

## Chapter 12

# The 3D IFB SWOT Analysis as a Strategic Tool to Develop Entrepreneurial Plans for Family Businesses

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### **ABSTRACT**

*This chapter provides a framework that family business members can use to strategically and entrepreneurially evaluate themselves before they prepare the final strategic plan of the family firm. The tool consists of four phases. The first phase is the Strengths-Weaknesses-Opportunities-Threats (SWOT) analysis of the Individuals that are members of the family business. The second phase is the SWOT analysis of the Family's generational groups. Each generation in the family business will work in groups according to their year of birth. The third phase is the SWOT analysis of the Business. The fourth and most important phase is the integration called 3D IFB SWOT Analysis. It is 3D because it is three-dimensional, integrating the Individual, the Family's generations, and the Business.*

### **INTRODUCTION**

The pioneers in the study of family businesses identified early in their theoretical work, three systems that composed this entrepreneurial institution: family, business, and ownership (Tagiuri & Davis, 1996). Later, others recognized the importance of another element of analysis, the individual (Casillas, Acedo, & Moreno, 2007). The relationships among these systems have been explained by different theories such as agency, stewardship, socio-emotional wealth (Madison, Holt, Kellermanns, & Ranft, 2016; Berrone, Cruz, & Gomez-Mejia, 2012) among others. Each framework helps in some way to assess the strengths and weaknesses of each system.

DOI: 10.4018/978-1-6684-3550-2.ch012

Early in the development of the field, researchers and practitioners recognized the importance of strategic planning in family businesses (Ward, 1987; Carlock & Ward, 2001). They began to use the tools already available in the strategic management field to propose frameworks that could facilitate planning among family and business (Carlock & Ward, 2001). For example, Carlock and Ward (2001), introduced the use of the Strengths-Weaknesses-Opportunities-Threat (SWOT) analysis, originally from Weihrich (1982), now applied to the family business, but in a very conventional and general way. Other disciplines such as psychology and family therapy, education, health and medicine, have used this tool to provide insights and prepare action plans to individuals, families and professionals (Carter, 2019; Clark, 2011; Ortega-Altamirano, Rodríguez-Oliveros, González-Unzaga, & Reyes-Morales, 2018; Shurden & Shurden, 2013; Tang, Huang, Ma, & Liu, 2018).

The SWOT has been used as a proven developmental results-oriented strategic planning tool (Helms & Nixon, 2010). However, a search of the literature has not yet revealed a comprehensive approach to use it with family businesses.

Strategic planning is a necessity among family businesses, and there is a lack of appropriate tools that could be used by researchers and practitioners in the process. Even more necessary considering that two main issues for family businesses in the length of time of five or fewer years are a completion of a strategic plan, succession, and the incorporation of new generations in leadership positions in the firm (PWC, 2019 US Family Business Survey).

The purpose of this chapter is to propose a framework grounded in the resource-based view theory (Habbershon & Williams, 1999) from the strategic management field but complemented with other theories. The framework considers the strengths and weaknesses of the internal systems or entities of a family business: the individual, the family, and the business. The institutional theory foundations will be used as a basis for assessing the external environment of the systems identifying opportunities and threats.

This chapter makes the following contributions: (1) reexamination of the importance of the individuals for the family business, (2) analysis of the family groups per generation and suggest a framework to generate a balance check for them, (3) use of an existing strategic management tool, the SWOT analysis, now based on theoretical approaches applied to family firms, to match the individuals and the families with the business to generate input for the long-term strategic family business plans.

In summary, the chapter makes a theoretical contribution because although it does not generate new theory, it improves the existing theories (Whetten, 1989) and tools that researchers and consultants in the family business field could use.

## **BACKGROUND**

The pioneers that study family businesses identified three systems in the firms (Tagiuri & Davis, 1996). The models, such as the three circles, included the systems: family, business, and property and the areas of intercept among them (Tagiuri & Davis, 1996). Eleven years later, Casillas et al. (2007) argued that the family business is a complex institution from the human and social points of view and added the fourth circle to the model. They highlighted the importance of the individual as the model's center. The individual has personal values and reasoning (Casillas et al., 2007). The principal values in each of the three traditional circles -family, business, and property-, are very different. It is important how coherence is given to all this so that the family business operates and transcends generations. Casillas et al. (2007), adapting the model presented by Gersick, Davis, McCollom, and Lansberg (1997), proposed

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