



# MODULE 04

## *Family Business: Effective Ownership, Board Assessment and Leadership Strategy*

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**Key Questions** PAGE 02

**Selected Reading** PAGE 03

### **E-Lessons**

01. Advantages of Family Business - BUS1003 PAGE 04

02. Three Phases of Strategy: Phase I: Diagnostic - BUS1101 PAGE 06

03. Three Phases of Strategy Phase II: Design - BUS1102 PAGE 09

04. Three Phases of Strategy Phase III: Implementation - BUS1301 PAGE 11

05. Assessing Strategic Options - BUS1007 PAGE 13

06. Being a Good Owner/Director – BUS1003 & WMA1004 PAGE 15

### **Key Documents**

Unique Family Business Advantages Scorecard PAGE 22

Evaluation Form for Company Board and Directors PAGE 23

Family Business Strategy: 1. Strategic Option Evaluation PAGE 25

2. The Promise (Vision and Values) PAGE 28

3. Implementation Plan PAGE 29

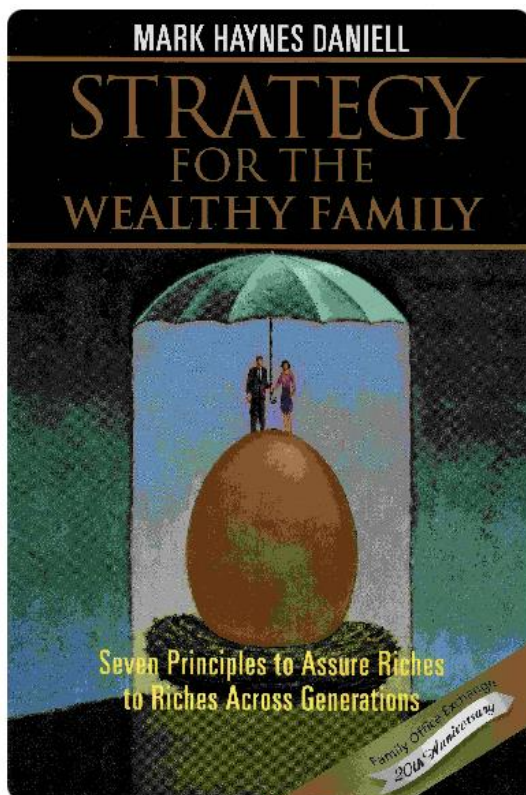
4. Executive Summary PAGE 30



	KEY QUESTIONS
1	Do you have a clear strategic process including diagnosis, design and implementation?
2	Have you completed the seven steps in the diagnosis phase?
3	Do you have the right team for the design phase?
4	Do you have the right team for the implementation phase?
5	What is the best strategic option for the business?
6	Have you understood and taken into consideration the advantages of a family business?
7	Do you know what it takes to be a good owner and director of your family business?
8	Are there other possible avenues for investment?
9	How can you build motivation and morale in the workplace?



## Strategy for the Wealthy Family



Principle 5: The Family Business

Pages 291 to 292

Chapters 24 to 28

Pages 293 to 324

Example 5



## FAMILY WEALTH AND LEGACY PLANNING

MODULE 04 | E-LESSON | BUS1003

### 01. Advantages of Family Business |

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### Key Takeaways

The chairperson must ensure that the board acts in the company's benefit as a whole.

Family members can play different roles, including being an owner, director or in management.

Prepare for a board meeting by doing the following: Agenda setting, drafting protocol and outcomes, determining your aims and achievement and being a team player.

Remember to consider in each area, that there are both 'hard' (technical) and 'soft' (culture and people) issues to take into consideration.

### Introduction

Potential directors of a family business must be well prepared to undertake the role. A good director will learn how to grow into his or her role rather than simply inheriting the position suddenly. He or she will eventually make decisions and take actions that will affect the company as a whole.

Learning about the business and having a good legal and accounting foundation are crucial to the administration of the business. A good director must also cultivate soft skills to create a sustainable and successful business for the long term.



## FAMILY WEALTH AND LEGACY PLANNING

MODULE 04 | E-LESSON | BUS1003

### 01. Advantages of Family Business | cont'd

#### Guidance

Understand the different roles family members can play. A family member can be an owner, governor (representing the family in different circumstances), or a manager (being a part of the structure that operates these activities) within the family structure. Family councils, committees and meetings are key elements of family governance and can be used to maintain stability and unity.

Consider which skills need to be developed to steer the family direction. Family and business leaders need a high degree of business and legal knowledge, balancing family and public responsibilities. Mastering the soft issues, which are also necessary to lead, requires diligence and patience.

When working with people, empathy and listening skills are crucial to managing relationships with team members.

When preparing for a board meeting, set a well-researched agenda. Drafting a protocol and outcomes can also add a level of clarity for all involved. Most importantly, determine at least three goals for the board meeting and then to be able to actualize them.

Finally, when acting as a chair, although difficult at times, be a team player. Having a sense of how people operate and how to interact with individuals is an art - learn how and you can excel as a team leader.



