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

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

**Management 833**

**COURSE SYLLABUS  
Spring 2013**

**1:30 PM to 2:50 PM**

**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.

### Course Format

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.

### Course Prerequisites

The course is open to all Wharton MBA and all other University of Pennsylvania graduate students. There are no prerequisites for taking the class.

The following outline presents the course requirements:

- A. *Examinations*: Two examinations 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.

**Exam #1 due March 26, 2013**  
**Exam #2 or Paper due April 30, 2013**

- 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) 2/19/13*  
*Salvatore Ferragamo Case 3/14/13*  
*Franklin Harris & Sons 4/9/13*  
*Steinberg A & B Case (Optional) 4/18/13*

- 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	20%
Final Exam or Term Project	25%
Case Write-Ups (3 ea. @ 15%)	45%
Class Participation:	
Communications Exercise	3%
Conflict Exercise	2%
Attendance and Participation	5%
<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 on study.net

**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 833 Strategies and Practices of Family-Controlled Companies

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Spring 2013

### **PART 1: THE THEORETICAL FRAMEWORK**

#### **1/10 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. *Wegman, et.al*
2. *The Critical Value of Stewardship, Aronoff, Ward*
3. *Stewardship and Ownership, Blethen*

#### **1/15 THE THEORETICAL FRAMEWORK – STEWARDSHIP**

Session Two: will present the stakeholder perspective of managing family controlled companies for long-term success and how their perspectives shape the distinctive and restrictive resources the family brings to the business.

*Readings:*

1. *Family Governance and Firm Performance: Agency, Stewardship, and Capabilities, Miller*
2. *Case Study: Of Jams and Family, Malcolm*
3. *Case Study: Father-Son Struggle Splinters Dynasty*

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

#### **1/17 SKILL I - COMMUNICATIONS: THE DIFFERENTIATED COMMUNICATION**

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

*Reading:*

1. *Barriers and Gateways to Communications, Rogers & Roethlisberger*

**1/22 SKILL 1 - COMMUNICATIONS: (Continued) LEADERSHIP EMPOWERMENT AND MULTI-GENERATIONAL TEAMS**

Session Four: Through case studies provided by students, Dr. Treat will demonstrate the proper methods for intervention necessary to correct dysfunctional communications.

*Readings:*

1. *Review “Barriers and Gateways to Communication*

**1/24 SKILL II – 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. *Sustaining Trust Within Family Businesses, Sundaramurthy*
2. *The Trust Catalyst in Family-Owned Businesses, LaChapelle & Barnes*
3. *A Propensity to Trust, Covey,*
4. *Case Study: Iggy’s Bread of the World*

**1/29 SKILL III – EMPOWERING AND MENTORING**

Session Six: will focus on the responsibility of each generation in a family business to empower the succeeding generation utilizing effective mentoring techniques. This session will focus on the components of empowerment and how they are obtained .

*Readings:*

1. *The revival of Mentoring, Tiberius*
2. *Early Career: Developing an Adequate Power Base, Kotter*
3. *Case Study: Anderson Steel Services, Inc*

**1/31 SKILL IV – CONFLICT RESOLUTION**

Session Seven: 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.

*Readings:*

1. *Different Drummers)( Read if you do not know your Myers-Brigg profile, If you do, scan the article)*
2. *Getting Things Straight, Jaffe*
3. *Case Study :Anderson Steel Services, Inc*

**2/5 SKILL V - CHANGE MANAGEMENT I**

Session Eight: 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:*

1. *Case Study: Anderson Steel Services, Inc*
2. *Executing Change: Seven Key Considerations, Nohria & Khuran*
3. *Principles of Family Business System Change, Davis*

**2/7 Skill V – CHANGE MANAGEMENT II**

Session Nine: Over 90% of the changes attempted in family business involve changing the culture of the business. This session further examines what constitutes the culture of a business and how you go about changing it.

*Reading:*

*Culture and Continuity in Family Firms, Dyer*

**2/12 SKILL VI - STRATEGIC PLANNING**

Session Ten: 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.*
2. *The Special Role of Strategic Planning for Family Businesses, Ward,*
3. *Planning Note, Alexander*

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

**2/14 GOVERNANCE: THE FAMILY MEETING**

Session Eleven: 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.

