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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 2016**

**1:30 PM to 2:50 PM  
Room JMHH 265**

**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

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## 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.

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## 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 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 class instructor and guests who have active consulting practices with family-controlled firms.

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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.

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

<h2 style="margin: 0;">Course Requirements</h2>
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The following outline presents the course requirements:

- A. *Examinations and Term Project*: A **take home** exam will be administered at mid-term that 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. **A Term Project**, (12 to 15 pages double spaced) will be required of all students and will consist of the student applying course content to a real life situation which the student is facing or might face as they pursue a career either in a family business or providing services to a family business.

**Take Home Exam due March 22, 2016**

**Term Project due May 3, 2016**

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. The case information is below:

<u>Case</u>	<u>Due Date</u>
<i>LG Investments</i>	<i>2/23/16</i>
<i>J Perez Foods(A)</i>	<i>3/1/16</i>
<i>Franklin Harris and Sons, Inc.</i>	<i>3/24/16</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:

Take Home Exam	15%
Term Project	50%
Case Write-Ups (2 ea. @ 10%)	20%
Submissions:	
Family Business Values (Graded)	10%
Communications Exercise (Ungraded)	1%
Conflict Resolution Exercise (Ungraded)	1%
Attendance and Participation	<u>3%</u>
<b>TOTAL</b>	<b>100%</b>

## Course Materials

### REQUIRED READING FOR CLASS DISCUSSION AND EXAMINATIONS:

Articles and Cases on Study.net

### RECOMMENDED FURTHER READING:

Family Business Source Book, 3<sup>rd</sup> 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

Spring 2016

**PART 1: THE THEORETICAL FRAMEWORK**

**1/14 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. *Case Study: Succession and Continuity for Johnson Family Enterprises (A)*

**1/19 THE STEWARDSHIP CULTURE I: WHAT IS ORGANIZATION CULTURE?**

Session Two: will explain the importance of culture to everything a family business does.

*Readings:*

1. *The Role of the Founder in Creating Organizational Culture, Schein, pgs. 221-224*
2. *Case Study: Beginnings and Blacksmithery, Patagonia Website*

**1/21 THE STEWARDSHIP CULTURE II: WHAT IS STEWARDSHIP?**

Session Three: will contrast the steward and agent approaches to managing family controlled companies for long-term success and how these alternatives shape the distinctive and restrictive resources the family brings to the business.

*Readings:*

1. *Family Governance and Firm Performance: Agency, Stewardship, and Capabilities, Miller and Breton Miller*
2. *The Critical Value of Stewardship, Aronoff, Ward*
3. *Case Study: The Mitchell Family and Mitchell/Richards, Edmonson and Davis*
4. *Case Study: Father-Son Struggle Splinters Dynasty*

**1/26 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 Role of the Founder in Creating Organizational Culture, Schein, pgs. 225-238*
2. *What Does My Childhood Have to Do With My Leadership*
3. *Case Study: Sam Steinberg A&B*
4. *Case Study: H.B. Alexander*

**1/28 THE LONG SHADOW OF THE FOUNDER (CONTINUED)**

Session Five: will continue to explore why the founder either chooses steward or agency leadership and the implications of that decision on the ability of the business to generate the resources of a stewardship culture

*Readings:*

1. *The Competitive Advantage of a Family Business, KPMG Bulletin*
2. *Case Study: (Reread) Succession and Continuity for Johnson Family Enterprises (A)*

**PART TWO: THE FIRST GENERATION**

**2/02 THE FIRST GENERATION: A ROLE PLAY**

Session Six: 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*

**2/04 TRUST; NOTHING IN A FAMILY BUSINESS HAPPENS (QUICKLY) WITHOUT IT!**

Session Seven: 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. *Case Study: Anderson Steel Services, Inc.*

**2/09 EMPOWERMENT: JOB #1 IN A STEWARDSHIP CULTURE!**

Session Eight: 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 Importance of Mentoring and Coaching for Family Business, Utrilla and Torraleja*
2. *Assessing and Enhancing Individual Power in the Family Business, Davis*
3. *Case Study: Anderson Steel Services, Inc.*

**2/11 CONFLICT RESOLUTION: KEEPING THE ENERGY POSITIVE.**

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 in a family business.

