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**THE WHARTON SCHOOL  
OF THE UNIVERSITY OF PENNSYLVANIA  
PHILADELPHIA, PA**

**Strategies and Practices of Family-Controlled Companies**

**Management 233**

**COURSE SYLLABUS  
Spring 2010**

**INSTRUCTOR:**

Mr. William H. Alexander – Lecturer

**CONTACT INFORMATION:**

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**OFFICE HOURS:**

Tuesday and Thursday      10:30 AM to 12:00 Noon

Other times by appointment

### Course Description

Family-controlled private and public companies are the dominant form of enterprise worldwide, comprising more than 90% of all businesses. They are currently undergoing intense competitive transition in form and function and more than three trillion dollars of assets will change generational management during the next ten years. This course is designed for those persons who desire to understand the distinct strategies and practices of family-controlled companies and family wealth management. It will focus on shareholder decision-making; financial and market-driven options for long-run competitiveness, organizational structures, and management team issues; strategic planning from a resource-based perspective; transition planning for the corporate entity, family dynamics and communication issues; and leadership empowerment. The course is intended for those who plan to consult or provide professional services to family-controlled companies and for those contemplating a career in a family firm. It will present both a theoretical framework for understanding the family form of business organization and a practice perspective on consulting to family firms and/or working as a family member in the family business.

### Course Learning Objectives

- A. *Develop a Theoretical Framework:* Students should develop a theoretical framework for understanding and assessing the unique performance requirements and capabilities of the family form of business organization. They will meet this objective through course readings, lectures, and open dialogue comparing their current organizational and management understanding with the framework presented in the course.
- B. *Develop a Practice Perspective:* Students should move beyond theory to develop a working knowledge of how to address the idiosyncratic organizational, management, financial and relational dynamics present in family-controlled companies. This practice perspective will be gained through case study preparation and class exchange, interaction with family business professionals during living cases and through open dialogue with the class instructor and guests who have active consulting practices with family-controlled firms.
- C. *Improve Personal Skill Set:* Students should be challenged to improve their personal skills in the areas of communication, conflict resolution, diagnostic assessment, solutions finding, and writing case based materials. The class is intended to be very interactive and to encourage students to look first at themselves and then at how to lead others toward change (the order for all change efforts).

- D. *Expand Personal Knowledge Base:* Students should view this class as an opportunity to greatly expand their personal knowledge base through exposure to new and diverse management theories, organizational practices and structures, relationship dynamics, and transition strategies. No other class at Wharton will present students with a comprehensive theoretical and practical understanding of the predominant form of business organization in the world.

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<b>Course Format</b>
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The class is structured around topical lectures and guest presentations that explain the strategies and practices for managing and transitioning the organizational, human process and financial resources of family-controlled companies. The lectures are brought to life through the dialogue of students with the professor's framework for managing family-controlled firms, case applications, and interaction with family business professionals and service providers. Classes and assignments will provide students with the following opportunities:

- To gain an academic and practice framework for assessing the long-run performance capabilities of family-controlled companies.
- To hear lectures from and interact with academics, family business practitioners, and psychologists.
- To participate in living cases with family member owners and managers.
- To examine in-depth case studies which address various aspects of the management and transition of a family-controlled enterprise.
- To prepare written analysis and recommendations concerning family-controlled companies.

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<b>Course Requirements</b>
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The course is open to all Penn Undergraduate students. There are no prerequisites for taking the class.

The following outline presents the course requirements:

- A. *Examinations*: A mid term and final examination will be administered. These **take home** exams will require the student to answer questions and respond to simulated family business situations in a way that demonstrates their working knowledge of class lectures and required course readings. **In lieu of the final examination**, students wishing to analyze and recommend solutions to a real life family business situation in which the student has access to all relevant information may do so in a paper of 10 pages or more, as required to thoroughly justify the recommendations presented. The paper will be graded based on the student's ability to apply course content to the situation under study.

