

# Sanity Check: Leading Indicators of Constraints on the Sustainability of Family Enterprises Survey

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Here is a simple check to see if the statement “Control over my Family Enterprise is Sustainable” is true or false. Sustainable Family Enterprises have three attributes: there are sufficient resources, there are adequate procedures, and there is sufficient innovation and learning. We are using these leading indicators of long-term sustainability of Family Enterprises in our sanity test. The advantage of this sanity test, over performing a complete or rigorous test, is speed.

- 1) Which of the following statements do you believe to be true about your Family Enterprise?
  - a. There are Sufficient Resources available to the Family Enterprise.
  - b. The Processes for maintain control over the Family Enterprise are adequate.
  - c. There is Sufficient Innovation and Learning in the Family Enterprise.
- 2) For each question you answered as true, complete the appropriate section of the survey below, indicating whether, in your opinion, each statement is true (-1) or false (+1) for your Family Enterprise.
- 3) Add up the rankings. If the sum is negative, go through and rank each statement as to whether this is the weakest or strongest attribute of your Family Enterprise.
- 4) Consider whether what you may have assumed as true is in fact false in answering question 1. Consider how to remove the greatest weakness that is constraining the sustainability of your Family Enterprise.
- 5) Compare your conclusions with the conclusions of other stakeholders and consider the following:
  - a. What should you change to address the core issue at the heart of the problem of sustainability?
  - b. What should you change to solve that problem?
  - c. How are you going to make the change required to implement the solution?
  - d. What will you agree to change next?

Resources	Yes= -1 No = +1	Rank 1=weakest 15 = strongest
1) There are sufficient Resources to sustain the Family Enterprise:		
a. The Qualifications, Role, and Appointment Process of the CEO are ill-defined.		
b. The conditions under which family members can work in the business are ill-defined, and appointments of family to senior management positions can be made without approval of an independent board of directors.		
c. There is an insufficient number of family members in the pipeline to handle sudden changes in ownership and control.		
d. The family's social network is too narrow.		
e. The Family's social network is too shallow.		
f. There are insufficient financial resources available to the family that are not co-mingled with the business.		
g. There are insufficient financial resources to support individual members of the family.		
h. There are insufficient financial resources available to the business that are not co-mingled with the family resources.		
i. The family does not share more than a low-level knowledge about the business.		
j. The level of outside expertise available to the business is limited by a glass ceiling.		
k. The Family Enterprise is technologically unsophisticated.		
l. There is a lack of access to skilled labor.		
m. There are insufficient sources of capital available to the Family Enterprise.		
n. The location of the business is a disadvantage.		

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<p><b>o. The branding of the business products and services is weak or unprotected.</b></p>		
<p><b>L: Go through and sum the rankings. If the number is negative then your assumption that there are sufficient resources is false. Go through and rank each from weakest (1) to strongest (15).</b></p>		

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Processes	Yes = -1 No = +1	Rank 1=weakest 11 = strongest
2) There are adequate Processes to sustain the family control of the enterprise:		
a. There is infrequent communication within and among the members of the extended family.		
b. Communication is informal and excludes outsiders and extended members of the family.		
c. There is no bi-directional communication between the CEO, the management, the board, and the stakeholders in the family.		
d. There is a low level of trust between and among the members of the family, the management of the business, and other stakeholders.		
e. There is a low level of affability between and among the family members.		
f. The level of functional competitiveness in the business is low.		
g. The level of informality in the Family Enterprise is high.		
h. The ability to seize opportunities is low.		
i. The marketing skills of the Family Enterprise is low.		
j. The response time for making direct investments is low.		
k. The decision-making process is fragmented, uncertain, and inflexible.		
<b>TOTAL: If sum is negative, then your assumption that there are adequate processes to sustain family control is false. Go through and rank from weakest (1) to Strongest (11).</b>		

Learning	Yes = -1 No= +1	Rank 1=weakest 10 = strongest
<b>3) There is sufficient Innovation and Learning in the Family Enterprise:</b>		
a. The members of the family are not oriented towards and committed to learning.		
b. The family does not have the capacity to learn.		
c. The family does not give members of the family the opportunity to learn.		
d. The business does not have a learning culture.		
e. The business does not promote the employee's capacity to learn.		
f. The family members are very risk-adverse.		
g. The family members resist change.		
h. The Family Enterprise is not oriented towards developing new services and products.		
i. Long-term investment in R&D is low.		
j. There is little exploration of commercial opportunities.		
<b>TOTAL: If the sum is negative, then your assumption that there is sufficient innovation and learning in the Family Enterprise is false. Go through and rank from weakest (1) to strongest (10)</b>		