Strategic Planning in Family Business: A Powerful Developmental Tool for the Next Generation

Pietro Mazzola, Gaia Marchisio, Joe Astrachan

This article addresses the issue of training next-generation family members once they have joined the management team in their family firm. The qualitative analysis of strategic planning processes of 18 Italian family firms shows that involving next-generation family members in the planning process benefits their developmental process. The findings indicate that this involvement provides the next generation with crucial tacit business knowledge and skills, facilitating interpersonal work relationships between incumbents and next-generation leaders and building credibility and legitimacy for the next generation. The comparative analysis of the cases allowed us to identify the five variables that seem to combine in explaining much of the observed differences in the amount and composition of benefits experienced in the 18 firms. Our findings extend current understanding of two understudied topics in family business: the postentry-phase training of the next generation and strategic management in family firms.

Introduction

Assuring effective succession is considered an issue in all kinds of firms (Miller, 1993; Reingenum, 1985), but the situation is far more complex in family business (Dyer, 1986; Lansberg, 1999; Miller, Steier, & Le Breton-Miller, 2003) where ensuring competent family leadership across the generations is one of most relevant challenges for firm’s continuity (Le Breton-Miller, Miller, & Steier, 2004).

In dealing with succession, authors have analyzed several aspects, such as context, process and its stages, subjects and their characteristics, and outcomes (Le Breton-Miller et al., 2004).

With specific regard to process and its phases, authors agree on the criticality of postentry phases for an effective succession (Handler, 1990; Ward, 1987). In these phases, in addition to equity transfer, it is vital to find effective ways to transfer less tangible considerations, like knowledge, skills, legitimacy, and credibility, that are crucially important to the next-generation family members (the next generation) (Le Breton-Miller et al., 2004).

Although family business literature mentions the importance of formal and well-designed training plans to develop the next generation after they have joined the family firm (Dyer, 1986; Ward, 1987), there are still some gaps in the identification of specific training tools that enhance the next generation’s possibilities of acquiring knowledge, developing capabilities, and achieving credibility and legitimacy. Authors tend to agree on the fact that the training tool used for next-generation apprenticeship and phasing-in is a “mentoring relationship” (Dyck, Mauws, Starke, & Mischke, 2002; Le Breton-Miller et al., 2004).

No family business authors have considered the possible contribution of a strategic planning
process as a developmental tool in itself for all next-generation family members involved in family business management. This is somehow surprising, considering both the recognized widespread diffusion of strategic planning as a management tool (Rigby, 2001) and that some of the possible major benefits that strategic planning processes can provide seem in line with next-generation developmental needs. Among these benefits, we found the collection and interpretation of data critical to creating and maintaining organization-environment alignment (Armstrong, 1982); the development of a common view of organizational goals and the reduction of position bias inside the organization (Ketokivi & Castañer, 2004); the contribution in learning how to make strategy (Szulanski & Amin, 2001); and, finally, strategic planning’s positive relation with the overall firm performance (Brews & Hunt, 1991).

For these reasons, we chose to address the following research questions.

1. What are the benefits of a strategic planning process for the next generation in the postentry phase?
2. How may a strategic planning process contribute to the developmental process of the next generation (including the family member who eventually is elected new leader, as well as the other next-generation family managers) in the postentry phases of the succession process?

To answer these questions, we studied 18 Italian family firms whose next generation was somehow involved in the management team where strategic planning activities were undertaken. We employed multiple methods of data collection and used various sources to capture the perspectives of different stakeholder groups and develop a richer understanding of the phenomenon of interest (Zahra & Sharma, 2004, p. 342) using grounded theory as an interpretative paradigm (Glaser & Strauss, 1967; Strauss, 1987; Strauss & Corbin, 1990).

Our findings support the idea that a strategic planning process can play an important role in the development of next-generation family managers after they join the firm by offering two main perceived benefits: educational and relational. Moreover, the comparative analysis of the cases allowed us to identify the three variables that seemed to combine in explaining much of the observed differences in the amount and composition of benefits experienced in the 18 cases.

The remainder of this article is organized into four sections: (1) a review of previous studies on succession in family business and strategic planning, (2) research methodology, (3) findings, and (4) concluding remarks, future research, and contributions for theory and practice.

**Theoretical Background**

**Succession**

In family business, succession is the process that aims at ensuring competent family leadership across the generations (Le Breton-Miller et al., 2004). The process includes changes both at the management level (Alcorn, 1982), involving the CEO and top management succession (Le Breton-Miller et al., 2004), and at the ownership level (Barry, 1975). In this article, we explicitly refer to succession as management and not ownership succession, well aware that frequently the two might happen simultaneously (Barach & Ganitsky, 1995).

Taking the perspective of succession as a process, throughout the years scholars have developed several models that apply either the life-cycle approach (Churchill & Hatten, 1987) or role transition theory (Handler, 1990; Katz & Kahn, 1978). In both the cases, authors agree that succession occurs over a long period of time. It begins before heirs even enter the firm and then proceeds through the formal nomination of the successor, the transition phase, and the actual takeover (Handler, 1990; Le Breton-Miller et al., 2004). In particular, between next-generation entrance and their actual takeover, authors identify several phases during which the next generation moves from a more career “developmental” phase, where knowledge and functional and leadership skills are built, to a “transitional” phase leading to the takeover (Aronoff & Ward, 2001; Marchisio, 2006).
In this article, we focus specifically on the post-entry phases, “developmental” and “transition,” including the moment of the “selection” up to the “next round.”

Following previous studies, to realize an effective succession by the end of the whole process, the next generation must have developed some critical characteristics. Among them we find: business and industry knowledge, often tacit (Cabrera-Suárez, Saa-Pérez, & García-Almeida, 2001; Steier, 2001); several abilities, like decision making and interpersonal (Chrisman, Chua, & Sharma, 1998); networks and social capital (Steier, 2001); passion (Andersson, Carlsen, & Getz, 2002); innovative spirit (Litz & Kleyes, 2001); and legitimacy and credibility from both family and non-family stakeholders (Barach, Ganitsky, Carson, & Doochin, 1988; Sharma, 2004; Steier, 2001).

Finally, for an effective succession, the next generation must develop an appropriate relationship between the family firm past and present, thus avoiding development of an excessive attachment to the past on the part of next-generation managers, a rejection of it, or an incongruous blending of past and present (Miller et al., 2003).

