the most appropriate category for your business? What would it gain by becoming a different type of business, e.g. by increasing either its business orientation, or family orientation, or both?

Action Point

What steps would your business need to take to increase either its business or its family orientation? Summarise the steps you could take and the potential benefits to be gained.

Increase in:

Benefits to be gained:

1 business orientation

2 family orientation

A competitive edge

Look again at the seven factors that Leenders and Waarts used in their research, listed in Topic 8. Identify factors where your business **doesn't** score highly.

- a feeling of **mutual trust**
- control over social aspects**
- employee motivation**
- management control**
- ability to **resolve conflict**
- continuity** in the business
- the **atmosphere** in the company.

Action Point

Think of possible changes you could make to the business that would improve these aspects of family businesses.

Steps needed

Target date

Who else to involve

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Action plan 2 Key issues for family businesses

Here you will record the key points you have learned from your work in **Section 2, Key issues for family businesses**. Use the space in the following boxes to summarise these point and note down action points.

Stages of business development

Topic 1

Draw up a chart showing the stages of development that your own family business has been through so far. Base your chart on the examples given in Topics 1 and 2. (You will only be able to illustrate the stages that you have already reached, but try to complete the chart by showing how you would like the business to develop.)

Indicate the particular challenges the business has faced at different stages.

Action Point

What can you do to prepare to meet the challenges you are likely to face as the business develops?

Steps needed

Target date

Who else to involve

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Individual development, upheaval and conflict

Looking at Levinson's model discussed in Topic 2, how well does it describe your own life? Have you experienced alternating phases of stability and transition? If so, what stage have you reached now?

Action Point

If you feel there is a clash between your personal development and the business needs, suggest some steps you can take to resolve the situation.

Steps needed	Target date	Who else to involve

Not all major life events are predictable, but some are, such as moving house or having children.

What major life events can you see in the near future that might create stress and have an impact on the business? What could you do to minimise their impact?

Event	Possible impact on business	Way of minimising impact

Stages of family development

Topic 4

Draw a diagram illustrating the stages that your family has passed through. Indicate which stage your family has reached now.

Summarise the particular challenges you or other family members have had to deal with during different phases.

Action Point

Are there currently any tensions in the business arising from the mismatch between the family's stage of development and the business's needs?

If so, note them down here. Next to them, write down suggestions for resolving the tension.

Tensions between family and business

Ways of resolving the tension

Family values, business values

Topic 5

What are the values that your family firm stands for? Think about each of the areas listed below and outline what your firm's values are in that area.

Area	Your business's values
1 a belief in family values	
2 a culture of enterprise	
3 tradition and continuity	
4 responsibility towards employees	
5 ethical standards	

Action Point

Find out how far these values are shared by all members of the business. Note down ways in which you will do this.

Translating core values into business goals

Topic 6

Write a business goal that expresses what the business means to the family, and vice versa.

Action Point

Having worked through the 'Checklist for goal-setting and review' in Topic 6, note down below any actions or improvements that need to be made to the way the business sets business goals.

Values and culture**Topic 7**

How far do you think culture is important in entrepreneurship, or is it more to do with other factors, e.g. the individuals and their character, or financial or social pressures?

Action Point

Having considered how your culture has influenced some of your business decisions, are there any steps you should take, or adjustments you might make, in the light of this awareness?

Steps needed**Target date****Who else to involve**

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Key issues for family-run businesses**Topic 8**

Note the issues covered in this module which are most relevant to you now.

Action Point

Note down the order in which you will tackle the remaining three sections. Think about giving priority to those that are of the most immediate concern to you. Make a note of the dates by when you think you can address each section.

Action plan 3 Start-up

Here you will record the key points you have learned from your work in the eleven topics of **Section 3, Start-Up**. Use the space in the following boxes to summarise these point and note down action points.

Starting the business

Topic 1

Thinking about your answers to the Check Point, what effects do you think these decisions have had on the business?

Business forms

Topics 2–5

Summarise:

- what was the current legal form of your business?

- how was that form decided upon?

Action Point

Do you need to consider changing your business's current form? If so, what steps should you take? Whose help and advice do you need to help you make a decision?

