



# Changing Lanes

*Transition planning for entrepreneurs and family businesses*



**LOFTUS ALLEN & Co.**

CHARTERED ACCOUNTANTS and FAMILY BUSINESS ADVISORS

*with compliments from*



Terri Heggum-Allen, C.A.  
Steve Allen, C.A.

## Know Where You Are Going

We all know the frustration of highway driving. If it's not a fender bender resulting from an unsignalled lane change, it's likely road resurfacing slowing the traffic and preventing us from reaching our destination on target. All we can do is wait for the roadblock or traffic jam to clear, then do our best to make up for lost time.

But sometimes that roadblock is more serious. When it's a jack-knifed trailer, a truck that's spilled its load, or a more serious collision from driving too fast in rain and snow, a better option may be to make a detour onto a different highway.


In situations like these, a detailed roadmap is essential. When we are not familiar with the area, finding an alternate route can be difficult. It's so easy to get lost and prolong the journey unnecessarily. In addition to the wasted time, there is the extra gas consumption and the added wear and tear on our vehicle and our nerves.

No wonder GPS has become so popular! Investing in a global positioning system not only provides us with the most convenient route for every journey we take but can also guide us any time a detour is necessary.



As a business owner, you could certainly use such a global positioning system to guide you through the frequent roadblocks in your industry and marketplace!

As you journey along the family business highway you face considerable roadblocks. Economic conditions change rapidly and you could easily be blind-sided. You always have to be aware of the danger from a bridge-out up ahead, yet continually be on the lookout for new opportunities. To operate efficiently, you have to be diligent about keeping your engine tuned and your wheels aligned.

This edition of Changing Lanes continues the examination of ways to keep your vehicle running well and headed in the right direction. 

## Inside....

<b>A GPS for Your Business</b>	<b>2</b>
<b>Keep the Wheels Aligned</b>	<b>2</b>
<b>The Nuts and Bolts of a Healthy Business</b>	<b>3</b>
<b>Stop or Go?</b>	<b>4</b>

# Changing Lanes

*Transition planning for entrepreneurs and family businesses*

## A GPS for Your Business

Simply put, a GPS gives you a bird's eye view of where you are now and how you can get to where you want to go. It also gives you up-to-date information about the speed you are travelling and how long your journey should take. Even more importantly, today's GPS devices can show you an alternate route should an obstacle block the road ahead and force you to take a detour.

When it comes to your business, a **Strategic Positioning** tool plays the role of a GPS. It highlights the road ahead and advises which direction to take.

To check your Strategic Position, you examine where you are today with regards to thirteen key components of a successful operating business:

- Your philosophy
- Your vision
- The products and services you sell
- Your sales and marketing strategies
- Your internal structure
- Your systems and processes
- Your social capital
- Your intellectual capital
- Your physical assets
- The industry you have chosen
- The current business environment
- Your competition
- Your customers and markets

*These thirteen components are reviewed in the section entitled **Nuts and Bolts of a Healthy Business**.*

From your answers to 40 questions related to what you do and how you do it, you can determine whether or not your business is actively supporting your current strategic direction or if there are some key adjustments that need to be made.

For example, you might be thinking of adding a new product line but discover that there are significant threats from the current marketplace that negate this strategy. Alternatively, you could uncover an opportunity to pursue a new strategic direction that was not evident before conducting the exercise.

### Discover Your Current Strategic Position



Investing time to check your **Strategic Position** can alert you to the need to take either a very defensive or somewhat conservative position in order to mitigate risk, or indicate when conditions are right to be more competitive or aggressive.

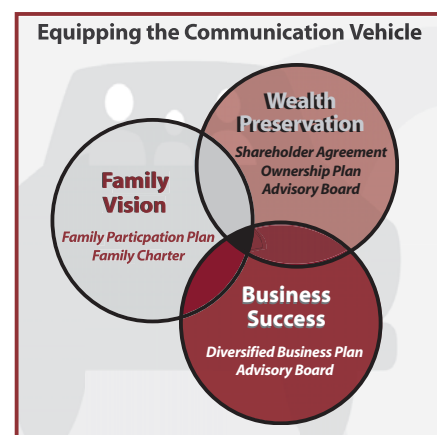
A **Strategic Positioning** exercise should always be conducted as a forerunner to any Strategic Planning activity, and re-administered at least once a year to check that you are still headed in the right direction. And if you ever have to make a detour because of a new opportunity or a considerable roadblock, this GPS exercise can help you find your way to an alternate highway. *You can review the Strategic Positioning process in the section entitled **Stop or Go** on page 4.*

Remember, not understanding the true strategic position of your business can lead to poor strategy development or missed opportunities!

## Keep the Wheels Aligned

As we continue our exploration of a well-equipped communication vehicle, we can keep the wheels aligned by ensuring that, in the business circle ...

- The strategic direction of the business aligns with the overarching philosophy of the family business;
- The Family Participation Plan is linked to the role family members play in the day-to-day running of the business; and
- Next generation family members are involved in determining the business direction so they know exactly where you are headed and can be better navigators and/or co-pilots.



# Changing Lanes

Transition planning for entrepreneurs and family businesses

## The Nuts and Bolts of a Healthy Business

For any business to be successful, it is vital that it has a clear destination and a map outlining how to get there.

But in operating a successful family business, there are many additional nuts and bolts that keep the engine tuned and the wheels turning.

**A** The foundation of a healthy family enterprise is its **family business philosophy** or purpose. It provides the answer to “why you do it”. It is this philosophy that helps clarify your *destination*.