Although to build these characteristics, relevant training experiences may occur outside the family firm (Barach & Ganitsky, 1995), previous studies have highlighted how the next generation may also benefit by an early exposure to the family firm (Le Breton-Miller et al., 2004, p. 309). In fact, once having entered the family firm, the next generation may become increasingly familiar with the culture, values, and employees within the company; they may develop capabilities needed by the firm (Barach & Ganitsky, 1995; Cabrera-Suárez et al., 2001) and build relationships and credibility through successful performance (Barach & Ganitsky, 1995; Dyer, 1986). Therefore, especially in case of early entry into the family firm, postentry phases are particularly critical for next-generation development, since during this period they may successfully or unsuccessfully experience the transfer of the crucially important considerations listed above.

Although family business literature mentions the importance of a formal and well-designed leadership training plan (Churchill & Hatten, 1987; Dyer, 1986; Ward, 1987) for next-generation family managers in the postentry phases, there are still some gaps in the identification of specific training tools that enhance their possibilities of acquiring the listed requisites. In fact, authors tend to agree that the training tool that can be used for next-generation family members’ apprenticeship and their phasing in is a “mentoring relationship” (Dyck et al., 2002; Le Breton-Miller et al., 2004).

The possible use of a strategic planning process as a developmental tool for the next generation during the succession process has not yet been investigated, although previous studies have recognized that strategic planning may contribute to long-term survival and success of a family firm (Astrachan & Kolenko, 1994; Blumentritt, 2006), help family firms prosper from their innovative abilities (McCann, Leon-Guerrero, & Haley, 2001), and possibly improve the ability to quickly pursue opportunities and gain market prominence (Chrisman, Chua, & Steier, 2005).

However, when planning is considered with specific regard to the succession process, authors typically refer to succession planning as the “deliberate and formal process that facilitates an effective transfer of management control from one family member to another” (Sharma, Chrisman, & Chua, 1997; Ward, 1987).

**Strategic Planning Process**

Strategic planning is the most widespread managerial tool with which to approach strategy formulation (Rigby, 2001). It requires managers to collect data, reflect, conceptualize, model, and construct alternative future scenarios, and evaluate them through forecast to find answers to crucial questions concerning the actual and desired positioning of the company (Boyd, 1991).

Strategic planning is an explicit and ongoing organizational process (Armstrong, 1982) that includes several stages in large corporations: planning guidelines, drafting a business plan, discussion with corporate, revising the business plan, setting an annual capital and operating budget,
corporate planning, board approval, performance targeting, and performance appraisal (Grant, 2003).

The outcome of a strategic planning process is typically a plan that includes five components (see Table 1). First, we consider the analysis of the realized strategy, including its clarification and articulation, and the company’s past performance (Langley, 1988; Mintzberg, 1994). Second, a view of the external environment and some assumptions related to the market (Grant, 2003). Third, the setting and the description of organizational “ends” that are the desired or intended future states an organization aspires to (Brews & Hunt, 1991). Fourth, the description and evaluation of “means,” that is, the action plans through which organizational resources are allocated into postures that, once implemented, increase the probability of attaining the organizational ends (Brews & Hunt, 1991). Finally, the building both of simulations of the plan’s possible effects and financial forecast (Mintzberg, 1994).

A recent and extensive review of strategic planning history by Grant revealed that the main topics under debate are both the impact of strategic planning on firm performance and the role of strategic planning in the strategic decision-making process (2003, p. 492). For our purposes, we focus on this latter process only.

Management literature highlights that the strategic planning process can produce several benefits, particularly if the plans are not too detailed, do not place too much emphasis on techniques and long-term horizons, and the responsibility is on the staff rather than on line management. (Grant, 2003). These benefits can be grouped in six main categories. First, through collecting diffuse knowledge, strategic planning facilitates internal and external learning (Brews & Hunt, 1991); helps a firm properly exploit and leverage its resources (Chrisman, Chua, & Sharma, 2003; Hamel & Prahalad, 1989); and promotes the collection and interpretation of critical data that create and maintain organization and environment alignment (Armstrong, 1982). Second, by applying methodologies and techniques and facilitating communication and dialogue, it offers a context for strategic decision making (Grant, 2003); therefore, it may contribute to achieving a “disciplined imagination approach” in the strategy-making process (Szulanski & Amin, 2001). Third, it helps build legitimization for external stakeholders by impressing or influencing outsiders through the disclosure of a relevant and complete set of information (Higgins & Diffenbach, 1985; Langley, 1988). It also reduces position bias and enhances goal convergence, thus acting as an integrative mechanism (Grant, 2003; Ketokivi & Castañer, 2004). Finally, it stimulates the effort of quantifying phenomena (Mintzberg, 1994) in terms of financial and operating targets, safety and environmental objectives, strategic milestones, and capital expenditure limits (Grant, 2003).

Given these benefits and considering next-generation developmental needs in the postentry phases, as well as the lack of training tools in those same phases, we decided to investigate the possible role of strategic planning as a developmental tool for the next generation.

Family business succession and the strategic planning process represent the two domains on which the present research is drawn: substantive and conceptual. Both domains, together with the case studies, helped us answer the following research questions: What are the benefits that strategic planning can offer to the next generation in the postentry phase? And how may a strategic planning process contribute to the developmental

<table>
<thead>
<tr>
<th>Table 1 Typical Strategic Plan Components</th>
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<tbody>
<tr>
<td>1. The Realized Strategy</td>
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<td>2. The External Environment View</td>
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<tr>
<td>3. The Intended Strategy (Strategic Intent)</td>
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<td>4. Action Plans</td>
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<td>5. Financial Assumptions, Key Value Driver and Financial Forecast</td>
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process of all the next-generation family members (both the one who eventually is elected new leader and the other next-generation family managers) in the postentry phases of the succession process?

**Methodology**

The research questions and the field development level on this specific topic induced us to adopt a qualitative empirical approach that would lead to a fair understanding of the benefits of a strategic planning process on the next generation, establishing a strong basis for future research (Zahra & Sharma, 2004, p. 336). We therefore decided to employ an interpretative paradigm using grounded theory (Glaser & Strauss, 1967; Strauss, 1987; Strauss & Corbin, 1990), which led to collecting data, and then coding and analyzing them.