**Final Exam or Paper due May 3, 2010**

- B. *Case Papers* – Students will be required to prepare three written case presentations (3 to 5 pages, double spaced) during the course of the semester. Case papers will be due the day the case is discussed in class and no exceptions will be made for late papers due to the nature of case presentations. An optional case may be submitted if a student is unable to submit the required 3 cases on the assigned dates. The instructor must approve the submission of this alternative case in advance.
  - J. Perez Foods (A)*
  - Salvatore Ferragamo Case*
  - Franklin Harris & Sons*
  - Steinberg A & B Case (Optional)*
- C. *Attendance and Class Participation*- The success of this course is based on the Student's consistent preparation, regular attendance, and active participation in all class discussions. The student's informed contributions to the learning process are expected on a regular basis, therefore, attendance is mandatory. The Instructor reserves the right to drop from the rolls any student missing four (4) or more classes in accordance with University regulations.
- D. *Evaluation and Grade* – Student grades will be determined in the following manner:

Mid Term Exam	15%
Final Exam or Term Project	30%
Case Write-Ups (3 ea. @ 15%)	45%
Class Participation:	
Communications Exercise	3%
Conflict Exercise	2%
Attendance and Participation	<u>5%</u>
<b>TOTAL</b>	<b>100%</b>

<b>Course Materials</b>
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**REQUIRED AND BACKGROUND READING FOR CLASS DISCUSSION AND EXAMINATIONS:**

1. Coursepack (Wharton Reprographics)

**RECOMMENDED FURTHER READING:**

2. Family Business Source Book, 3<sup>rd</sup> Edition, Aronoff, Astrachan & Ward
3. Strategic Planning for the Family Business: Parallel Planning for Family and Business Unity, Carlock & Ward
4. Generation to Generation, Gersick et al.
5. Working with the Ones You Love, Jaffee
6. The Hero's Farewell, Sonnenfeld
7. Getting to Yes, Ury & Fisher
8. Keeping the Family Business Healthy, Ward
9. Creating Effective Boards for Private Enterprise, Ward
10. The Speed of Trust, Covey

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## MGMT 233 Strategies and Practices of Family-Controlled Companies

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Spring 2009

### PART 1: THE THEORETICAL FRAMEWORK

#### 1/14 **INTRODUCTION: THE STEWARDSHIP OF A FAMILY BUSINESS**

Session One: will introduce the student to the study of family-owned business. The student will receive an overview of the course contents and requirements and will be introduced to the concept of **STEWARDSHIP** upon which all successful family businesses are built.

*Readings:*

1. *The Copper River Salmon Run( Course Pack)(Pg 1)*
2. *The Critical Value of Stewardship, Aronoff. Ward (Sourcebook, pg 713)*
3. *Stewardship and Ownership, Blethen ( Course Pack)(Pg 3)*

#### 1/19 **THE THEORETICAL FRAMEWORK – STEWARDSHIP**

Session Two: will present the stakeholder perspective of managing family controlled companies for long-term success.

*Reading (Course Pack)*

1. *Family Governance and Firm Performance: Agency, Stewardship, and Capabilities, Miller(Pg 7)*
2. *Case Study: Succession and Continuity For Johnson Family Enterprises(A)(Pg23)*

#### 1/21

#### **THE THEORETICAL FRAMEWORK: THE RESOURCE BASED APPROACH**

Session Three: will introduce “familiness” which is the resource-based framework from the field of strategic management that measures the competitive capabilities of family controlled firms.

*Readings (All in Course Pack)*

1. *Firm Resources and Sustained Competitive Advantage(Pg39)*
2. *Case Study: Of Jams and Family, Malcolm(Pg 51)*
3. *Case Study: Father-Son Struggle Splinters Dynasty(Pg 55)*

## **1/26 THE THEORETICAL FRAMEWORK: CASE STUDY**

Session Four: will explore how a family brings both distinctive and constrictive resources to a business.

*Reading:*

1. *Case Study: Sweet Smell of Succession ( Course Pack )(Pg 63)*
2. *Family Matters, Byron (Course Pack)(Pg 71)*

## **PART II: THE REQUIRED SKILL RESOURCES**

### **1/28 SKILL I – TRUST BUILDING**

Session Five: will focus on the key to making anything happen in a family business – TRUST. This session will focus on how to measure the level of trust in a group, how trust is built and destroyed in a group, and why the development of the trust resource is the foundation for the development of all other resources in a business.