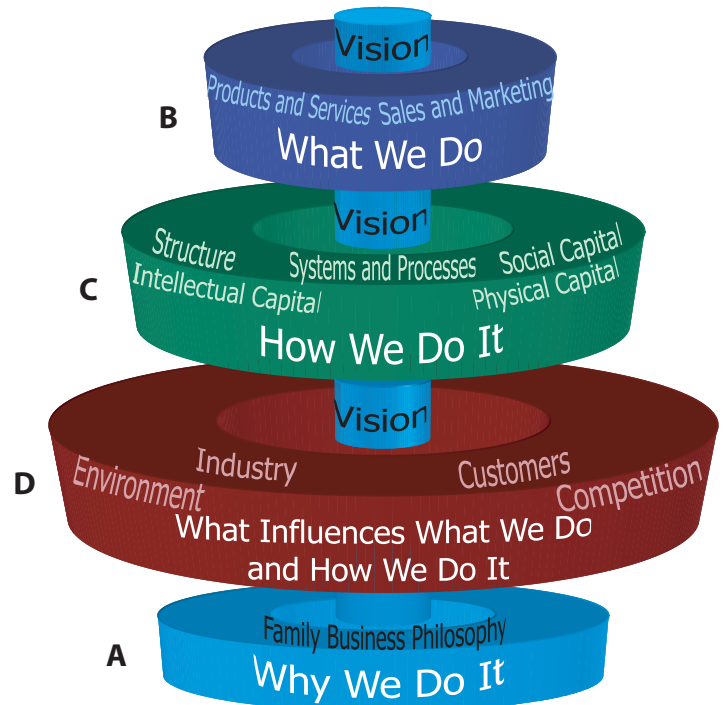
Your *destination* is the common **vision** held by the owners of the business. Having created an alignment between family and business, the vision will meet the objectives of the business without compromising family unity. This vision drives all strategic, investment, participation, compensation, asset distribution, and/or operating decisions. In other words, it is the basis for “what you do” and “how you do it”.

**B** Measuring “what you do” is as important as “how you do it”. Healthy businesses have the right product mix and are proactive in managing their supply chain. They have controls in place to monitor work-in-progress, inventory and distribution. They have a formal sales process and actively market their products and services.


**C** In addition to the more obvious systems and processes, “how you do it” should include establishing a definitive business structure that operates effectively and efficiently. It is also important to proactively build the social capital that enhances the business reputation/ethics/relationships, the intellectual assets that differentiate your business, and the physical capital that enables reinvestment and satisfies shareholders.

**D** Then there are the external factors that influence “what you do” and “how you do it”. Consider whether your industry is growing or in decline. Are changing technology, government regulations or climbing interests rates impacting your business? Will shifting demographics decrease the demand for your products? Are your competitors better positioned in the marketplace?

When they are optimized, the factors included in **A**, **B** and **C** constitute the internal strengths that give your business a competitive advantage and at the same time help achieve the identified vision. When they are not optimized, they can prevent your business from reaching its goals.



Every business has to contend with many of the external factors mentioned in section **D**. Sometimes these factors present opportunities that will enhance your ability to achieve your vision. However, some conditions are roadblocks on the journey and, while they are certainly not under your direct control, there are things you could and should do to manage them.

These nuts and bolts are the SWOT factors (Strengths, Weaknesses, Opportunities, Threats) that form the basis of a strategic business plan and detailed roadmap for the journey. See page 4 to learn how to uncover your SWOT factors. 

	Areas of Concern	Building Blocks
Family Business Philosophy		
Vision		
Products and Services		
Sales and Marketing		
Structure		
Systems and Processes		
Intellectual Capital		
Social Capital		
Physical Capital		
Industry		
Environment		
Competition		
Customers and Markets		

# Changing Lanes

*Transition planning for entrepreneurs and family businesses*

## Stop or Go?

Statistics show that most entrepreneurs use instinct as opposed to a formal plan when running their business. While instinct may work fine in strong or steady economies, managing a business in times of change such as an impending business transition or turbulent markets requires greater discipline and risk management.

Not only does assessing your current business performance and exploring existing and potential opportunities and threats make good business sense, it also sets a leadership example for the next generation and is a great opportunity to connect and groom future leaders.

We recommend you, together with your potential successors and management team, engage in a strategic positioning exercise that will determine if the business is poised for growth or at some level of risk. It will not only uncover any gap between your perceived strategic position and your actual position, but also identify the key SWOT factors that are the basis of a diversified strategic business plan.

This exercise can be conducted online or upon discussion with us. The compilation of all participants' results ensures that multiple viewpoints are considered.

### Stop or Go?

The program will analyze your responses to 40 key questions and immediately produce a results chart similar to the diagram below. An **X** will mark your current strategic

position. An **X** in the green area suggests you are in a position to expand or diversify. An **X** in the red area suggests you have considerable threats and weaknesses to address in order to sustain your business.

### Building Blocks and Areas of Concern


The findings for each of the nuts and bolts categories are also reported separately in order to highlight key success factors along with the areas that need most attention.

A bar chart similar to the example on Page 3 depicts the categories where you perceive considerable strengths or opportunities in green. The areas where a significant weakness or threat exist are marked in red. The yellow bars indicate those factors that show a more moderate level of concern or success.

From this analysis, we can help you develop appropriate strategies to enhance your current strategic position – strategies that range from improving your core business, through adopting new initiatives, to testing and implementing the innovation that is inherent in pursuing a new strategic direction.

Subsequent re-completion of the exercise will provide you with a clear indication of the progress made from adopting such a diversified strategic plan.



To learn more or discuss how to get started, simply give us a call. 



**LOFTUS ALLEN & Co.**

CHARTERED ACCOUNTANTS and FAMILY BUSINESS ADVISORS

1388-C Cornwall Rd.  
Oakville, Ontario  
L6J 7W5

905-566-7333  
[www.loftusallen.com](http://www.loftusallen.com)