**Sampling**

Since grounded theory relies on theoretical sampling, we chose cases from the population of interest, but they were chosen on purpose so to increase the diversity of the sample in the search for different properties (Eisenhardt, 1989; Pettigrew, 1990; Yin, 1994). To increase rigor, the basis for generalization and clarity, we followed Yin’s advice, using multiple case studies, to which we applied an identical preset structure and analysis for each case. We considered heterogeneity as a way to generate as much variation as possible in the data, in order to grasp the complexity of the phenomenon and develop a richer and more refined conceptual framework. More precisely, we built our sample based on two variables: the purpose behind the strategic planning process development and the role of the next generation in the strategic planning process. The selection was somewhat sequential as some cases were included in the study after the collection and analysis of data had already started. In fact, we initially considered eight family firms that adopted strategic planning processes with the concurrent presence of next-generation family members in the firm. After a first round of analysis, we realized that behind the use of the strategic planning process there were two possible sets of reasons—business related or ownership related—and three roles that the next generation played in the planning process (observer, executor, and leader). Based on these variables and following common prescriptions for multiple case studies (Eisenhardt, 1989), we replicated the study until we had evidence that we had reached “theoretical saturation” (Glaser & Strauss, 1967), as shown in Table 2.

<table>
<thead>
<tr>
<th>Ongoing Succession Process: NXG Role</th>
<th>Observer</th>
<th>Executor</th>
<th>Leader</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existence of SPP for Reasons Related to Business</td>
<td>E</td>
<td>A</td>
<td></td>
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<tr>
<td></td>
<td>N</td>
<td>B</td>
<td>C</td>
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<td>O</td>
<td>H</td>
<td>K</td>
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<td></td>
<td>S</td>
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<td></td>
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<tr>
<td>Ownership</td>
<td>D</td>
<td>I</td>
<td>F</td>
</tr>
<tr>
<td></td>
<td>G</td>
<td>J</td>
<td>L</td>
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<tr>
<td></td>
<td>T</td>
<td>Q</td>
<td>M</td>
</tr>
</tbody>
</table>

Our final sample consisted of 18 family-owned companies that are small to medium-sized and have revenues ranging from 20 million to 200 million Euros. They operate in manufacturing industries, like shoes, fashion, packaging, distribution, chemical, electronic, food, home appliances, furniture, textiles, and mechanical. Table 3 shows the main characteristics of the sample.

**Data Collection**

The approach chosen implied the combined use of various methods of data collection (multiple data-collection methods), which is particularly
<table>
<thead>
<tr>
<th>Case</th>
<th>Sales in 2006</th>
<th>Industry</th>
<th>Next Generation</th>
<th>Purpose and Subpurpose</th>
<th>Benefits</th>
<th>Characteristic of the Plan</th>
<th>Experience</th>
<th>Next Generation</th>
</tr>
</thead>
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<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>1</td>
<td>€ 50</td>
<td>Shoes</td>
<td>3</td>
<td>Business Growth</td>
<td>Educational</td>
<td>Strategic Informal</td>
<td>Yes</td>
<td>Development Executor</td>
</tr>
<tr>
<td>2</td>
<td>€ 18</td>
<td>Shoes</td>
<td>3</td>
<td>Business Poor financial performance</td>
<td>Educational</td>
<td>Financial Informal</td>
<td>No</td>
<td>Development Executor</td>
</tr>
<tr>
<td>3</td>
<td>€ 20</td>
<td>Fashion</td>
<td>2</td>
<td>Business Poor financial performance</td>
<td>Educ + Relat</td>
<td>Strategic Formal</td>
<td>No but consultant</td>
<td>Transition Leader</td>
</tr>
<tr>
<td>4</td>
<td>€ 45</td>
<td>Electronic</td>
<td>3</td>
<td>Ownership Change in MGT</td>
<td>Educational</td>
<td>Strategic Formal</td>
<td>Yes</td>
<td>Development Observer</td>
</tr>
<tr>
<td>5</td>
<td>€ 80</td>
<td>Distribution</td>
<td>2</td>
<td>Business Growth</td>
<td>Educational</td>
<td>Financial Informal</td>
<td>Yes</td>
<td>Early development Observer</td>
</tr>
<tr>
<td>6</td>
<td>€ 25</td>
<td>Mechanic</td>
<td>3</td>
<td>Ownership Change in MGT</td>
<td>Educational</td>
<td>Strategic Forma</td>
<td>No</td>
<td>Development Observer</td>
</tr>
<tr>
<td>7</td>
<td>€ 200</td>
<td>Packaging</td>
<td>2</td>
<td>Ownership Change in MGT</td>
<td>Educational</td>
<td>Strategic Formal</td>
<td>No but consultant</td>
<td>Development Executor</td>
</tr>
<tr>
<td>8</td>
<td>€ 95</td>
<td>Distribution</td>
<td>3</td>
<td>Business Growth</td>
<td>Educational</td>
<td>Strategic Formal</td>
<td>Yes</td>
<td>Development Executor</td>
</tr>
<tr>
<td>9</td>
<td>€ 100</td>
<td>Food</td>
<td>3</td>
<td>Ownership Change in MGT</td>
<td>Educ + Relat</td>
<td>Strategic Formal</td>
<td>No but consultant</td>
<td>Development Executor</td>
</tr>
<tr>
<td>10</td>
<td>€ 120</td>
<td>Mechanic</td>
<td>2</td>
<td>Ownership Change in ownership</td>
<td>Educ + Relat</td>
<td>Financial Informal</td>
<td>No but consultant</td>
<td>Transition Executor</td>
</tr>
<tr>
<td>11</td>
<td>€ 50</td>
<td>Chemical</td>
<td>5</td>
<td>Business Poor financial performance</td>
<td>Educ + Relat</td>
<td>Strategic Formal</td>
<td>Yes</td>
<td>Transition Leader</td>
</tr>
<tr>
<td>12</td>
<td>€ 160</td>
<td>Electronic</td>
<td>2</td>
<td>Ownership Change in ownership</td>
<td>Relational</td>
<td>Financial Informal</td>
<td>Yes</td>
<td>Transition Leader</td>
</tr>
<tr>
<td>13</td>
<td>€ 45</td>
<td>Service</td>
<td>2</td>
<td>Ownership Change in ownership</td>
<td>Relational</td>
<td>Strategic Formal</td>
<td>Yes</td>
<td>Transition Leader</td>
</tr>
<tr>
<td>14</td>
<td>€ 175</td>
<td>Furniture</td>
<td>2</td>
<td>Business Poor financial performance</td>
<td>Educational</td>
<td>Financial Informal</td>
<td>No</td>
<td>Development Observer</td>
</tr>
<tr>
<td>15</td>
<td>€ 120</td>
<td>Furniture</td>
<td>3</td>
<td>Business Growth</td>
<td>Educational</td>
<td>Financial Informal</td>
<td>No</td>
<td>Early development Observer</td>
</tr>
<tr>
<td>16</td>
<td>€ 40</td>
<td>Mechanic</td>
<td>3</td>
<td>Ownership Change in MGT</td>
<td>Relational</td>
<td>Strategic Informal</td>
<td>No</td>
<td>Development Executor</td>
</tr>
<tr>
<td>17</td>
<td>€ 46</td>
<td>Textile</td>
<td>5</td>
<td>Business Growth</td>
<td>Educ + Relat</td>
<td>Financial Informal</td>
<td>No but consultant</td>
<td>Transition Executor</td>
</tr>
<tr>
<td>18</td>
<td>€ 150</td>
<td>Home appliance</td>
<td>2</td>
<td>Ownership Change in ownership</td>
<td>Educational</td>
<td>Strategic Formal</td>
<td>No</td>
<td>Early development Observer</td>
</tr>
</tbody>
</table>
important in family business research since there can be significant differences in perception between leaders and other family members (Sharma, 1997; Zahra & Sharma, 2004).