## FAMILY WEALTH AND LEGACY PLANNING

MODULE 04 | E-LESSON | BUS1101

### 02. Three Phases of Strategy Phase I: Diagnostic |

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#### Lesson Summaries

Below you will find summaries for select videos within this module. Note that not every video in the module has a summary document.



#### Key Takeaways

Thoroughly review:

- Business history and its role in the family

- Benefits of family business

- Three Stage Process

- Strategic options and evaluation

- The Promise incl. CSR

- Implementation

Remember to consider in each area, that there are both 'hard' (technical) and 'soft' (culture and people) issues to take into consideration



## FAMILY WEALTH AND LEGACY PLANNING

MODULE 04 | E-LESSON | BUS1101

### 02. Three Phases of Strategy Phase I: Diagnostic | cont'd

#### Lesson Guidance

We will go through the three phases of developing a strategy, each with a specific set of sub-activities: diagnosis, design and development. Each one will contribute to the larger strategy in its own way.

Eventually the strategy can be completed and implemented in the way you want for your business.

Start with diagnosing the business so you can answer the right questions before moving into the design phase.

#### Introduction

It is important to avoid a fire-ready-aim strategy. Some questions that are important to answer are:

- Where has the business been?
- Where do we come from?
- What business are we actually in?

It is important to understand the history of the business, its culture, successes and failures, what the financial performance has been, what kind of issues were faced in the past and how were they dealt with.

#### Diagnosis → Design → Implementation

The first of the three phases of strategy is the Diagnostic Phase.

This phase consists of seven steps.



## FAMILY WEALTH AND LEGACY PLANNING

MODULE 04 | E-LESSON | BUS1101

### 02. Three Phases of Strategy Phase I: Diagnostic | cont'd

#### Guidance

Each of the three phases of strategy share the common trait of making sure the current business context is fully understood.

**Step 1: Point of departure** - define your company's current standing and position before developing a strategy. "Before you begin a journey, know where you start."

**Step 2: Business process portfolio** - understand your business portfolio (profits and costs).

**Step 3: Competitors' perspective** - Who else is competing? What are your competitors' strengths and weaknesses compared to yours? Maximize your company's advantage while exploiting competitor's weaknesses. "When you spot your opponent's weak spot, hammer it" – John Heisman

**Step 4: Business dynamics** - Industries don't stand still. Are technology, customers or distribution channels changing, or are they likely to change?

**Step 5: Organizational assessment** - Strategy is impacted by people and how they affect the organization. Understand the human aspect of your company and how they compare to competitors.

**Step 6: Range of strategic options** - What options does your business have, and what would each imply?

**Step 7: Strategic options evaluation** - Of the potential strategic options available to your business, what does each entail? What are the advantages and disadvantages of each? Understanding the strategic options will allow you to select a strategic course.





## FAMILY WEALTH AND LEGACY PLANNING

MODULE 04 | E-LESSON | BUS1102

### 03. Three Phases of Strategy Phase II: Design |

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Diagnosis → **Design** → Implementation

Based upon the facts and observations gleaned in the diagnostic phase, the design phase will draw together all elements of your strategy into a single coherent approach, leading seamlessly to implementation.

In order to be as powerful and effective as it possibly can, the design phase must be carried out with one eye on the lessons of the past and another on the demands of the future.

- Creativity and Innovation
- Priorities and resource allocation
- New organizational approach
- Risk management
- Target results

**Step 1: The Promise: Vision, Mission and Values** is perhaps the most important element in any strategy as it sets the overarching goal that will unite and motivate employees behind a common purpose, guide investment decisions, and inspire shareholders? There are four key elements of The Promise: a clear vision, a detailed mission statement, a commitment to values, and a program of engagement and responsibility.

**Step 2: Key Levers on Performance and Value.** Within each industry, there is a limited set of high impact 'levers' that can lift business performance most efficiently and effectively. Once the key levers have been identified, the task is to define how they can best be applied to create the greatest positive impact for your organization. The resulting imperatives will serve as a bridge between the vision and specific priorities, targets and investments.



## FAMILY WEALTH AND LEGACY PLANNING

MODULE 04 | E-LESSON | BUS1102

### 03. Three Phases of Strategy Phase II: Design | cont'd

**Step 3: Creativity and Innovation.** The best way to release our individual – and team’s – most creative capacities will vary based upon the individuals concerned and the culture of the organization in which the strategic initiative is being pursued.

**Step 4: Priorities and Resource Allocation.** A clearly defined set of priorities, and an equally clearly defined set of non-priorities, can guide resource allocation to those areas that will lead to the highest return on corporate and human capital.

**Step 5: New Organizational Approach.** There are three parts to organizational design: structure, staffing and operating principles. All three phases are essential to ensure that options can be implemented in a way that suits the culture and character of a company.

**Step 6: Risk Management.** Business risks can broadly be broken down into three categories: financial, operating and contextual. A far-sighted team will have a specific plan of action in all of these areas.

