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

Strategies and Practices of Family-Controlled Companies

Management 833

**COURSE SYLLABUS
Spring 2015**

1:30 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

OFFICE HOURS:

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

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 contemplating a career in a family firm, but will have applicability for those students contemplating starting a business or consulting with family businesses. It will present both a theoretical framework for understanding the family form of business organization and a practice perspective on 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, role plays, 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), a task made more difficult when the “others” are family.

- 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 Requirements

The course is open to all 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 24, 2015
Exam #2 or Term Project due May 5, 2015

- B. *Case Papers* – Students will be required to prepare two written case presentations (approximately 3-5 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. The student will be given a choice of three case studies from which to choose. Students should pick cases which explore topics that are of interest to them. The case information is below:

<u>Case</u>	<u>Topic</u>	<u>Due Date</u>
<i>LG Investments</i>	<i>Family Functionality</i>	<i>2/12/15</i>
<i>J Perez Foods(A)</i>	<i>Family Governance</i>	<i>2/26/15</i>
<i>Franklin Harris and Sons, Inc.</i>	<i>Succession</i>	<i>3/24/15</i>

- 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%
Term Project or Exam #2	25%
Case Write-Ups (2 ea. @ 15%)	30%
Attendance and Class Participation:	<u>25%</u>

TOTAL **100%**

Course Materials

REQUIRED AND BACKGROUND READING FOR CLASS DISCUSSION AND EXAMINATIONS:

Coursepack on study.net

RECOMMENDED FURTHER READING:

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

MGMT 833 Strategies and Practices of Family-Controlled Companies

Spring 2015

PART 1: THE THEORETICAL FRAMEWORK

1/15 INTRODUCTION: FAMILY BUSINESS – IS IT WORTH THE EFFORT?

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. *The Five Attributes of Enduring Family Businesses, Caspar, et al*

1/20 STEWARDSHIP: THE KEY TO FAMILY BUSINESS CONTINUITY

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. *Toward a Stewardship Theory of Management, Davis, Schoorman, and Donaldson (Read pages 20-26, scan balance of article)*
3. *The Critical Value of Stewardship, Aronoff, Ward*
4. *Stewardship and Ownership, Blethen*

1/22 STEWARDSHIP: THE FIGHT TO MAKE IT HAPPEN!

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. *Case Study: The Mitchell Family and Mitchell/Richards, Edmonson and Davis*
2. *Case Study: Father-Son Struggle Splinters Dynasty*

1/27 THE LONG SHADOW OF THE FOUNDER

Session Four: will explore the influence of the founder on the culture of the business. The student will explore why the founder does what he/she does in determining the type of culture the business possesses during his/her tenure and beyond.

Readings:

1. *The First Generation: How the Founder Shapes the Culture, Dyer*
2. *Case Study: Sam Steinberg A&B*
3. *Case Study: H.B. Alexander*

PART TWO: THE FIRST GENERATION

1/29 THE FIRST GENERATION: A ROLE PLAY

Session Five: will explore, using role play with student participation, the issues that a first generation business must address so that succession to the second generation can be achieved.

Readings:

1. *LG Investments, LLC, A Family Business in Generational Transition, (A, B, C, and D), Hess*

2/3 TRUST; NOTHING IN A FAMILY BUSINESS HAPPENS (QUICKLY) WITHOUT IT!

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 family, how trust is built and destroyed in a family, and why the development of the trust resource is the foundation for the development of all other resources in a family 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: Anderson Steel Services, Inc.*

2/05 EMPOWERMENT: JOB #1 IN A STEWARDSHIP CULTURE!

Session Seven: will focus on the responsibility of the current 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*

2/10 CONFLICT RESOLUTION: KEEPING THE ENERGY POSITIVE.

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 Effectively in Family Business Systems, Malhatra and Davis*
2. *Case Study :Anderson Steel Services, Inc*

2/12 CHANGE MANAGEMENT: CHANGE IS INEVITABLE SO DO IT RIGHT

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*
4. *The Special Role of Strategic Planning for Family Businesses, Ward*

2/17 COMMUNICATIONS: THE KEY TO PUTTING ANY RESOURCE IN PLACE

Session Ten: will explore strategies for how to empower leaders 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*

2/19 COMMUNICATIONS: (Continued) LEADERSHIP EMPOWERMENT STARTS WITH BEING A GOOD COMMUNICATOR.

Session Eleven: Through revisiting LG Investments, Dr. Treat will demonstrate the proper methods for intervention necessary to correct dysfunctional communications.

Readings:

1. *Reread LG Investments, LLC, A Family Business in Generational Transition, (A, B, C, and D), Hess*

2/24 ESTATE PLANNING: SO OBVIOUSLY NEEDED, BUT HARD TO DO

Session Twelve: will expose the student to the necessity for good estate planning, and provide the reasons why it is so difficult for the outgoing generation to execute.