First, we had extended, semi-structured interviews with the main actors involved in the analyzed processes, run in two rounds. During the first round, we individuated people able to share relevant information in order to understand the family and business history, as well as the current situation. In the second round, next-generation members were interviewed, together with other actors who played relevant roles, such as consultants and nonfamily executives. Having two rounds helped us in iterating backward and forward the phases of data collection and analysis, which enabled us to adjust our observation strategies, shifting some emphasis toward those experiences that affected the development of our understanding and, generally, to exercise control over emerging ideas by virtually simultaneously “checking” or “testing” these ideas (Marshall & Rossman, 1995, p. 103) with the collection of further data.

Overall, we conducted 64 interviews with 41 different people (including next-generation members, senior members, nonfamily executives, and consultants), all in their workplaces, following the idea that it is better to interview where the phenomenon takes place. Interviews lasted about 50–70 minutes and two researchers recorded notes that were then examined in order to prepare for subsequent meetings.

Second, we obtained our data from direct field observations: In 13 out of the 18 companies the researchers had the opportunity to assist at one or two meetings and working sessions where the next generation received information for preparing the strategic plan and their presentations and/or where the family had to make decisions.

Third, we received permission to analyze corporate archives, annual reports, and public documents. Owning families placed their private archives at our disposal. We also analyzed other documents, such as bank reports and industry analyses, which helped us both in completing our (business- and industry-specific) knowledge and in making collected perceptions more objective.

Data Analysis

Data analysis was based on common techniques for grounded theory building and combined within-case analysis with cross-case comparison (Eisenhardt, 1989; Glaser & Strauss, 1967; Lee, 1999). Within-case analysis was initially conducted to identify a number of core constructs. The identification of core constructs was based on a content analysis of the interviews. Therefore, we searched interviews for passages that contained references to needs and benefits acquired through strategic planning. The search was conducted independently by the researchers. A subsequent comparison of independent analysis showed substantial agreement. This coding procedure helped us identify, for each case, a number of key themes. Following indications from Eisenhardt (1989), we referred to the existing literature to develop and enrich these inductively derived insights.

In this phase, we often relied on data collected from our archival research to go beyond our informants’ accounts, and to extend and refine the emerging framework. Provisional interpretations and tentative propositions were refined in several iterations between theory and data until we were able, for each case, to provide a plausible explanation of the observed patterns.

In a second stage, in order to refine emerging constructs and verify how strongly each of them contributed to explain the observed phenomenon, we conducted cross-case comparisons. Cross-case comparisons helped us verify the robustness of our provisional interpretations across cases. In some cases, the comparison required a further homogenization of concepts, as some themes were grouped into a more general concept. In other cases, propositions were refined to include the effect of intervening variables. Again, the process followed an iterative path, until the emerging conceptual framework fit the observed patterns across cases. At the end of this operation, we were able to identify a number of core issues related to the benefit of strategic planning. As often happens in inductive research, these findings in part confirm and in part extend past literature, and will be discussed in the next section.
To understand the learning benefits derived from the strategic planning in detail, it was useful to take into consideration the typical components of a strategic plan (see Table 1), and we adapted to the family firm context the main phases of the strategic planning process model developed by Grant (2003) (see Figure 1).

**Findings**

The analysis of the strategic planning processes undertaken by the 18 family firms revealed two main types of possible perceived benefits related to next-generation development and integration, which we tentatively labeled “educational” and “relational,” typically resulting from the development of a strategic plan component and from the strategic planning process phases. The comparative analysis of the 18 cases helped us identify the following independent variables, namely, the Purpose of the Strategic Planning Process, the Characteristics of the Planning Process, and the Next Generation’s Role, which seemed to combine in explaining much of the observed differences in the combination of educational and relational benefits experienced in the 18 cases.

**Perceived Benefits for the Next Generation**

During the first round of interviews, we were told that besides the somehow expected benefits related to the original purpose of the strategic planning processes (business and/or ownership related), and achieved with different levels of effectiveness, the development of the strategic planning process produced some additional benefits related to the next generation’s development and integration. This induced us to pay particular attention to this byproduct of the strategic planning process, analyzing it in more depth. In particular, it seemed that the next generation could experience benefits related to the development of a wide range of knowledge and skills (educational benefits), and to the development and/or improvement of the relationships with internal and external stakeholders (relational benefits). These benefits were generally associated with the completion of activities related to a component of the strategic plan (content; see Table 1) and the development of some phases of the strategic planning process (see Figure 1).