*Reading:*

1. *The Family Council: How Families Plan for the Business*

**2/19 GOVERNANCE: THE FAMILY CHARTER and FAMILY INVOLVEMENT POLICY**

Session Twelve: 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*

1. *Questions to be Answered in a Family Charter, Ward*
2. *Family Charter, Patino (Scan)*
3. *Family Involvement Policy, Wiszniak*
4. *Working with Relatives in the Family Firm, Taguiri*
5. **Graded Case Study: J Perez Foods (A)**



**2/21 GOVERNANCE: THE SHAREHOLDER MEETING**

Session Thirteen: will explore the options for family ownership through a presentation by Peter Francis, retired CEO of the J.M. Huber Corporation, one of America's largest family owned businesses.

*Readings*

1. *Responsibilities & Rights of Family Shareholders of a Family Business, Davis*

**2/26 GOVERNANCE: OWNERSHIP**

Session Fourteen: 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. *Understanding Buy-Sell Agreements, Carlson*
2. *Developing Effective Ownership in the Family Controlled Business, Davis*
3. *Share Restrictive Agreement, Alexander, Inc( Scan)*

**2/28 GOVERNANCE: THE BOARD OF DIRECTORS**

Session Fifteen: 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: Bush Brothers & Company*
2. *Board of Directors of the Family Firm*

**3/12 GOVERNANCE: THE HUMAN RESOURCES PLAN**

Session Sixteen: 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*
2. *Managing Human Resources in Family Firms, Lansberg*

**3/14 GOVERNANCE: GRADED CASE STUDY**

Session Seventeen: *Graded Case Study: Salvatore Ferragamo, SpA*

**3/19 GOVERNANCE: THE NECESSITY FOR RESOURCE DEVELOPMENT**

Session Eighteen: Through the use of Case Studies, the student will gain an understanding of the benefits of developing the skill and governance resources discussed in previous sessions.

*Readings:*

1. *Succession and Continuity for Johnson Family Enterprises*
2. *Family Matters, Byron*

**3/21 TAKE HOME EXAM #1**

Session Nineteen; will be a take home examination to be handed in on 3/26. The exam 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.

**PART IV – TRANSITION OF RESOURCES**

**3/26 TRANSITION: DRIVING THE VALUES, VISION, AND MISSION OF THE FAMILY INTO THE FIRM.**

Session Twenty: will examine the Clemens Family Corporations, 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. *Case Study: Clemens Family Corporation (B)*

**3/28 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)*
2. *Distinguishing Ownership Succession from Management Succession, Cohn*

**4/2 TRANSITION: OWNERSHIP SUCCESSION (Continued) FINANCIAL STRATEGIES AND SOURCES OF CAPITAL FOR MULTI-GENERATIONAL SUCCESS**

Session Twenty-One: 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 (B)*
2. *Creating Liquidity for Family Business Shareholders, Davidson*

**4/4 TRANSITION: OWNERSHIP SUCCESSION (CASE STUDY)**

Session Twenty-Two: will explore how one family dealt with difficult ownership transition issues with guest presenter Clement Pappas discussing the ownership of Clement Pappas, Inc

**4/9 TRANSITION: LEADERSHIP SUCCESSION – THE NEXT GENERATION**

Session Twenty-Three: 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 Sons, HBR Case*
2. *Power Dynamics in Organizations, Hill*
3. *Exercising Influence, Hill*
4. *Negotiating Your Way into Your Family Business, Davis*

**4/11 TRANSITION: THE NEEDS OF THE OLDER GENERATION**

Session Twenty-Four: 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*
2. *The Hero's Reluctant Farewell, Sonnenfeld)*
3. *The Succession Conspiracy, Lansberg*

**4/16 TRANSITION: LIVING CASE STUDY**

Session Twenty-Six: The students will examine the probability for succession at D.G. Yuengling and Son, Inc by observing an interview with the 5<sup>th</sup> generation CEO and 6<sup>th</sup> generation heir apparent.

**4/18 TRANSITION: CASE STUDIES**

Session Twenty-Seven: will permit the student to compare the exit strategies of Sam Steinberg and 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*
2. *The First Generation: How the Founder Shapes the Culture, Dyer*
3. *Case Study: H.B. Alexander*

**4/23 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*