*Readings:*

1. *The Trust Catalyst in Family-Owned Businesses, LaChapelle & Barnes (Sourcebook, pg. 446)*
2. *The Enemies of Trust, Read Page 96, scan article(Course Pack)(Pg 95)*
3. *The One Thing That Changes Everything, Covey, (Course Pack) Pg 105)*
4. *A Propensity to Trust, Covey, (Course Pack)(Pg 107)*
5. *Case Study: Iggy's Bread of the World(Course Pack)(Pg 79)*

### **2/2 SKILL II - STRATEGIC PLANNING**

Session Six: will present an overview of the unique components of the strategic planning process for family-controlled firms. It will discuss how to move companies to a planning readiness stage and how to use the planning process as a transition tool for leaders, the management team, and the shareholder group.

*Readings*

1. *Case Study: Anderson Steel Services, Inc.(Course Pack)(Pg 305)*
2. *The Special Role of Strategic Planning for Family Businesses, Ward, (Sourcebook, pg. 126)*
3. *Planning Note, Alexander (Course Pack)(Pg 313)*

### **2/4 SKILL III - COMMUNICATIONS: THE DIFFERENTIATED COMMUNICATION**

Session Seven: will explore strategies for how to empower leaders on multi-generational teams. It will distinguish between being empowered and having power with a particular emphasis on moving from a parent-child to a peer relationship.

*Readings*

1. *Getting Things Straight, Jaffe (Course Pack)(Pg 367)*

**2/9 SKILL 1II - COMMUNICATIONS: (Continued) LEADERSHIP EMPOWERMENT AND MULTI-GENERATIONAL TEAMS**

Session Eight: will focus on the role of the process agent to establish safety in the family for speaking on issues of importance to a family member. The student will analyze what experiences in their life have affected their ability to communicate clearly.

*Readings:*

1. Review "Getting Things Straight"(Pg 367)

**2/11 SKILL IV – CONFLICT RESOLUTION**

Session Nine: will focus on specific skills and strategies that future leaders need to utilize in order to communicate and resolve conflicts inherent in ownership and leadership transitions. T

*Readings:*

1. *Different Drummers (Course Pack)( Read if you do not know your Myers-Brigg profile, If you do, scan the article)(Pg315)*
2. *The New Science of Siblings, Kluger (Course Pack)(Pg 331)*
3. *Thomas Kilman Conflict Resolution Grid, Kilman, (Course Pack)(Pg 339)*

**2/16 SKILL V - CHANGE MANAGEMENT**

Session Ten: will discuss the change process in family-controlled companies. It will analyze the cultural, organizational, and human life cycle aspects of change and develop strategies for assisting family groups in transitioning over time.

*Readings (All in Course Pack)*

1. *Case Study: Precista Tools AG (A)(Pg 347))*
2. *Executing Change: Seven Key Considerations, Nohria & Khuran(Pg355)*
3. *Principles of Family Business System Change, Davis (Pg 365)*

**2/18 COMMUNICATIONS, CHANGE MANAGEMENT, and CONFLICT RESOLUTION EXERCISE**

Session Eleven: To practically apply the trust building, communications, change management, and conflict resolution skills discussed in previous classes, students will utilize a case study to address issues within a family business.

*Readings*

1. *Case Study: Bhiwar Enterprises (Pg 385)*
2. *Different Drummers (Course Pack)(Review)(Pg 315)*



### **PART III: THE GOVERNANCE TOOLS FOR RESOURCE PRESERVATION**

#### **2/23 GOVERNANCE: THE FAMILY MEETING**

Session Twelve: will introduce how and why the complex system of inter-related parts requires constant intervention with tools of governance and why the family meeting is essential to any implementation of these governance tools.

*Readings*

1. *The Family Council: How Families Plan for the Business*(Course Pack)Read pages 111-118, scan pages 119-125
2. *Governing the Business Owning Family, Lank and Ward*(Sourcebook, pg. 462)

#### **2/25 GOVERNANCE: THE FAMILY CHARTER and FAMILY INVOLVEMENT POLICY**

Session Thirteen: will introduce the concept of a doctrine agreed to by the family for insuring long-term stability in the system. Within this document are contained models and policies for managing family member involvement in all levels of the company. The class will explore why policies such as shareholder opportunity doctrines, and procedures such as employment committees are both necessary and worth the effort over the long run.