**Perceived benefits related to strategic plan content.** From our interviews, it emerged that when the next generation were involved in developing strategic plan content, they were able to obtain some benefits whose relevance for their development and integration has been highlighted in the literature. Depending on the plan content they contributed to, interviewees mentioned different educational benefits and a few relational benefits. The former were typically...
related to obtaining business-related knowledge that active family members need to employ in order to avoid running afoul of business values and norms; developing a better understanding of the company’s renewal needs, which may help in maintaining an appropriate relationship between the company’s past and present; increasing their professional/functional skills; and developing financial skills and a sound awareness of family firm financial constrains. According to our informants, the relational benefits were generally related to the development of a shared vision of the future and the consequent increase of the next generation’s alignment with internal stakeholders; and the possibility of gaining credibility and legitimacy by making more objective decisions.

Table 4 shows both educational and relational benefits related to strategic planning content.

**Perceived benefits related to strategic planning process.** According to Quinn (1981), “the most important contributions of these corporate planning systems are actually in the ‘process’.” Coincident with that, we were told that the next generation received different relational benefits and a few educational ones from the involvement of the next generation in the strategic planning process. From the interviews, it emerged that benefits were generally related to involvement in two main parts of the process: the first represented by the four phases needed to develop and complete the plan; the second by the phases of internal or external approval of the plan and performance appraisal. Perceived relational benefits were mainly related to the establishment of a network inside and outside the family firm, as well as the development of credibility and legitimacy inside this network, and the increase in the next generation’s alignment with the firm’s vision. With regard to the educational benefits, during our interviews we realized that involvement in the strategic planning process may help the next generation in the development of shared cognitive maps and beliefs. Table 5 shows both educational and relational benefits related to the strategic planning process.

In summary, considering the overall effect of the strategic planning process, it seemed that the next generation could experience both educational and relational benefits. The former seem to be related mainly to the development of strategic plan content, while the latter seem to be related more to involvement in the different phases of the strategic planning process.

**Explaining Differences in Perceived Benefits Across Cases**

The family firms in our sample displayed differences with regard to the amount and combination of perceived benefits for the next generation. In particular, in six firms (D, E, G, N, O, and T), the perceived benefits for the next generation were almost nil, with the sole exception of a very limited educational benefit represented by a marginal increase in business and industry knowledge.

In three cases (A, B, and H), interviewees agreed that significant educational benefits were gained by the next generation after completion of the strategic planning process. Cases F, L, M, and Q mentioned relational benefits as the main benefit for the next generation. Finally, in the remaining five cases (C, I, J, K, and S), interviewees reported a combination of both educational and relational benefits.

Comparative analysis across cases led us to develop an explanatory framework of the differences in the amount and in the combination of perceived benefits based on three variables: the Purpose of the Strategic Planning Process, the Characteristics of the Strategic Plan, and the Next Generation’s Role.

**The purpose of the strategic planning process.** By “purpose of the strategic planning process,” we refer to the precipitating event that induced family firms to begin the process. In nine cases (A, B, C, E, H, K, O, N, and S), we were told that the strategic planning process was started for business reasons, either related to the development of the firm’s growth strategy, or related to
<table>
<thead>
<tr>
<th>Plan Component</th>
<th>Perceived Benefits</th>
<th>Synthesis of the Main Evidence Emerging From the Interviews</th>
<th>Relevant Benefits for Next Generation According to the Family Business Literature</th>
<th>Typology of Benefit (Educational or Relational)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Realized Strategy</td>
<td>During the analysis of realized strategy, young member may develop an in-depth knowledge of the environmental context in which the family business operates; the resources and capabilities of the family business, as well as its tacit knowledge; its culture, history, traditions (Cases E, K, I).</td>
<td>Develop deep business and industry knowledge (Astrachan &amp; Keyt, 2003; Chrisman, Chua, &amp; Sharma, 1998)</td>
<td>E</td>
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<tr>
<td>Environmental Analysis</td>
<td>The involvement in the development of this component may allow the next generation to improve their understanding of the company's need for renewal and their capabilities to decide what traditions to keep and how and at what level to bring innovation into the business (Cases B, E, J). It may also reduce the influence of typical dynamics present in pathological succession patterns that might be too conservative, too wavering, or too rebellious (Case C).</td>
<td>Understand the company's renewal needs by maintaining an appropriate relationship between the company's past and present (Miller et al., 2003)</td>
<td>E</td>
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<tr>
<td>Intended Strategy</td>
<td>Making the strategic intent explicit may represent an important stimulus for the next generation who assisted in the process of generation, evaluation, and selection of business alternative. They also had the opportunity to share views about the ultimate goals of the business (Cases A, B, C, J, S). Besides that, taking part in this phase may offer the next generation an opportunity to apply tools and methodologies for scenario building, visioning, and scouting of possible sources of innovation (Cases C, H).</td>
<td>Learn and exercise decision-making process abilities related to innovation (Chrisman, Chua, &amp; Sharma, 1998) Increase alignment with internal stakeholders through shared vision (Habbershon &amp; Astrachan, 1996)</td>
<td>E</td>
<td></td>
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<tr>
<td>Action Plan</td>
<td>The development of action plans implies an in-depth knowledge of numerous elements, i.e., the corporate framework, its resources, and obligations, the persons to involve, the responsibilities to be assigned, and the time necessary to accomplish the proposed objectives. In terms of tools acquired, writing an action plan may help young members to learn both project management and resource management (Cases A, H).</td>
<td>Learn and exercise interpersonal and leadership skills (Chrisman, Chua, &amp; Sharma, 1998; Handler, 1989)</td>
<td>E</td>
<td></td>
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<tr>
<td>Financial Assumptions, Key Value Driver, and Financial Forecast</td>
<td>Young members involved in this activity may develop a better understanding of the most important company value drivers and the key indicators used to monitor them (Cases J, S). They may also develop an awareness of the financial constraints deriving from aspiration levels of the owning family for growth and payout and its willingness to assume debt (Cases A, H, J, S).</td>
<td>Develop financial skills (Adams, Manners, Astrachan, &amp; Mazzola, 2004; Chrisman, Chua, &amp; Sharma, 1998) Develop credibility in making more objective decisions (Barach et al., 1988; Morris, Williams, Allen, &amp; Avila, 1997)</td>
<td>E</td>
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### Table 5. Perceived Benefits Related to Strategic Planning Process