Steps needed

Target date

Who else to involve

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Remuneration planning – paying yourself**Topic 6**

You have given some thought to the issue of remuneration and forward planning. There may be some aspects of remuneration that you want to consider further.

Action Point

What are the next steps to take?

Steps needed

Target date

Who else to involve

Who can advise you on alternative methods of rewarding yourself?

Name

Contact details

Remuneration planning – paying other people**Topic 7**

Remind yourself of your answers to the Check Point for Topic 7 on remuneration

Action Point

Note down any action points arising from your work.

Steps needed

Target date

Who else to involve

Ownership

Topics 8–9

Remind yourself of the work you did on ownership in Topics 8 and 9.

Action Point

Note down any action points arising from your work on these topics.

Steps needed

Target date

Who else to involve

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Communication

Topic 10

Refresh your memory about your work on Topic 10. You might find it helpful to ask your colleagues/family members to answer questions in relation to you. Note any differences of opinion here.

Action Point

What changes could you usefully make to the way you communicate? How will you make these changes?

Changes to be made

How

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Family meetings

Topic 11

Action Point

Having worked through the checklist for family meetings in Topic 11, note down any points where your family could make changes for the better.

If you currently don't have such things as family meetings, what steps would you need to take to introduce them?

Who would need to be involved?

Action plan 4 Development and consolidation

Here you will record the key points you have learned from your work in the 16 topics of **Section 4, Development and consolidation**. Take this opportunity to summarise your thoughts and note down action points.

Strategic planning

Topics 1–2

In the Check Point at the end of Topic 2, you reviewed your business's approach to strategic planning. Use the table below to record any action you need to take as a result of that review.

Action Point

Steps needed

Target date

Who else to involve

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Family policy

Look back at the questions you considered in the Check Point and briefly summarise the results of your work on family policy.

Action Point

Note down any steps you need to take in the area of family policy, e.g. arranging meetings to discuss the family's policy towards the business.

Steps needed

Target date

Who else to involve

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A family constitution

Topic 3

Family constitution

Look back at the Check Point at the end of Topic 3, Section 4. If your answer to either question was 'Yes', make a list below of areas that you think should be included in the family constitution. Use the Checklist in Topic 3 to help you draw up your list.

This list could form an agenda of items to consider including in your family constitution.

Action Point

Note down what action you need to take to sort out a family constitution. Who else would need to be involved?

Steps needed

Target date

Who else to involve

Steps needed	Target date	Who else to involve

Employing family members

Topics 4–6

What is your approach towards employing other family members? Do you have a clear view about:

- your overall policy towards employing family members Yes No
- the level of priority given – if any – to family members Yes No
- the skills and experience expected of family employees Yes No
- conditions of employment Yes No
- importance of shared values. Yes No

Action Point

If you answered ‘No’ to any of the questions above, what steps can you take to firm up your policy about employing family members? Summarise the steps you need to take.

Steps needed	Target date	Who else to involve

Employing non-family members

Topic 7

Working through the Checklist in the Check Point at the end of this topic should have pinpointed areas where you need to think more about employing non-family members.

Action Point

Summarise the steps you need to take.

Steps needed	Target date	Who else to involve

Appointing non-family managers**Topic 8**

Remind yourself of the answers to the questions in the Check Point for Topic 8 before making notes under the Action Point.

Action Point

What steps can you take to improve the way you appoint (and retain!) non-family members?

Steps needed

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Target date

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Who else to involve

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Boards of directors**Topic 9**

Having thought about your ideal board of directors, take some time to complete the Action Point below.

Action Point

Summarise the steps you need to take to set up or strengthen your board of directors.

Steps needed

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Target date

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Who else to involve

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Marketing and the family business

Topic 10

Understanding your market

Remind yourself of the answers you gave to the questions in the Check Point.

Action Point

Suggest some steps you could take to improve the way your business is marketed.

Steps needed	Target date	Who else to involve

Promoting the business

How could you use the values of your family business in an advertising campaign?

Action Point

Suggest some steps you could take to promote your business by emphasising its family aspects.

Steps needed	Target date	Who else to involve

Financial matters – wealth preservation

Topic 11

Your attitude to wealth preservation

Summarise the measures you are taking to build a personal asset base, separate from the company.

