

---

---

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

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

**Management 833**

**COURSE SYLLABUS  
Spring 2014**

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

**INSTRUCTOR:**

Mr. William H. Alexander – Lecturer

**CONTACT INFORMATION:**

422 Vance Hall

Cell: 717-903-6611

E-mail: [alexwh@wharton.upenn.edu](mailto:alexwh@wharton.upenn.edu)

**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 25, 2014**  
**Exam #2 or Paper due May 6, 2014**

- B. *Case Papers* – Students will be required to prepare three written case presentations (approximately 2 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) 2/27/14*

*Salvatore Ferragamo 3/27/14 (Students whose families have businesses only)*

*Messer Griesheim (A) 4/8/14 (Students with no family business connection only)*

*Franklin Harris & Sons 4/15/14*

*Steinberg A & B Case (Optional) 4/17/14*

- C. *Attendance and Class Participation*- The success of this course is based on the Student's consistent preparation, regular attendance, submittal of non graded assignments, and active participation in all class discussions and/or Canvas exercises. 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:

Exam #1	20%
Exam #2 or Term Project	25%
Case Write-Ups (3 ea. @ 15%)	45%
Attendance and Class Participation:	<u>10%</u>

**TOTAL** **100%**

<b>Course Materials</b>
-------------------------

**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

## MGMT 833 Strategies and Practices of Family-Controlled Companies

---

Spring 2014

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

**1/16 INTRODUCTION: THE UNIQUENESS OF A FAMILY BUSINESS TO EXCEL**

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 a **STEWARDSHIP CULTURE** upon which all successful family businesses are built.

*Readings:*

1. Wegman, et.al

**1/21 THE THEORETICAL FRAMEWORK – CULTURE**

Session Two: will explain the importance of culture to everything an organization does and how a family can positively and negatively affect that culture..

*Readings:*

1. *Culture and Continuity in Family Firms, Dyer( Pg 37 to end of Fig 1 on pg 39)*
2. *Reread Wegmen et.al.*

**1/23 THE THEORETICAL FRAMEWORK – STEWARDSHIP**

Session Three: 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. *Toward a Stewardship Theory of Management, Davis, Schoorman, and Donaldson (Read pages 20-26, scan balance of article)*
2. *The Critical Value of Stewardship, Aronoff, Ward*
3. *Stewardship and Ownership, Blethen*
4. *Case Study: The Mitchell Family and Mitchell/Richards, Edmonson and Davis*
5. *Case Study: Father-Son Struggle Splinters Dynasty*

### **PART II: THE RESOURCES OF A STEWARDSHIP CULTURE**

**1/28 RESOURCE I - COMMUNICATIONS: THE DIFFERENTIATED COMMUNICATION**

Session Four: will explore strategies for how to empower leaders on multi-generational teams through effective communications. It will focus on being empowered through good communications to be able to move from a parent-child to a peer relationship.

*Reading:*

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

**1/30 RESOURCE I - COMMUNICATIONS: (Continued) LEADERSHIP  
EMPOWERMENT AND MULTI-GENERATIONAL TEAMS**

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

*Readings:*

1. *Conquering a Culture of Indecision, Charan, HBS*

**2/04 RESOURCE II – TRUST BUILDING**

Session Six: 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 Note on Trust, Sharpe*
4. *Case Study: De Kuyper Royal Distillers: Three Centuries of Succession, Strike (Scan pages 1 thru 5, read pages 6 thru 8)*

**2/06 RESOURCE III – EMPOWERING AND MENTORING**

Session Seven: 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. *Assessing and Enhancing Individual Power in the Family Business, Davis*
3. *Case Study: Anderson Steel Services, Inc*

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

Session Eight: 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 in a family business.