**Step 7: Target Results.** Successful strategies can only be driven by managers with a clear set of targets indicating the performance required to implement the chosen strategy. These targets must be ambitious, credible, and fully aligned with agreed strategy.



## FAMILY WEALTH AND LEGACY PLANNING

MODULE 04 | E-LESSON | BUS1301

### 04. Three Phases of Strategy Phase III: Implementation |

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#### Introduction

Diagnosis → Design → **Implementation**

The third and final phase of strategy is the implementation stage, which comprises the following seven elements:

- Imperatives, actions, and responsibilities
- Tactics and timetable
- Implementation team
- Alignment and integration
- Program control
- Full value capture
- Leadership and motivation

The implementation stage aims to bring the company leadership's vision to life, through these well-thought-out and structured steps.



## FAMILY WEALTH AND LEGACY PLANNING

MODULE 04 | E-LESSON | BUS1301

### 04. Three Phases of Strategy Phase III: Implementation | cont'd

#### Guidance

Implementation builds on diagnosis and design, and specifically decides what, when and how the strategy will be executed, who will manage it, and what kind of leadership will be required. In order to do this:

- Imperatives, actions, and responsibilities must be understood
- Timetable and tactics must allow for effective implementation
- The right team with proper ethos, skills, and objectives, must be assembled
- The objectives must be aligned and implemented alongside the daily activities of the organization
- A control system must also be installed so those running the business can also run the implementation process.

All this can lead to an efficient (low cost) and effective (high impact) implementation program.

Full value capture effectively examines strategy and possible additional activities. Does pursuing a certain activity open door to other possibilities? Full value capture involves exploring other opportunities to ensure effective return on investment.

All of this requires effective leadership to motivate and engage employees. Motivation creates energy for productive and rapid change and allows for greater progress in any venture.



## FAMILY WEALTH AND LEGACY PLANNING

MODULE 04 | E-LESSON | BUS1007

### 05. Assessing Strategic Options |

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### Key Takeaways

Corporate Social Responsibility (CSR) and social engagement have come to the forefront of business today versus a generation ago

There are two different types of social responsibility activities: internal and external

The four areas of internal social responsibility are: workplace, business system, reporting and governance

The areas of external social responsibility are providing ethically sourced products and services to customers, protecting the environment, understanding the business' role in the social and business community

Remember to consider in each area, that there are both 'hard' (technical) and 'soft' (culture and people) issues to take into consideration

### Guidance

Corporate Social Responsibility (CSR) and social engagement are important elements of modern family businesses.

CSR often falls into one of two categories: internal or external. Internal issues relate to the family business itself and can impact business operations.



## FAMILY WEALTH AND LEGACY PLANNING

MODULE 04 | E-LESSON | BUS1007

### 05. Assessing Strategic Options | cont'd

Internal issues include:

- The workplace (e.g., providing a healthy work environment for employees)
- Business systems (e.g., ensuring the standards and ethics of the business ecosystem and suppliers)
- Reporting (e.g., abiding by accounting and environmental regulations)
- Governance issues (e.g., ensuring proper board representation, checks and balances and activity)

External issues include:

- Product and customers (e.g., good customer standing and loyalty through ethical products and services)
- Environmental (e.g., pollution and degradation reduction)
- Social community (e.g., allocating wealth for philanthropic goals)
- Business community (e.g., defining and influencing the procedures of the industry)

CSR, when done properly, is good for the environment, communities, the company, and your family.



## FAMILY WEALTH AND LEGACY PLANNING

MODULE 04 | E-LESSON | BUS1003 & WMA1004

### 06. Being a Good Owner/Director | cont'd

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#### Defining Purpose, Setting Goals and Structuring Wealth

While there are many challenges to managing a business successfully across multiple generations, beating the odds is not impossible. A number of very successful family businesses in many countries prove that it is indeed possible to balance the three variables of family business strategy discussed in the previous chapter and create and sustain positive results across generations.

From a selected set of long-term successful companies, and from the combined analyses of the INSEAD Business School and corporate strategy specialists Bain & Company, ten key characteristics for strategic success in an individual family enterprise can be highlighted, as follows:

#### STRATEGIC SUCCESS FACTORS IN A FAMILY BUSINESS

- Ownership commitment
- Strong family relationships
- Clear succession plans
- Ability to redefine strategy and renew the business
- Entrepreneurship
- Effective shareholder structure and processes
- Resilience in hard times
- Clear and explicit rules for ownership, management and governance



## FAMILY WEALTH AND LEGACY PLANNING

### MODULE 04 | E-LESSON | BUS1003 & WMA1004

#### 06. Being a Good Owner/Director | cont'd

Ensuring that a family business reflects as many of these characteristics as possible will add to the chances of any one business emerging as a rare victor in the battle for survival and long-term family and business prosperity.

**Ownership commitment:** A family fully committed to ownership will attract better staff, create the energy for change and innovation, and reassure colleagues that the business is in safe hands.