Action Point

What other measures for wealth growth and preservation should you consider? Note your suggestions here.

Steps needed

Target date

Who else to involve

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Financial matters – insurance cover

Topic 12

Working through the checklist in the Check Point at the end of this topic should have pinpointed areas where you need to think more your insurance cover.

Action Point

Summarise the steps you need to take.

Steps needed

Target date

Who else to involve

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Tax planning

Summarise your current strategy for tax planning.

Action Point

Suggest any steps you should consider taking to improve your tax planning.

Steps to take

Who to talk to

Venture capital

Summarise your attitude to the possible use of venture capital in your business.

Action Point

Suggest any ways in which venture capital could provide a welcome injection of funds.

Possible uses of venture capital

How it would help the business

Recognising and dealing with conflict

Topics 14–16

In Topics 14 to 16 you looked at various types of conflict that can affect family businesses. The Check Point at the end of Topic 16 asked you to examine your own business to see what conflicts there might be. Summarise your thoughts in the Action Point below.

Action Point

Conflict	Root causes	Options for resolving conflict	Who needs to be involved

Action plan 5 Exit

Here you will record the key points you have learned from your work in the nine topics of Section 5. Use the space in the following boxes to summarise your thoughts and note down action points.

Options and plans for exit

Topics 1–2

What are your favoured options for the future of your business when you come to pass it on? List your preferred options in order below (the Check Point in Topic 2 will have helped you decide):

- 1
- 2
- 3
- 4
- 5
- 6
- 7

Doing nothing – the ostrich option

Topic 3

Are you guilty of taking the ostrich approach to succession planning? What plans, if any, have you made for your exit from the business?

What factors are there which might lead you to delay making plans for the future of the business? Remind yourself of the four areas covered:

- psychological blocks
- practical problems
- management style
- other people's fears.

Action Point

What steps could you take to help you and your business face the succession issue with greater confidence?

Steps to be taken

Target date

Who else to involve

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Planning for family succession**Topic 4**

Remind yourself of the sort of 'game' you should be playing to prepare for succession.

Action Point

Summarise what you need to do to change the way you are preparing for succession.

Steps to be taken**Target date****Who else to involve**

Steps to be taken	Target date	Who else to involve

Choosing a successor**Topic 5**

Who are the candidates for succession to your family business? Note their name(s) down below, with a summary of what qualities they have that make them suitable, as well as possible problem areas, e.g. where there is a skills deficit.

Candidate**Qualities that make them suitable****Possible problem areas**

Candidate	Qualities that make them suitable	Possible problem areas

Action Point

Work through the questions listed in Section 5, Topic 5, noting down any priorities for action that your answers uncover.

Managing the process of family succession

Topic 6

Summarise any steps you need to take in the areas covered in Topic 6.

Action Point

Steps to be taken

Target date

Who else to involve

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Family succession and conflict

Topics 7–8

Having answered the questions in the Check Point at the end of Topic 8, complete the Action Point with any ideas you have for minimising conflict.

Action Point

Areas of conflict

Options for action

Who to involve

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The generation gap – managing change**Topic 9**

Look back at your answers to the Check Point in Topic 9. Note any steps you can take to manage the approaches of different generations

Action Point**Areas of conflict**

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Options for action

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Who to involve

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Selling the business – motives and concern**Topic 11**

Summarise your main concerns in relation to selling the business, building on your work on Topic 11.

What, if anything, could be done to allay your fears?

Steps to be taken

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Target date

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Who else to involve

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Selling the business – options and plans

Summarise the most likely sale option(s) for your business, log here with a brief list of your main priorities for the sale.

Most likely options

Priorities

Do you need to take any steps to make your preferred option(s) more likely?

Steps to be taken

Target date

Who else to involve

Retirement and estate planning**Topic 14**

Remind yourself of your plans for retirement.

Action Point

Summarise any steps you need to take in terms of planning for retirement:

Steps to be taken**Target date****Who else to involve****Tax planning****Topic 15**

If you are unable to answer any of the question in the Check Point for Topic 15, you should seek professional advice immediately!

Action Point

Summarise any steps you need to take in terms of tax planning:

Steps to be taken**Target date****Who else to involve**