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

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

**Management 233/833**

**COURSE SYLLABUS  
Fall 2018**

**12:00 N to 1:20 PM**

**INSTRUCTOR:**

Mr. William H. Alexander – Lecturer

**CONTACT INFORMATION:**

422 Vance Hall

Cell: 717-903-6611

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**OFFICE HOURS:**

Tuesday and Thursday 10:30 AM-12:00 Noon, 1:30 PM-3:00 PM by Appointment

Other times as scheduled by the Instructor

### 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

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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 enrolled University of Pennsylvania students. There are no prerequisites for taking the class.

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## Course Requirements

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The following outline presents the course requirements:

- A. *Term Project: **A Term Project***, (Approximately 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 deal with dysfunction in their family, pursue a career in a family business, or provide services to a family business.

**Term Project due Midnight, Monday December 17, 2018**

- 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 two for submission. Students from Eastern and Mid-Eastern cultures may petition the instructor to substitute a case from their culture.

<u>Case</u>	<u>Due Date</u>
<i>LG Investments</i>	<i>10/2/2018</i>
<i>J Perez Foods (A)</i>	<i>10/11/2018</i>
<i>Franklin Harris and Sons, Inc.</i>	<i>11/6/2018</i>
<i>Selective Case Studies from other cultures</i>	<i>11/27/2018</i>

- C. *Family Constitution* – Students will submit a Family Constitution for the Borne Family, the family which is introduced in the LG Investments, LLC cases. The submission will allow the student to demonstrate their working knowledge of constitutions, family business values, family involvement policies, buy-sell agreements, human resource policies, boards of directors, and conflict management strategies. The paper is due November 13, 2018.
- D. *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.

E. *Evaluation and Grade* – Student grades will be determined in the following manner:

<u>Item</u>	<u>% of Grade</u>	<u>Due Date</u>
Stewardship Paper	5%	9/11/2018
Communications Exercise	NG	9/20/2018
Conflict Resolution Exercise	2%	9/27/2018
Consulting Exercise	3%	10/16/2018
Family Constitution	25%	11/13/2018
Case Write-Ups (2 ea. @ 10%)	20%	Various
Term Project	35%	12/17/2018
Attendance and Participation	<u>10%</u>	
TOTAL	100%	

<b>Course Materials</b>
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**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

## MGMT 233/833 Strategies and Practices of Family-Controlled Companies

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Fall 2018

### PART 1: THE THEORETICAL FRAMEWORK

#### 8/28 **INTRODUCTION: FAMILY BUSINESS – WHY IT IS IMPORTANT**

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. *Family is Key*, Aronoff
2. *The Success of Family Companies Turns Much of Modern Business Teaching on Its Head*, Management Theory
3. *Why the 21<sup>st</sup> Century Will Belong to Family Businesses*, HBR
4. *Case Study: Faber-Castell, AG, EY Family Business Yearbook*

#### 8/30 **THE IMPORTANCE OF GETTING THE RIGHT CULTURE IN A FAMILY BUSINESS**

Session Two: will explain the importance of culture to everything a family business does and contrast steward and agency cultures in a family business.

*Readings:*

1. *The Competitive Advantage of Culture in a Family Business*, LeCowie, Rhodes
2. *Stewardship: A Very Practical Family Business Theory*, Craig
3. *Case Study: The Mitchell Family and Mitchell/Richards*, Edmonson and Davis
4. *Case Study: Tensions Roil Este Lauder Dynasty*, WSJ, Byron

#### 9/4 **STEWARDSHIP CULTURE AND COMPETITIVE ADVANTAGE**

Session Three: will explain the connection between a stewardship culture and multigenerational wealth creation.

*Readings:*

1. *Leveraging Family-Based Brand Identity to Enhance Firm Competitiveness and Performance in Family Business*, Craig, Dibrell, Davis
2. *Case Study: Succession and Continuity for Johnson Family Enterprises (A)* Ward

#### 9/6 **WHY A STEWARDSHIP CULTURE IS SO DIFFICULT TO ACHIEVE**

Session Four: 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*

## **PART TWO: THE FIRST-GENERATION AGENDA**

### **9/11 TRUST; NOTHING IN A FAMILY BUSINESS HAPPENS (QUICKLY) WITHOUT IT!**

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 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.

**Submission: Stewardship Paper**

*Readings:*

1. *Trust, The Beginning of Everything in a Family Business, Alexander*
2. *Case Study: The Rift – A Family Dynasty Fights Over the Future of Luray Caverns, Chang*

### **9/13 COMMUNICATIONS: THE KEY TO PUTTING ANY RESOURCE IN PLACE**

Session Six: 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*

### **9/18 COMMUNICATIONS: LEADERSHIP EMPOWERMENT STARTS WITH BEING A GOOD COMMUNICATOR.**

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

*Readings:*

1. *Delivering a Difficult Message: Performance Feedback in a Family Business, Ransburg*

### **9/20 EMPOWERMENT: JOB #1 FOR GENERATIONAL SUCCESS!**

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.