Readings:

1. *The Hero's Reluctant Farewell, Sonnenfeld)*
2. *The Succession Conspiracy, Lansberg*

PART III: THE SECOND GENERATION

2/26 THE SECOND GENERATION: A ROLE PLAY

Session Thirteen: will explore, using role play with student participation, the issues that a second generation business must address so that succession to the third generation can be achieved.

Reading:

1. *J. Perez Foods (A)*

3/3 GOVERNANCE: WHY YOUR COUSINS MAKE IT NECESSARY!

Session Fourteen: will explore why the second generation has a whole new set of challenges to prepare for succession to the third generation.

Reading:

1. *Governance of the Business Family, HBS, Davis*

3/5 THE FAMILY MEETING: GETTING EVERYONE INTO THE ROOM

Session Fifteen: will explain the importance of family meetings and how a family must commit to making such meetings effective by developing trust and good communications skills

Reading:

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

3/17 THE FAMILY CONSTITUTION: RULES FOR ALL OCCASIONS.

Session Sixteen: will explain the purpose and benefits of actually writing down the rules and procedures the family agrees to in the governance of its business enterprise(s). The increase in trust by eliminating ambiguity in the family business system will be emphasized.

Reading:

1. *Technical Note: The Family Constitution, Ward*
2. *Questions to be Answered in a Family Charter, Ward*
3. *Working with Relatives in the Family Firm*

3/19 TAKE HOME EXAM #1 (No Regular Class)

3/24 THE THIRD GENERATION: A ROLE PLAY

Session Seventeen: will explore, using role play with student participation, the issues that a third generation business must address so that succession to the fourth generation can be achieved.

Reading:

1. *Franklin Harris & Sons, Inc*

3/26 THE NON FAMILY MANAGERS: PROTECTING A VALUABLE RESOURCE FROM FAMILY DYSFUNCTION

Session Eighteen: will describe the student, the value of investing in the careers of the non family managers. Procedures to insure this group's commitment and loyalty will be explained.

Reading:

1. *Managing Human Resources in Family Firms, Lansberg*

3/31 OWNERSHIP: MOVING TOWARD A FINAL SOLUTION

Session Nineteen: will explain why, once a family business gets to the third generation, it is necessary to institutionalize ownership of the business, because of the increasing complexity of both the family and the business. Methods to achieve this institutionalization will be discussed.

Readings:

1. *Understanding Buy-Sell Agreements, Carlson*
2. *The Use of Trusts in Family Business*
3. *ESOP*

4/2 OWNERSHIP: DIFFICULTY IN MAKING THE CORRECT CHOICE

Session Twenty: will expose the student to the complexity of planning ownership for future generations of family members

Readings:

1. *Ottawa Devices (B)*

4/7 LIVING CASE STUDY: CLEMENT PAPPAS, INC

Session Twenty One: will present the story of how a family business planned for ownership continuity, and still failed to get ownership down to the next generation. Clement Pappas II will present the story of Clement Pappas, Inc.

4/9 THE SHAREHOLDERS: FRIENDS OR FOES? YOUR CHOICE!

Session Twenty Two: will describe the procedures needed to be in place in order to nurture a supportive shareholder group. The importance of communications and structure will be emphasized.

Readings:

1. *Understanding Buy-Sell Agreements, Carlson*
2. *Responsibilities and Rights of Family Shareholders of a Family Business, Davis*

4/14 THE ADVICE SQUAD: USING OUTSIDERS TO MAXIMIZE BOTH VALUE AND FAMILY HARMONY.

Session Twenty Three: will explain the value of outside influence as a family business grows in size and complexity.

Readings:

1. Board of Directors of the Family Firm
2. Case Study: Bush Brothers & Company

4/16 THE FOURTH GENERATION AND BEYOND: A ROLE PLAY

Session Twenty Four: will explore, using role play with student participation, the issues that a Fourth generation and beyond family business must address so that succession can be continuous.

Reading:

1. *De Kuyper Royal Distillers: Three Centuries of Succession, Strike*

4/21 CLASS PICNIC AND LIVING CASE STUDY; CLEMENS FAMILY CORPORATION

Session Twenty-Five: will examine the Clemens Family Corporations, a firm that has been driven by clear ownership values, vision, and mission to achieve multigenerational success. It will provide students with an opportunity to explore the importance of values and vision in a successful Family Business with the CEO of the firm, Mr. Phil Clemens while, at the same time, enjoying some of his company's products.

Readings:

1. *Case Study: Clemens Family Corporation (B)*

4/23 LIVING CASE STUDY; J. M. HUBER CORPORATION

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

4/28 PUTTING IT ALL TOGETHER TO INSURE SUCCESSION

Session Twenty Seven: will detail an ideal transition plan with emphasis on the transfer of resources and the empowerment of the successor generation as the key to the perpetuation of any business through multiple generations.

Readings

1. *What Succession Planning is All About, Cohn*