*Readings:*

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

**2/16 CHANGE MANAGEMENT: CHANGE IS INEVITABLE SO DO IT RIGHT**

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.

**SUBMIT:** Conflict Management Exercise

*Readings:*

1. *Case Study: Anderson Steel Services, Inc*
2. *Executing Change: Seven Key Considerations, Nohria & Khuran*
3. *The Special Role of Strategic Planning for Family Businesses, Ward*

**2/18 COMMUNICATIONS: THE KEY TO PUTTING ANY RESOURCE IN PLACE**

Session Eleven: 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*

**2/23 COMMUNICATIONS: (Continued) LEADERSHIP EMPOWERMENT STARTS WITH BEING A GOOD COMMUNICATOR.**

Session Twelve: Dr. Treat will demonstrate the proper methods for intervention necessary to correct dysfunctional communications.

*Readings:*

1. *Reread Barriers and Gateways to Communications*

**2/25 LETTING GO: THE ULTIMATE FIRST GENERATION CHALLENGE**

Session Thirteen: will explore why so many first generation leaders have trouble letting go.

**SUBMIT:** Communications Exercise

*Readings:*

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



## **PART III: THE SECOND GENERATION**

### **3/1 THE SECOND GENERATION: AN INTRODUCTION**

Session Fourteen: will explore, through a case study, J. Perez Foods (A), 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)*
2. *Developing Effective Ownership in the Family Business, Ward*

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

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

*Reading*

1. *Working with Relatives in the Family Firm: Tajiri*

### **3/15 THE FAMILY MEETING: GETTING EVERYONE INTO THE ROOM**

Session Sixteen: 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. Jaffe*

### **3/17 TAKE HOME EXAM (No Regular Class)**

### **3/22 THE FAMILY CONSTITUTION: RULES FOR ALL OCCASIONS.**

Session Eighteen: 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. *Family Involvement Policy, Wiszniak (Scan)*

## **PART IV: THE THIRD GENERATION**

### **3/24 THE THIRD GENERATION: INTRODUCTION**

Session Nineteen: will explore 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*
2. *Early Career, Kotter*

**3/29 THE NON FAMILY MANAGERS: PROTECTING A VALUABLE RESOURCE FROM FAMILY DYSFUNCTION**

Session Twenty: 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*
2. *Developing Effective Middle Management in an Entrepreneurial Firm in China, Wong*

**3/31 OWNERSHIP: MOVING TOWARD A FINAL SOLUTION**

Session Twenty one: 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. *Distinguishing Ownership Succession from Management Succession, Cohn*

**4/5 LIVING CASE STUDY: CLEMENT PAPPAS, INC**

Session Twenty Two: 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.

**4/7 OWNERSHIP: DIFFICULTY IN MAKING THE CORRECT CHOICE**

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

*Readings:*

1. *Ottawa Devices (B)*

**4/12 THE ADVICE SQUAD: USING OUTSIDERS TO MAXIMIZE BOTH VALUE AND FAMILY HARMONY.**

Session Twenty Four: 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, Davis and Cormier*
2. *Case Study: Bush Brothers & Company, Carr*

**THE FOURTH GENERATION AND BEYOND**

**4/14 THE FOURTH GENERATION**

Session Twenty five: will explore the issues that a fourth generation and beyond family business must address so that succession can be continuous.

*Reading:*

1. *Four Generations of Owens (A,B,&C)*

**4/19 CLASS PICNIC AND LIVING CASE STUDY; CLEMENS FAMILY CORPORATION**

Session Twenty-six: 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 successful Family Business with the CEO of the firm, Mr. Phil Clemens, while, at the same time, enjoying some of his company's products.

*Reading:*

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

**4/21 LIVING CASE STUDY; J. M. HUBER CORPORATION**

Session Twenty Seven: 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.

SUBMIT: Values (Rules) of the Multigenerational Successful Family Business

*Reading:*

1. *Case Study :J.M. Huber, A Family of Solutions, Glemser*

**4/26 PUTTING IT ALL TOGETHER TO INSURE SUCCESSION**

Session Twenty-eight: 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*