**Strong family relationships:** Divisions, discord, and differences of opinion, especially if played out in public, can all create confusion, greater risk, counterproductive behaviour, or, at a minimum, substantial operating inefficiencies.

“Only one in seven family businesses makes it to the third generation.”

**Strong values of work and stewardship:** Great wealth does not always lead to a great work ethic or an understanding of the actions and attitudes that make a good owner or manager. The most successful family businesses demand, and receive, adherence to the highest standards of effort, attainment, and stewardship of family assets from all generations.

**Clear succession plans:** In a world where there may be limited room for outsiders to rise to top positions, clear succession plans will need to be worked out well in advance of any actual transition. However, one of the unique advantages of family business is the luxury of multi-year and multi-generational succession planning.





## FAMILY WEALTH AND LEGACY PLANNING

MODULE 04 | E-LESSON | BUS1003 & WMA1004

### 06. Being a Good Owner/Director | cont'd

“Revolution does not often start with the monarch.....”

**Ability to redefine strategy and renew the business:** At times, the need for change runs so deep that only a fundamental change in the business model can preserve the business and prepare it for continuing prosperity.

Although revolution does not often start with the monarch, profound change may need to be initiated and supported by the leaders and owners to survive big changes in the environment.

**Entrepreneurship:** Whether from within the family or from selected colleagues brought in from the outside, entrepreneurship is a major virtue which can be applied to existing and new business opportunities alike.

**Effective shareholder structure and processes:** The private or family- controlled business leadership team needs to set and achieve the highest standards of ownership and governance processes.

**Resilience in hard times:** Every business passes through cycles, good and bad. INSEAD Business School research shows that only one in seven family businesses makes it to the third generation. One of the major differentiators separating the quick and the dead is an ability to ride out hard times, to adapt business models, reinvent companies, implement painful decisions, and place the survival of the family business above all other commercial goals.



## FAMILY WEALTH AND LEGACY PLANNING

### MODULE 04 | E-LESSON | BUS1003 & WMA1004

#### 06. Being a Good Owner/Director | cont'd

**Clear and explicit rules for ownership, management, and governance:** These three roles are fundamentally different, requiring different skills, styles, and capabilities. A failure to separate the three increases the risk of an expensive failure in one or more of these critical activities.

**Selling out:** One of the key questions any family considering the sale of the family business is as cited earlier: Is your family keeping the business together or is the business keeping your family together?

The family may be widely dispersed and pursuing very different interests in very different parts of the world. In this case, an annual family business meeting can act as the mortar that binds the family together.

In considering the broader definitions of family wealth posited in the first part of this book, the role of the family business can assume even greater importance in shaping the lives of family members. The vision, values, purpose, influence, and opportunities open to family members can vary enormously depending upon whether or not a family business forms part of the family's traditions and economic activities.

In each generation, numerous opportunities may arise to sell all or part of the family business. Even major charitable owners of businesses may find it appropriate to sell down their major holding at the right point in time. In 1986, the Wellcome Trust did just that, selling a 25% stake of its once family-owned pharmaceutical business to the public.

In choosing the sale option, families and trustees will need to consider not only the business and financial logic of a sale, but will also need to consider all aspects of the family dynamic involved.

**Opting out:** Many wealthy business families that have endured across generations have a mechanism through which individual members can sell their share in the family business. The price, consequences, and options available vary dramatically - from paying full market value on demand to providing nothing but a handshake and good wishes for the departing member's independent and unsupported future.



## FAMILY WEALTH AND LEGACY PLANNING

### MODULE 04 | E-LESSON | BUS1003 & WMA1004

#### 06. Being a Good Owner/Director | cont'd

In one wealthy international family based in Geneva, members who decide to leave the business take no financial assets with them. This family is centred on its business, and members who are no longer involved become very marginal in the determination of family issues of any consequence.

In another family of equal wealth and standing, individuals who wish to opt out of the family business are given a pay-out over three years which is as close to the market value of their shares as possible. These individuals, providing they do not leave with ill will between themselves and other family members, remain very much a part of the larger family regardless of their diminished equity shareholding in the family enterprise.

**Buying out:** It is not impossible for a small subset of family members to buy out the economic interests of other family members. Such a consolidation of ownership may be necessary in order to get full and focused support for a business, or to resolve conflicting ownership objectives of a broader ownership cohort.

The Singapore-based Eu Yan Sang family business has manufactured traditional Chinese medicines for more than a century. After some years of cross-generational fragmentation in the ownership of the business in the large Eu family, a new generation, led by former investment banker Richard Eu, led a buyout and concentrated ownership in a smaller group of family shareholders.

Following the buyout, the business was cured of many of the ills that had beset it, became publicly listed and has now progressed in such a manner that its business portfolio has been expanded to include clinics and other creative and financially successful add-ons to the traditional medicine business.