<table>
<thead>
<tr>
<th>Planning Process</th>
<th>Perceived Benefits</th>
<th>Relevant Benefits for Next Generation According to the Family Business Literature</th>
<th>Typology of Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Phases I–IV</strong></td>
<td>Planning guidelines</td>
<td>Next generation collaborated both with the incumbent and with other relevant internal and external stakeholders (Cases J, K, M, R).</td>
<td>build relationships inside and outside the firm (Barach &amp; Ganitsky, 1995; Barach et al., 1988)</td>
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<td></td>
<td>Draft strategic plan</td>
<td>Through this exposure and collaboration the next generation also had the chance to develop teamwork capabilities. Also, by communicating and sharing ideas with and receiving feedback from acknowledged and experienced internal and external stakeholders (the entrepreneur, family and nonfamily executives, and, eventually, customers, suppliers, bankers, and consultants), the next generation had the chance to earn credibility (Cases J, K, Q, R).</td>
<td>Gain credibility with internal and external stakeholders (Barach et al., 1988; Chrisman, Chua, &amp; Sharma, 1998)</td>
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<td></td>
<td>Discussion with incumbent</td>
<td>By taking part in strategic planning, next-generation members had the chance to increase their sense of belonging and “felt to be part of the creation of a great project” (Case Q), which increased their alignment. Being involved, in fact, may act as a recognition in itself of the ability to contribute to the organization and instill a sense of appreciation and a stronger identification with resulting organizational goals (Cases I, Q).</td>
<td>Increase next generation’s alignment (Habbershon &amp; Astrachan, 1996)</td>
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<td></td>
<td>Revised strategic plan</td>
<td>May help next generation build legitimacy both among family and nonfamily stakeholders (Barach &amp; Ganitsky, 1995; Barach et al., 1988, Le Breton-Miller et al., 2004)</td>
<td>System for regular collective encounters among family business stakeholders aid in the development of shared cognitive maps and beliefs (Habbershon &amp; Astrachan, 1996)</td>
</tr>
<tr>
<td><strong>Phases V–VI</strong></td>
<td>Internal and external approval</td>
<td>Young members had the opportunity to receive legitimacy from family owners and family and nonfamily executives. This also helped the young members exercise their negotiation skills to obtain the resources needed and develop their communication skills, since both consensus and trust had to be gained (Cases C, F, L, M, S).</td>
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<td></td>
<td>Performance appraisal</td>
<td>Finally, in trying to obtain approval from external nonfamily stakeholders, next-generation members were able to gain legitimacy and credibility by delivering valued and concrete results, reducing the situation where family members are measured only “by blood” (Cases L, S).</td>
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</table>
the need to improve poor financial performance. In the other nine cases (D, F, G, I, J, L, M, Q, and T), strategic planning processes were started due to ownership-related issues, either related to a possible change in ownership (i.e., for family buyout, selling decisions, or private equity entrance) or to the possible change or the evaluation of the capabilities and accountability of the family top management team. No firms declared that they started their strategic planning process simply as a developmental tool for the next generation.

**Strategic plan characteristics.** Strategic plan characteristics that we took into consideration were degree of formality and breadth. “Degree of formality” depends on the level of specificity of goals and action plans (Brews & Hunt, 1991) and on the emphasis on written documentation (typically, slide presentations) versus more open discussion, as well as on the length and standardization of the strategic planning process (Grant, 2003). According to these criteria, 12 cases (C, D, F, G, H, I, J, K, L, M, S, and T) developed formalized strategic plans, while the others presented and discussed plans starting from less structured and less detailed documents.

“Strategic plan breadth” refers to the content of the documents prepared and discussed at the end (Grant, 2003): In eight cases (B, E, G, J, L, N, O, and S), the documents contained mainly financial and operational forecasts, and therefore we name them “financial plans”; in the other 10 cases, plan content also included other components (see Table 1), and we named them “strategic plans.”

**The next generation’s role.** We noticed that in six cases (D, E, G, N, Q, and T) the next generation did not take part in the planning process, but were simply observers. In the other instances they were involved with different roles, either acting as executors on the team preparing the plan (A, B, H, I, J, Q, and S) or taking the leadership of the planning process and of the implementation of the approved plan (C, F, K, L, and M). We label these three levels of involvement observer, executor, and leader.

In our cases, we also noticed that these different roles were somehow connected with the succession phase the next generation was going through. Typically, observers had just entered the firm; while (with the sole exception of case T) all the next generation in their transition phase led the strategic planning process.

**Explaining Differences in the Amount of Perceived Benefits**

The exploratory framework that explains differences in the amount of perceived benefits is summarized in Figure 2. It highlights the possible effects of strategic plan characteristics, the absence of business or ownership purposes, and the lack of next-generation members’ involvement.

**The strategic plan characteristics and the amount of perceived benefits.** With regard to the degree of formality, preparing formal plans generally required both the collection and analysis of a specific set of data, which helped the next generation gain a deeper understanding. Furthermore, in several cases, interviewees suggested that the preparation of a formal strategic plan increased the opportunities for communicating and sharing knowledge with internal and external stakeholders, facilitating both knowledge acquisition and network development or consolidation. Nine out of the 12 formal plans, once completed, were then used to gather consensus from external stakeholders (institutional investors, financial institutions, business partners, trade unions). In several cases, this experience was described not only as a “unique opportunity to get involved in relation with financial institutions or institutional investors which were till then exclusive area of domain of my father,” but also as a critical arena “where we have to stay to gain the credibility needed” (Case C). Finally, the development of formal strategic plans was described as an opportunity to increase next-generation alignment due to “involvement in issues strictly related with the actual and future identity of the family firm” (Case A).
This evidence seems consistent with extant literature in strategic planning and family business. In fact, strategic planning literature suggests that internal planning effectiveness is clearly associated with formal specific planning (Brews & Hunt, 1991) and that strategic planning provides channels and forum for communication and knowledge sharing (Grant, 2003) and may even act as a consensus gatherer inside and outside the company (Ketokivi & Castañer, 2004; Langley, 1988; Mintzberg, 1994). The family business literature suggests that next-generation alignment with internal stakeholders is based on group communication and agreement on critical family and business issues (Habbershon & Astrachan, 1996).

In summary, we suggest the following proposition.

**Proposition 1a.** Other things being equal, formal strategic plans enhance educational and relational benefits for the next generation.