*Reading ( All in Course Pack)*

1. *Questions to be Answered in a Family Charter, Ward*(Pg127)
2. *Family Charter, Patino* (Scan)(Pg 129)
3. *Family Involvement Policy, Wiszniak*(Course Pack)(Pg163)
4. *Working with Relatives in the Family Firm, Taguiri* (Course Pack)(Pg169)

#### **3/2 GOVERNANCE: THE SHAREHOLDER MEETING**

Session Fourteen: will explore the role of family ownership and how the shareholder meetings can be an asset in preserving family wealth.

*Readings*

1. *Responsibilities & Rights of Family Shareholders of a Family Business, Davis* (Course Pack )(Pg181)
2. *Developing Effective Ownership in the Family Controlled Business, Ward* (Sourcebook ,pgs174-179)

**Graded Case Study:** *J Perez Foods(A)* (Course Pack)(Pg 147)

### **3/4      GOVERNANCE: THE BUY-SELL AGREEMENT**

Session Fifteen: will introduce the unique aspects of financial planning in privately held and/or family-controlled companies. It will discuss strategies and mechanisms for addressing the transition planning needs of both the business and family.

*Readings*

1. *Buy-Sell Agreements for Privately-Held Corporations, Block ( Course Pack)(Pg183)*
2. *Share Restrictive Agreement, Alexander, Inc( Course Pack)(Scan)(Pg 193)*
3. *Understanding Buy-Sell Agreements, Carlson (Sourcebook, pg. 189).*
4. *Case Study: A Family's Benign Neglect at Dow Jones, Nocera (Course Pack) (PG)175*

### **3/16      MID TERM EXAM**

Session sixteen; will be a take home examination to be handed in on 3/18. The exam will be distributed to students on 3/2 and will require the student to analyze family business issues and apply course content to those issues. The exam will also require the student to define key terms and explain the importance of these terms to the success of a family business.

### **3/18      GOVERNANCE: THE BOARD OF DIRECTORS**

Session seventeen: will detail the well-constituted Board of Directors that enables family-ownership groups to provide effective accountability over the operating company and/or the family's investable assets. It will discuss the relationship between the Board and organizational efficiency when there is family ownership and management.

*Readings*

1. *Case Study: Stevenson Industries (A) (Course Pack)(Pg207)*
2. *Ten Myths About Outside Boards, Ward and Aronoff ( Sourcebook, pg252)*
3. *Outside Boards & Family Businesses: Another Look, Schwartz & Barnes( Sourcebook, pg. 267)*
4. *Board of Directors of the Family Firm (Course Pack)(Pg231)*

### **3/23      GOVERNANCE: THE HUMAN RESOURCES PLAN**

Session Eighteen: will discuss how to build a management team when there are family owners and non-family members on the team. It will present models for how to compensate, provide objective incentives, and evaluate top managers in a family-owned and managed company.

*Readings:*

1. *Case Study: George Barker (Course Pack)(Pg 247)*
2. *Compensating Family Employees in a Family Business, Davis (Course Pack) (Pg249)*
3. *The Compensation Plan, Alexander(Course Pack)(Scan and bring to class for reference)(Pg265)*
4. *Managing Human Resources in Family Firms, Lansberg (Sourcebook, pg245)*

**3/25 GOVERNANCE: GRADED CASE STUDY**

Session Nineteen: *Graded Case Study: Salvatore Ferragamo, SpA (Course Pack)(Pg 281)*

**PART IV – TRANSITION OF RESOURCES**

**3/30 TRANSITION: INTRODUCTION**

Session Twenty: will examine how a company can successfully transfer its leadership and ownership resources from one generation to the next. The success of C.F. Martin & Co through 6 generations of transition will be studied. A representative of the company will explain why C.F. Martin & Co, at age 177 is the oldest maker of guitars in the world.

**4/01 TRANSITION: OWNERSHIP SUCCESSION**

Session Twenty-One: will detail the need to plan the succession of ownership, which will not interfere with the succession of leadership. The concept of an ESOP and other trust documents will be analyzed as possible tools to achieve ownership succession.