**Cutting out:** Some prominent European families, including the Oetker family in Germany, have established a process which deliberately cuts out many potential family shareholders in favor of a concentrated group of family members.



## FAMILY WEALTH AND LEGACY PLANNING

### MODULE 04 | E-LESSON | BUS1003 & WMA1004

#### 06. Being a Good Owner/Director | cont'd

The large Dr. Oetker bakery, food, shipping, and services conglomerate underpins a family fortune worth an estimated US\$8 billion. In its 2005 Annual Report, the company spelled out its policy on business in no uncertain terms, asserting: “*The interests of the company have priority over those of the family.*” In line with this statement, following the death of family patriarch Dr Rudolf August Oetker in 2007, ownership of the business was passed on to a select group of only eight family shareholders.

Family decision-makers had decided that an equal distribution across all family members would lead to an excessively broad shareholder base in the family and would be likely to be sub-optimal from both a business and family perspective.

Established as a means to protect a family business from excessive fragmentation of ownership, cutting out now joins opting out and selling out as an important operating approach to be considered by family leaders.

**Vendor's remorse:** According to such experts as Professor J. William Petty of Baylor University in the US, many vendors of family businesses come to regret their decisions, even on the same day as the sale is completed.

podcast: <http://www.baylor.edu/content/services/document.php/24692.mp3>

Their remorse arises from the lack of a replacement activity for themselves, a missing forum to bring the family together, dismay at the way purchasers manage the business and the people within it, loss of their position in the local and larger community, and a feeling that the next generation have missed out on the opportunity to develop or maintain something unique and significant.



**Keeping it in the family:** One European family, to avoid being forced into a position of having to go public to finance the buyback of a departing member's shares, has developed a sophisticated mechanism by which these shares are offered at a set price, in the following sequence:

- a. To members within that individual's Family Unit.
- b. To existing family shareholders in other Family Units on a pro rata basis
- c. To the Company.
- d. To outside purchasers, but with the express proviso that no shares can be sold outside the scope of this mechanism without the express permission of the Family Council.

The aim of this approach was to ensure that all opportunities to keep the family business in family hands were fully considered, and that the entire process was both fair and transparent. Given the importance of a family enterprise to this - and other - families, careful consideration of any sale transaction, and an appropriate process, needs to be established in order to avoid unnecessary loss of control of the enterprise.



## FAMILY WEALTH AND LEGACY PLANNING

### MODULE 04 | KEY DOCUMENTS | UNIQUE FAMILY BUSINESS ADVANTAGES SCORECARD |

Q: Have you extracted maximum value from each inherent family business advantage?

Score 1-10  
[10=Hi, 1=Lo]

- Longer term view and commitment /10
- Greater preparation time for succession /10
- A more sophisticated appetite for risk /10
- Higher degrees of speed and flexibility /10
- Personal nature of corporate and social responsibility /10
- Natural diversification through family members /10
- More limited reporting and disclosure burdens /10
- Higher degree of confidentiality and discretion /10
- Ability to define strategy by owners /10
- Greater and enduring commitment /10

Overall Score /100

### KEY DOCUMENT I: UNIQUE FAMILY BUSINESS ADVANTAGES SCORECARD

<< [DOWNLOAD TEMPLATE HERE](#) >>



## FAMILY WEALTH AND LEGACY PLANNING

### MODULE 04 | KEY DOCUMENTS | EVALUATION FORM FOR BOARD AND COMPANY DIRECTORS | cont'd

	Workplace	Business System	Reporting	Governance
<b>Internal</b>	<ul style="list-style-type: none"> <li>Continue "Watch It" safety program</li> <li>No accidents</li> <li>Improve lighting and eye care standards</li> <li>Commitment to hire wheelchair-bound</li> </ul>	<ul style="list-style-type: none"> <li>Gold suppliers healthy work practices verified</li> <li>Distributor service excellence training</li> </ul>	<ul style="list-style-type: none"> <li>Adopt triple bottom line accounting</li> <li>Publish "annual report", even pre-IPO</li> </ul>	<ul style="list-style-type: none"> <li>Add two independent non-Swiss directors to Board within 2 years</li> <li>Add Board Committee on Corporate Responsibility</li> </ul>
	Customers	Environment	Social Community	Business Community
<b>External</b>	<ul style="list-style-type: none"> <li>Provide lifetime product guarantee</li> <li>Ensure safe packaging materials used</li> </ul>	<ul style="list-style-type: none"> <li>Cut toxic effluents from cleaning fluids by 80%</li> <li>Invest R&amp;D funds to find alternatives to plastics in packaging</li> </ul>	<ul style="list-style-type: none"> <li>Increase annual eye care project contribution</li> <li>World Watch Institute</li> <li>Provide clocks and teaching materials to African program</li> </ul>	<ul style="list-style-type: none"> <li>Fund 20% of budget of watch-makers college</li> <li>Chairman on Board of Swiss Industry Council</li> </ul>