With regard to strategic plan breadth, we observed that the development of a financial plan was generally considered “a good opportunity to develop financial skills and reach a better understanding of the value and the value drivers of my firm” (Case J). However, in several cases, the inclusion of other components in the strategic plan was mentioned as a possible explanation for further benefits. In particular, the development of strategic plans gave the next generation the opportunity to acquire more skills (marketing, decision making) and knowledge than just those related to financial aspects. Further benefits consisted in being involved in the definition of the firm’s vision, which “was a rich experience, completely different from the simple construction of detailed financial forecasts” (Case H), and establishing more relations with external and internal stakeholders. In some cases, the next generation suggested that it has been “easier to gain credibility and legitimacy with managers and family members presenting good business ideas than just presenting financial targets” (Case A). Here, again, previous literature in strategic planning and family business supports our evidence. An appropriate use of strategic planning (more than just financial planning) may result in the collection and interpretation of data critical to creating and

![Figure 2 Explaining Differences in the Amount of Perceived Benefits.](image-url)
maintaining organizational environment alignment; creates a context that influences the quality and the content of strategic decisions (Grant, 2003); provides an opportunity to learn how to devise strategy; and allows sharing views about future goals of the family firms, which is believed essential to effective succession (Chrisman, Chua, & Sharma, 1998; Le Breton-Miller et al., 2004). In summary, we suggest the following proposition.

Proposition 1b. Other things being equal, broader strategic plans enhance the educational and relational benefits for the next generation.

The absence of business and ownership purpose and the amount of perceived benefit. None of the analyzed firms started their strategic planning process simply as a developmental tool for the next generation, but, rather, the process was always associated with activities related to the firm’s or ownership’s actual needs. This finding seems consistent with the need to avoid the risk of the fallacy of detachment (Mintzberg, 1994), which may happen if a strategic plan is developed by a group of staff managers without the involvement and the commitment of line managers. Therefore we suggest that:

Proposition 2. Other things being equal, a strategic planning process unrelated to business or ownership purposes may present a lower level of effectiveness in the production of educational and relational benefits.

The next generation’s role and the amount of perceived benefits. We noticed that the degree of next-generation involvement influenced the amount of perceived benefits. In particular, in the six cases where the next generation was not exposed at all to the process, interviewees tended to agree that strategic planning process produced limited benefits, if any, for the next generation. In fact, the only benefit mentioned was a marginal increase of knowledge gained when they had the chance to be exposed to the final plan either because they attended the presentation of the plan as part of the management team, or because they were given the outcome of the whole process as owners.

Strategic management literature supports our evidence, suggesting that most of the informational and relational benefits are related to the learning that may occur during a participatory planning process (Grant, 2003; Ketokivi & Castañer, 2004).

In summary we suggest the following proposition.

Proposition 3. Other things being equal, the involvement of the next generation in the strategic planning process may enhance educational and relational benefits for the next generation.

Explaining Differences in the Composition of Perceived Benefits

The exploratory framework that explains differences in the composition of perceived benefits is summarized in Figure 3, highlighting the possible effects of the strategic plan purposes, of the next generation’s role, and of the postentry phase.

The purpose of the strategic planning process and the composition of perceived benefits. After a deeper analysis of the cases, it emerged that plans with business-related purposes generally placed a stronger emphasis on very detailed content, necessary to create the context for solving their specific business issues.

In order to find a way to improve our poor performance, we deeply analyzed the weaknesses of our firm as opposed to competitors. We then devoted a lot of time and effort scanning environmental opportunities. This allowed us to define a new strategic direction. (Case B)

Therefore, as shown in Table 5, since the development of different components of strategic
plans allowed the next generation mainly to acquire knowledge and skills, we suggest the following.

**Proposition 4a.** A business-related strategic planning process tends to be linked more with educational rather than relational benefits.

A closer look at the ownership-related plans showed us that in those cases the stress typically was heavier on receiving consensus and approval from stakeholders, therefore producing more relational effects in terms of earning credibility and legitimacy, as well as building networks.

The problem we had to face was essentially gaining consensus from the nonactive shareholders. Thus we had to complete a detailed plan that contained a clear vision of future goals and needs of our company. We had to present it for approval firstly to the Board and then to the others family shareholders. They asked many questions and it took a lot to convince them that I was accountable for the results. (Case F)

In summary, our evidence suggests the following proposition.

**Proposition 4b.** An ownership-related strategic planning process tends to be linked more with relational rather than educational benefits.

The next generation’s role and the composition of perceived benefits. With specific regard to the next generation’s role, in the seven cases where the next generation were executors, they gained mainly educational benefits even if some relational benefits were mentioned. In fact, we noticed that involvement in the activities required to complete the planning process were crucial to acquire knowledge and helped develop new relationships with different stakeholders.

During the [planning] process I had the chance to spend a lot of time with the top management team, I saw them discussing real problems, challenging firm’s weaknesses, seizing different opportunities we could have exploited, and focusing on possible areas of improvement. This allowed me to collect relevant information and to reach a deeper knowledge of our strategy. It also allowed me to develop a better relationship with them, both proving some of my abilities and enhancing their confidence in my commitment. (Case I)
In those cases where the next generation led the process, interviewees underlined the strategic planning process contribution mainly in terms of relational benefits. In particular, they suggested that leading the strategic planning process offered the major opportunity to develop credibility and legitimacy before internal and external stakeholders.

When educational benefits were mentioned (C and K), they were seen as a marginal improvement to the set of knowledge and abilities already acquired. In case C, the past family CEO observed that although after completion of the planning process, his son had developed a new and interesting approach to the main restructuring decisions of the company, the major benefit of the process was represented by the change in the relationship with the financial institutions: “During the plan presentation, banks’ directors understood that he had received the leadership baton and that he was responsible for the 2005–2007 plan. He then became their firm’s counterpart.” In case K, the strategic plan allowed the next-generation member to develop his financial skills, but above all it was critical for improving his relationship with nonactive family members and with the institutional shareholders; in fact, the appointment of the elected successor as new CEO was subject to the approval of his strategic plan.

We interpreted this difference of benefits combination according to the strategic management literature that suggests that informational benefits may occur during a participatory planning process (Grant, 2003; Ketokivi & Castañer, 2004; Wooldridge & Floyd, 1990), and that strategic planning may help gather consensus both inside and outside the company (Mintzberg, 1994), particularly for those who lead the strategic planning process. Moreover, since we noticed that the role and postentry phases are somehow correlated, we can interpret this evidence according to the extant family business literature on the succession process. In fact, the next generation generally act as executors during the developmental phase of their postentry process, being focused on functional and managerial learning. When they lead the strategic planning process, next-generation members have reached the transition phase, which is characterized by the transfer of elements linked to the credibility and legitimacy of the successor, that is, authority, leadership, and decision-making power (Aronoff & Ward, 2001; Handler, 1990).