*Readings:*

1. *Negotiating Without a Net, Misino, HBR*
2. *Negotiating Effectively in Family Business Systems, Malhatra and Davis*
3. *Case Study :Anderson Steel Services, Inc*

**2/13 RESOURCE V - CHANGE MANAGEMENT I**

Session Nine: 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. *What is Organizational Capacity for Change? Judge*

**2/18 RESOURCE V – CHANGE MANAGEMENT II**

Session Ten: 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. Jim Ethier, who changed the culture of his family business, will be available to discuss the Bush Brothers and Co. case.

*Reading:*

1. *Culture and Continuity in Family Firms, Dyer*
2. *Case Study: Bush Brothers & Company*

**2/20 RESOURCE VI - STRATEGIC PLANNING**

Session Eleven: 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,*

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

**2/25 GOVERNANCE: THE NEED TO KEEP THE FAMILY INFORMED AND INVOLVED**

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

*Reading:*

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

**2/27 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.

*Readings:*

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



**3/4 GOVERNANCE: THE GOVERNANCE OF FAMILY BUSINESS OWNERSHIP**

Session Fourteen: will explore the options for family ownership, how a Buy Sell agreement serves the shareholder group, and how effective shareholder meetings are essential to good communications within the ownership group.

*Readings*

1. *Governance of the Family Business Owners, Davis*
2. *Understanding Buy-Sell Agreements, Carlson*

**3/6 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: (Reread) Bush Brothers & Company*
2. *Board of Directors of the Family Firm*

**3/18 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: Matthew A. Hunter, Davis and Maholtra*
2. *Managing Human Resources in Family Firms, Lansberg*

**3/20 TAKE HOME EXAM #1**

Session Seventeen; In lieu of class, the student will complete a take home examination to be submitted at the beginning of class on 3/25. 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.

**3/25 GOVERNANCE: A LIVING CASE STUDY IN EFFECTIVE FAMILY BUSINESS GOVERNANCE**

Session Eighteen: Peter Francis, retired CEO of the J.M. Huber Company, one of America's largest family business, will share with the class how the Huber family governs their family business system.

**3/27 GOVERNANCE: GRADED CASE STUDY**

Session Nineteen: *Graded Case Study: Salvatore Ferragamo (Students with a Family Business)*

## **PART IV – TRANSITION OF RESOURCES**

### **4/1 TRANSITION: A LIVING CASE STUDY**

Session Twenty: Clement Pappas, the former CEO of the Clement Pappas & Co., will describe what happens to a family corporation when there is not a shared vision for future corporate ownership and leadership.

### **4/3 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*

### **4/8 TRANSITION: OWNERSHIP SUCCESSION (Continued) FINANCIAL STRATEGIES AND SOURCES OF CAPITAL FOR MULTI-GENERATIONAL OWNERSHIP TRANSITION SUCCESS**

Session Twenty-Two: will present the concept of family ownership groups functioning as economic units 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. *Developing Effective Ownership in Family Controlled Businesses*
3. **Graded Case Study:** *Messer Griesheim(A) (Students without family businesses)*

### **4/10 TRANSITION: THE NEEDS OF THE OLDER GENERATION**

Session Twenty-Three: 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*

### **4/15 TRANSITION: LEADERSHIP SUCCESSION – THE NEXT GENERATION**

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 Sons, HBR Case*
2. *Power Dynamics in Organizations, Hill*
3. *Exercising Influence, Hill*
4. *Negotiating Your Way into Your Family Business, Davis*
5. *Early Career: Developing an Adequate Power Base, Kotter*

**4/17 TRANSITION: CASE STUDIES**

Session Twenty-Five: 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. *Transition at the Top, Byrnes*

**4/22 TRANSITION: DRIVING THE VALUES, VISION, AND MISSION OF THE FAMILY INTO THE FIRM.**

Session Twenty-Six: 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)*

**4/24 TRANSITION: LIVING CASE STUDY**

Session Twenty-Seven: 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. The student will then compare Yuengling to S.C. Johnson's probability for successful succession.

*Readings:*

1. *Case Study: Yuengling: The Beer Industry's Savvy Survivor, Durso*
2. *Case Study: Succession and Continuity for Johnson Family Enterprises (A), Ward*

**4/29 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*