### KEY DOCUMENT II: CORPORATE SOCIAL RESPONSIBILITY: EVALUATION FORM FOR COMPANY DIRECTORS

<< DOWNLOAD TEMPLATE [HERE](#) >>



## FAMILY WEALTH AND LEGACY PLANNING

### MODULE 04 | KEY DOCUMENTS | EVALUATION FORM FOR BOARD AND COMPANY DIRECTORS | cont'd

#### Being a Good Director

Bill Reynolds			
Criteria for Evaluation	Self Score	Average Score	<b>Comments:</b>  <b>Positive Performance Elements</b>  <ul style="list-style-type: none"> <li>Vast experience and his comments are always on point</li> <li>Challenges management well; knows how to work with team</li> <li>Ability to think independently and critically</li> <li>Very capable businessman and very lively personality</li> </ul> <b>Areas for Improvement</b>  <ul style="list-style-type: none"> <li>Time management, sometimes goes over time so we end up behind with the other meetings</li> <li>Manage agenda and discussions of board members to be constructive within the assigned timetable</li> <li>Needs to show up early and start on time</li> <li>Make sure we stay on agreed agenda and achieve agreed objectives of the meeting (e.g. Amman) and each discussion item</li> <li>We need to look less at past operating performance and have more focus on strategy and the long term goals of the overall business</li> </ul>
General Quality of Participation			
1. Prepares well for meetings	6	8.2	
2. Listens carefully to others	8	9.2	
3. Participation respectful and constructive	8	9.2	
4. Respects agenda and leadership	8	8.2	
5. Punctual and organised	5	7.8	
Business Focus/Value addition as a director			
6. Provides practical input	7	10	
7. Provides creative ideas/external examples	7	9.5	
8. Supports group/team strategy meetings	7	8.5	
9. Contributions to Committees (esp Chair)	7	8.2	
10. Balances family, group and BU interests	6	8.8	
Total Score/100	69	87.6	

#### KEY DOCUMENT III: BEING A GOOD DIRECTOR

<< DOWNLOAD TEMPLATE [HERE](#) >>





## FAMILY WEALTH AND LEGACY PLANNING

### MODULE 04 | KEY DOCUMENTS | FAMILY BUSINESS STRATEGY: STRATEGIC OPTION EVALUATION |

#### Background and History

- The Raffles Watch Co, founded in 1788, is one of the world's leading luxury watch businesses, specializing in men's and ladies' gold dress watches.
- Following the recent Crisis and decline in industry demand, compounded by issues of greater competition on both price and service, the business continues to suffer long term erosion in market share, brand presence, and relative margins. Men's leather band formal watches are in a particularly weak position and suffer from an ageing clientele and tired brand image.
- Competitors have overtaken the Raffles Watch Co and continue to grow in our core segments, and in high growth/higher profit sectors such as sports and fashion forward watches and accessories
- Corporate financial performance has achieved over \$100 million in revenue and \$15 million in profit; and current cash reserves are strong, but performance is declining slowly and in need of reviving
- The closure of the recently acquired leather goods business and growth investments in ladies' watches have not provided the desired uplift in profits nor the expected cross-sell opportunities
- A new CEO has been hired from the outside to develop a new strategy for business.

#### KEY DOCUMENT IV: FAMILY BUSINESS STRATEGY

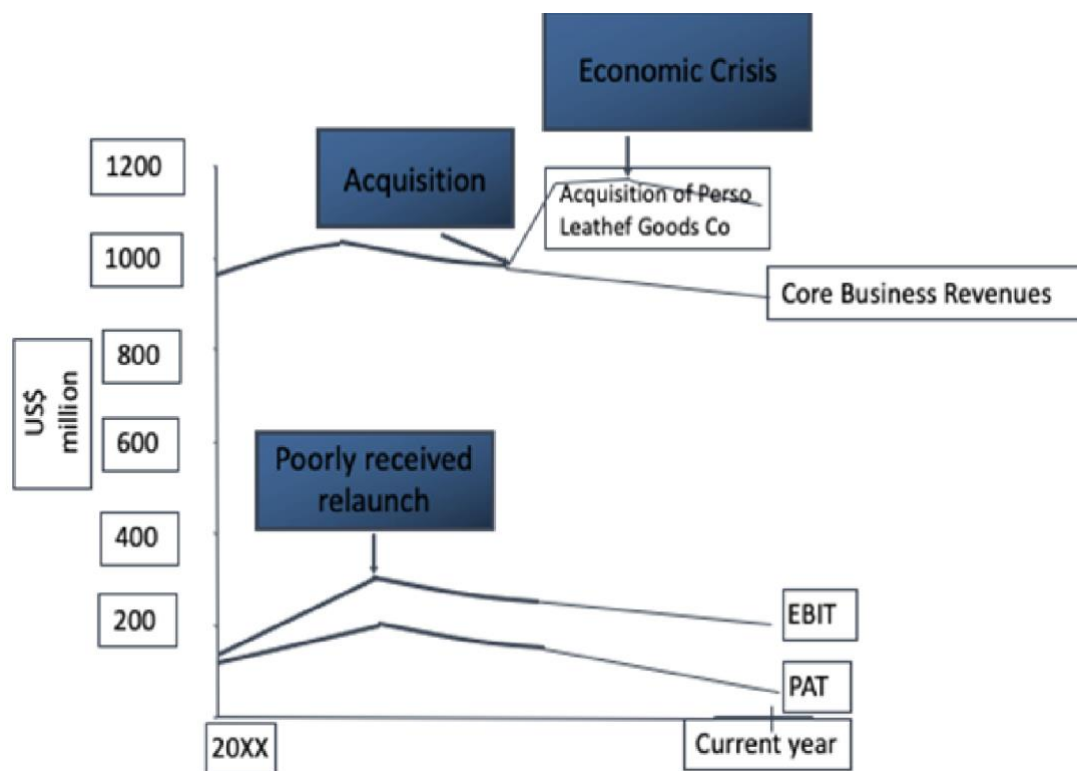
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## FAMILY WEALTH AND LEGACY PLANNING