**Submission: Communications Exercise**

*Readings:*

1. *Assessing and Enhancing Individual Power in the Family Business, Davis*
2. *Know that Your Mentee Can be Anyone, Anywhere, Rychman*
3. *Case Study: Anderson Steel Services, Inc*

### **9/25 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*

**9/27 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.

**Submission: Conflict Resolution Exercise**

*Readings:*

1. *Embracing Change and Honoring the Past: The Challenge of Family Business: Stephanie Brun de Pontet, Ph.D.*
2. *Case Study: Anderson Steel Services, Inc*

**10/02 THE FIRST GENERATION: A ROLE PLAY**

Session Eleven: 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.

**Submission: LG Investments, LLC Case Study**

*Readings:*

1. *LG Investments, LLC, A Family Business in Generational Transition, (A, B, C, and D), Hess*
2. *Succeeding with Succession Planning in Family Businesses: The Ten Key Principles, Bhalla and Kachaner*

**10/09 CLASS PRESENTATIONS**

Session Twelve: will feature presentations by class members who will discuss issues in their family businesses. Students will be required to submit recommendations, using course content, to address the issues these families are confronting.

**PART III: THE SECOND GENERATION**

**10/11 THE SECOND GENERATION: AN INTRODUCTION**

Session Thirteen: 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.

**Submission: J. Perez Foods (A)**

*Reading:*

1. *J. Perez Foods (A)*
2. *Key Concept: The Balance of Steward and Agency Cultures*

**10/16 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 and why governance must be introduced into the business.

**Submission: Consulting Exercise**

*Reading:*

1. *Governing the Family Enterprise: Practices, Performance and Research Gersick. Feliu*

**10/18 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 “Ins” and “Outs” of Family Meetings: Schuman*
2. *What do Family Councils Do? Ekrich and McClure*

**10/23 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.

*Readings:*

1. *Technical Note: The Family Constitution, Ward*
2. *Questions to be Answered in a Family Charter, Ward*

**10/25 THE NON-FAMILY MANAGERS: CREATING A VALUABLE RESOURCE IN THE FAMILY BUSINESS**

Session Seventeen: will explore ways to attract and maintain key managers when the business grows beyond the capacity of family members to provide management.

*Readings*

1. *Managing the Complexity of Human Resources in Family Firms: Ransburg, Sage-Hayward, and Schuman*

**10/30 THE BOARD OF DIRECTORS: USING OUTSIDERS TO MAXIMIZE BOTH VALUE AND FAMILY HARMONY.**

Session Eighteen: 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*

**11/1 CLASS PICNIC AND LIVING CASE STUDY; CLEMENS FAMILY CORPORATION**

Session Nineteen: 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.

*Reading:*

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

## PART IV: THE THIRD GENERATION AND BEYOND

### 11/6 THE THIRD GENERATION: INTRODUCTION

Session Twenty: will explore the issues that a third-generation business must address so that succession to the fourth generation can be achieved.

**Submission:** *Franklin Harris and Sons, Inc.*

*Reading:*

1. *How Outgoing CEOs Can Make Change a Tradition, Ward, Aronoff*
2. *Negotiating Your Entry into Your Family Business, Davis*
3. *Franklin Harris & Sons, Inc*

### 11/8 LIVING CASE STUDY; DAY AND ZIMMERMAN, INC.

Session Twenty-one: will be a discussion with a family owner of one of America's

understanding of the amount of work required to create and maintain an effective ownership group that promotes multigenerational business success.

**Submission:** *Term Project Proposal*

*Readings:*

1. *Distinguishing Ownership Succession from Management Succession, Cohn*

### 11/13 OWNERSHIP: THE RIGHTS AND RESPONSIBILITIES OF OWNERS

Session Twenty-two: will expose the student to the necessity of planning ownership for future generations of family members.

**Submission:** *Borne Family Constitution*

*Readings:*

1. *Governance of the Family Business Owners, Davis*
2. *Family Owner Development — The Foundation for Continuity, Dartt and Fassler*

### 11/15 OWNERSHIP: THE POWER OF A GOOD TRUST DOCUMENT

Session Twenty-three: will explore the ability of trust documents to resolve both tax and conflict issue in the transfer of stocks from one generation to the next.

*Readings:*

1. *The Trust as an Option for Ownership, Lefever*

### 11/20 OWNERSHIP: MOVING TOWARD A FINAL SOLUTION

Session Twenty-four: 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. *Ottawa Devices (B)*

### 11/27 LIVING CASE STUDY: CLEMENT PAPPAS, INC

Session Twenty-five: 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.

**Submission:** *Case Studies from Around the World*

*Readings:*

1. *Understanding Buy-Sell Agreements, Carlson*

**11/29 LETTING GO: THE ULTIMATE GENERATIONAL CHALLENGE**

Session Twenty-six: will explore why so many family business leaders have trouble letting Go.

*Readings:*

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

**12/04 THE END GAME – A LIVING CASE STUDY**

Session Twenty-seven: Peter Francis, retired CEO of the J.M. Huber Company, one of the nation's largest family businesses will discuss how his family manages a 5<sup>th</sup> Generation family business utilizing everything taught in this course.

*Reading:*

1. *J.M. Huber, A Family of Solutions*

**12/06 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*

2. *What Succession Planning is All About, Cohn*
3. *Reread: How Outgoing CEOs Can Make Change a Tradition, Aronoff.and Ward*