In summary we suggest the following propositions.

Proposition 5a. Next-generation involvement as executors tends to be linked more to educational than relational benefits.

Proposition 5b. Next-generation leadership tends to be linked more to relational rather than educational benefits.

Conclusions, Implications for Theory and Practice, and Future Research

In this article, building on evidence from an exploratory study of 18 cases, we have developed initial propositions related to our research questions about the possible benefits the strategic planning process might have on the next generation in the postentry phase.

First, this study suggests that the strategic planning process may produce two main sets of benefits in the next generation’s development and integration processes, here named educational and relational. In particular, the former refers to the fact that the strategic planning process may play a critical role in building and/or reinforcing next-generation knowledge and skills, and in particular industry and business knowledge, functional capabilities, and decision-making ability; the latter refers to social and business networks developed inside and outside the company, together with credibility and legitimacy—dimensions that help family businesses to better survive across generations (Chrisman, Chua, & Sharma, 1998). The wide range and the relevancy of possible benefits arising from the strategic planning process was not surprising; in fact, this can be explained by the large amount of critical information and knowledge needed to complete
the five components of a strategic plan, the variety of important stakeholders who play a role in the different phases of the process, and the relevance of the issues analyzed and presented throughout the strategic plan.

Second, our evidence suggests that next-generation benefits are enhanced in the presence of certain conditions: (1) the adoption of a formal and broad strategic planning process, not only limited to the development of financial forecasts; (2) the existence of either a business or an ownership purpose behind the realization of the strategic plan; and (3) the next generation’s actual involvement in, not simply as an observer of, the process. Our findings seem consistent with recent studies in strategic management literature, which finds a positive relationship between formal strategic planning and internal performance, and suggests that participative planning may reduce position bias (Ketokivi & Castañer, 2004).

Furthermore, to interpret this evidence it is necessary to consider that a formal strategic planning process in family firms has little in common with “the highly bureaucratized, top-down processes caricatured by Henry Mintzberg” (Grant, 2003, p. 512). Rather, strategic planning in our 18 family firms was a process that is located under manager responsibilities and has an only very limited risk of suffering problems of excessive formalization or detachment (Mintzberg, 1994).

Third, in our research model we suggest that there are several factors that combine in explaining differences in the received combination of educational and relational benefits. More precisely, the strategic plan’s purpose and the role of the next-generation member in the process may concur in explaining a higher level of educational benefits or, conversely, of relational benefits. Our propositions seem to be consistent with the fact that, seeing as strategic planning is the most widely used management tool (Rigby, 2001), it may be applied in different situations and for different purposes. Since the emphasis on different components of the plan and the relevance of different phases of the process may differ significantly in the various situations, this may lead to different opportunities to exploit educational and relational benefits of the strategic planning process for the next generation. The existence of differences in the combination of benefits appears to be consistent also with the traditional length of the development and integration process of the next generation and with the presence of development needs, which may differ from phase to phase (Churchill & Hatten, 1987; Handler, 1990; Longenecker & Schoen, 1975).

Overall, we believe that the implications of our findings touch both theory and practice. On the theoretical side, our study offers three contributions to the family business and strategic management literature. First, it contributes to the advancement of the studies regarding the next generation’s development and integration after they have joined the company. More precisely, our studies provide some insight into the process of developing leadership and managerial skills—a hot topic among family business researchers—and of building social and business networks inside and outside the company. Moreover, our study sheds some light on the possible use of strategic planning in family business: Although previous research has underlined the possible contributions of a strategic planning process to a family firm’s long-term survival and success (Astrachan & Kolenko, 1994; Blumentritt, 2006), its role in the succession process has not yet been deeply investigated. Finally, our research contributes to the strategic management literature by investigating the role of strategic planning as an integrative device with regard to a specific typology of relevant stakeholders.

From a practical point of view our findings can provide both practitioners and families with some suggestions. As far as practitioners are concerned, we remind strategic management consultants who do not carry out a specific activity for family businesses, but draw up strategic plans, that they have a great responsibility toward the next generation, since they have the potential opportunity to be important mentors. As far as families are concerned, we offer a new argument in convincing them to introduce the strategic planning process in their own firms, obtaining simultaneously two big advantages. On the one hand, they bring in a
managerial tool to make better business decisions (or to better manage the owners and their relationships) and, on the other hand, they introduce a powerful development tool that can help the next generation with the aforementioned learning.

As far as its application is concerned, given the flexibility and the existence of differences in the benefit combinations, we suggest having a clear business or ownership purpose to start the process and, considering the next generation’s developmental needs, to define their specific roles within the project team and the strategic plan characteristics.

Of course, this tool is not free from risks. The high visibility to which the next generation is exposed during the process can become a threat if mistakes are made. A second possible risk is that if, for any reason, the process does not work and/or the next generation does not decide to be involved, all the educational and relational benefits may be lost. Finally, although we may think that in family firms the risk of formalism and detachment are limited, one must pay attention to the risk that the introduction of a formalized strategic planning process reduces the opportunity for emergent strategy.

Given the nature of our research, our results are far from conclusive; rather, they indicate that the phenomenon seems to have aspects that are still underexplored, raising questions regarding the specificity of issues affecting family firms’ strategic planning and suggesting a direction for further research. From a methodological point of view, we are conscious that this topic needs to be further examined by establishing a control sample and identifying and testing hypotheses. In particular, we aim at operationalizing the concepts so far identified—the perceived benefits, the extent of these benefits, and the level of next-generation involvement. Once we have them, we can adopt a quantitative methodology that might allow us to measure the relationships so far found and to find potential new ones.

In terms of content, we suggest further related areas of investigation, such as individuating conditions for success, so that all potential benefits can be achieved. Among these areas, we think it is particularly important to focus on the characteristics and the attitudes of the incumbent in terms of giving juniors freedom to act, as very autocratic incumbents are unlikely to leave the next generation free to present new ideas or to accept them even if they are presented.

Finally, an area to be further analyzed is the plan’s influence on the performance of the younger members and of the company, growth, and new opportunity exploitation, which leads to considering the relationship between strategic planning and corporate entrepreneurship.

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Strategic Planning in Family Business


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