### MODULE 04 | KEY DOCUMENTS | FAMILY BUSINESS STRATEGY: STRATEGIC OPTION EVALUATION | cont'd

#### Historical Financial Results






## FAMILY WEALTH AND LEGACY PLANNING

### MODULE 04 | KEY DOCUMENTS | FAMILY BUSINESS STRATEGY: STRATEGIC OPTION EVALUATION | cont'd

#### Range of Options Available

					
	Option A	Option B	Option C	Option D	Option E
	Status quo plus	Focus on international watch growth	Hybrid and network model	Breakthrough	Sell Company
Content:	<ul style="list-style-type: none"> <li>• Stabilize profits</li> <li>• Retain and fix Perso</li> <li>• Increase brand spend</li> <li>• Improve performance of existing distribution systems</li> <li>• No mergers, acquisitions or divestitures</li> <li>• Stay private</li> <li>• No major initiatives in ladies' or sports range</li> </ul>	<ul style="list-style-type: none"> <li>• As option A plus               <ul style="list-style-type: none"> <li>- Launch second line</li> <li>- Sign up 50 new distributors</li> <li>- Add 15 owned outlets</li> <li>- Add international sales resources</li> <li>- Sell Perso</li> </ul> </li> <li>• Build service division</li> </ul>	<ul style="list-style-type: none"> <li>• As option A plus               <ul style="list-style-type: none"> <li>- Increase points of sale to 1,000 with partners</li> <li>- Set up network of sales JVs in key countries</li> <li>- Merge OECD distribution/ logistics system with European competitor</li> <li>- Keep Perso</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Launch RRW sports brand or acquire sports watch company</li> <li>• Relaunch ladies' brand</li> <li>• Launch Collection</li> <li>• Establish service division</li> <li>• Grow owned outlets to 75 from 36</li> <li>• Add 100 third party outlets</li> <li>• Cut costs 20%</li> <li>• Sell Perso</li> <li>• Public listing of RRW</li> </ul>	<ul style="list-style-type: none"> <li>• Hire investment bank to sell all (or majority) of equity</li> </ul>



## FAMILY WEALTH AND LEGACY PLANNING

### MODULE 04 | KEY DOCUMENTS | FAMILY BUSINESS STRATEGY: THE PROMISE (VISION AND VALUES) |

The Raffles Watch Co will become one of the country's leading high end watch companies, and one of the country's most highly respected companies, constantly setting and achieving new standards of excellence in sales and service capability.