*Readings*

1. Case Study: *Atherton Clothing Company (A) (Course Pack)(Pg 403)*
2. *Distinguishing Ownership Succession from Management Succession, Cohn (Course Pack)(Pg 415)*

**4/06 TRANSITION: OWNERSHIP SUCCESSION (Continued) FINANCIAL STRATEGIES AND SOURCES OF CAPITAL FOR MULTI-GENERATIONAL SUCCESS**

Session Twenty-Two: will present the concept of family ownership groups functioning as economic unit for long-run wealth creation. It will discuss how families identify their range of options on their “ownership options continuum” and look at operating versus harvest alternatives.

*Readings*

1. Case Study: *Ottawa Devices, Inc (Course Pack)(Pg 423)*
2. *Why We’ll Never Go Public, Johnson(Sourcebook, pg 154)(Scan)*
3. *Creating Liquidity for Family Business Shareholders, Davidson(Course Pack)(Pg 441)*

**4/08 TRANSITION: OWNERSHIP SUCCESSION (Continued) FINANCIAL OPTIONS: A LIVING CASE STUDY – THE WOLF ORGANIZATION**

Session Twenty Three: will expose the student to the unique way a fifth generation business, the Wolf Organization, undertakes ownership succession from generation to generation. Mr. Tom Wolf, CEO of the company, will lead the class discussion.

#### **4/13 TRANSITION: EMPOWERING THE SUCCESSOR FOR LEADERSHIP**

Session Twenty-Four: will focus on the leadership empowerment process for successors. It will utilize a case to discuss the career perspectives of successors and present various empowerment/mentoring models for transitioning successors into leadership.

*Readings (All in Course Pack)*

1. **Graded Case Study:** *Franklin Harris and Son, HBR Case*(Pg 459)
2. *Early Career: Developing an Adequate Power Base, Kotter*(Pg479)
3. *Power Dynamics in Organizations, Hill*(Pg 495)
4. *Exercising Influence, Hill*(Pg 509)
5. *Negotiating Your Way into Your Family Business, Davis*(Pg 523)

#### **4/15 TRANSITION BY DRIVING THE VALUES, VISION, AND MISSION OF THE FAMILY**

##### **INTO THE FIRM.**

Session Twenty-five: will examine Hatfield Quality Meats, a firm that is driven by clear ownership values, vision, and mission. It will provide students with an opportunity to explore the importance of values and vision in a successful transition process in closely held companies with the CEO of the firm, Mr. Phil Clemens.

*Readings*

1. *Hatfield Quality Meats: "Just Taking Care of the Place"*(Sourcebook, pg. 710)
2. *Case Study: Clemens Family Corporation (B), (Course Pack)*(Pg 397)

#### **4/20 TRANSITION: THE NEEDS OF THE OLDER GENERATION**

Session Twenty-Six: will focus on the particular life-cycle needs of the entrepreneur founder and/or senior generation leader, presenting various models for transition and exit.

*Readings*

1. *Case Study: At Cablevision, Father-Son Split Looms Over Future (Course Pack) (Pg 525)*
2. *The Hero's Reluctant Farewell, Sonnenfeld.*(Course Pack)(Pg 529)
3. *Life Stages and Their Tasks, Tagiuri (Course Pack)*(Pg 541)
4. *The Succession Conspiracy, Lansberg (Sourcebook, pg.45)*
5. *Overcoming a Major Obstacle to Succession, Ward, (Course Pack) (Scan)*(Pg 545)

#### **4/22 TRANSITION: CASE STUDIES**

Session Twenty-Seven: will permit the student to compare the exit strategies of Sam Steinberg H.B. Alexander from their respective businesses. More importantly, the student will be able to probe into why the significant differences in departure style.

*Readings:*

1. **Optional Graded Case Study:** *Sam Steinberg A & B (Course Pack)*(Pg 547)
2. *The First Generation: How the Founder Shapes the Culture, Dyer*(Course Pack)(Pg 565)
3. *Ten Most Prevalent Obstacles to Family Business Succession Planning, Hubler (Sourcebook, pg. 67)*

**4/27    TRANSITION: STAGES OF THE TRANSITION PROCESS**

Session Twenty-Eight: will detail an ideal transition plan with emphasis on the transfer of resources and the empowerment of the successor generation.

*Readings*

1.        *What Succession Planning is All About, Cohn (Course Pack)(Pg 577)*