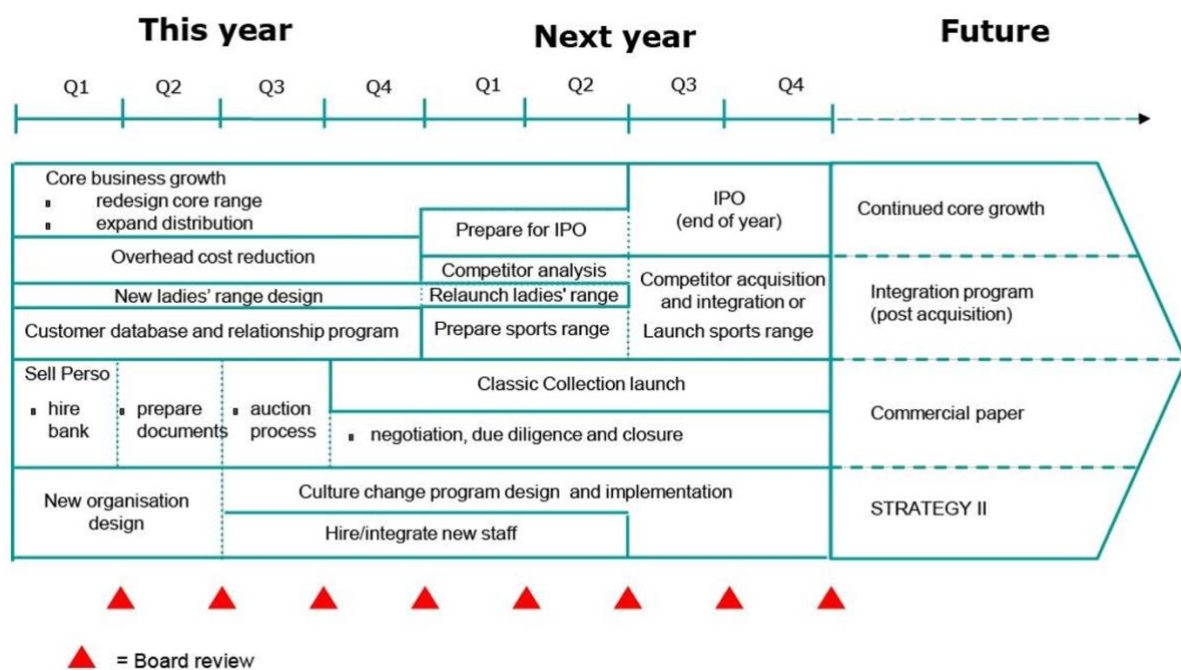
- Achieving this vision will require us to:
- Build and communicate the value of the service offer.
- Design and deliver great service to select customers
- Center our entire business on core xxx products and related products and services.
- Establish and expand on global leadership in quality, market presence, and organizational excellence in our selected customer, product and market segments.
- Attract, develop, and support the best people in our industry
- Continue to build our enterprise as a caring company which contributes to the greater world community

Achievement of this Mission will allow us to preserve and enhance our heritage of quality, excellence, and aspirational value, surpassing all others in our industry.



## FAMILY WEALTH AND LEGACY PLANNING

### MODULE 04 | KEY DOCUMENTS | FAMILY BUSINESS STRATEGY: IMPLEMENTATION PLAN |





## FAMILY WEALTH AND LEGACY PLANNING

### MODULE 04 | KEY DOCUMENTS | FAMILY BUSINESS STRATEGY: EXECUTIVE SUMMARY |

We have concluded a detailed STRATEGY exercise over the past six months, drawing from 15 senior executives and over 100 colleagues around the company.

That analysis has shown that our performance over the past five years has not been satisfactory. We have:

- lost leadership in our core sector
- missed out on high growth opportunities in adjacent countries
- acquired Perso, which failed to meet expectations
- allowed our organization to stagnate relative to competition
- failed to manage cost sufficiently, especially at HQ

With a new CEO nominated earlier this year, we are well placed to undertake a new direction. Having reviewed our current situation and assessed all options on an intensive basis, our recommendation is to undertake a more aggressive/conservative strategy in both revenue and profit.

The key elements of that strategy are:

- de-emphasize low/no profit business to refocus on our attractive core business
- investment to reduce costs and improve service in our core and adjacent businesses
- launch or acquire a new high-end sports range, with an industry leadership goal in 5 years
- grow distribution network to cover all geographies
- restructure and re-staff the organization
- cut HQ costs by 20%



## FAMILY WEALTH AND LEGACY PLANNING

### MODULE 04 | KEY DOCUMENTS | FAMILY BUSINESS STRATEGY: EXECUTIVE SUMMARY | cont'd

Pursuing this strategy successfully should enable us to:

- restore leadership in the core business
- double profits in three years
- end costs and distraction from unattractive or bad debt risk distribution clients
- improve organizational morale and performance
- Increase the current value and future prospects for our business

The strategy carries with it a set of specific risks (ownership, organizational, financial) which we believe we can manage successfully.

The implementation timetable will take 3 years:

- an intensive first twelve-month phase to realign product/service mix (taking more 'hard' business in JV contracts) reduce costs, prepare re-launch of core products, spec out a new organization, and upgrade the distribution system.
- a second twelve-month phase to implement the proposed organizational change fully, pursue the acquisition of our priority target entities.
- a final phase in year three to integrate the target company, capture financing benefits of to improve our balance sheet and effective yield on capital and prepare the company for faster profitable growth and further industry consolidation.



## FAMILY WEALTH AND LEGACY PLANNING

### MODULE 04 | KEY DOCUMENTS

This page includes all the Key Documents available to download. These templates are to be completed with your own Family Wealth and Legacy Planning content.

#### KEY DOCUMENT I: UNIQUE FAMILY BUSINESS ADVANTAGES SCORECARD

<< DOWNLOAD TEMPLATE [HERE](#) >>

#### KEY DOCUMENT II: CORPORATE SOCIAL RESPONSIBILITY

<< DOWNLOAD TEMPLATE [HERE](#) >>

#### KEY DOCUMENT III: BEING A GOOD DIRECTOR

<< DOWNLOAD TEMPLATE [HERE](#) >>

#### KEY DOCUMENT IV: FAMILY BUSINESS STRATEGY

<< DOWNLOAD TEMPLATE [HERE](#) >>