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

Strategies and Practices of Family-Controlled Companies

Management 2330/8330

**COURSE SYLLABUS
Spring Term 2023**

Tuesday/Thursday 12:00 N to 1:30 PM

INSTRUCTOR:

Mr. William H. Alexander – Lecturer

CONTACT INFORMATION:

3016 SH-DH

Cell: 717-903-6611

E-mail: alexwh@wharton.upenn.edu

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 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.

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

Course Requirements

The following outline presents the course requirements:

- A. *Term Project: **A Term Project***, (Approximately 10 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, May 1, 2023

- 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 and no exceptions will be made for late papers due to the nature of case presentations. Students from Eastern and Mid- Eastern cultures may petition the instructor to substitute a case from their culture for the J. Perez Foods (A) case.

<u>Case</u>	<u>Due Date</u>
<i>LG Investments</i>	<i>February 21, 2023</i>
<i>J Perez Foods (A)</i>	<i>March 30, 2023</i>
<i>Selective Case Studies from other cultures</i>	<i>March 30, 2023</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 April 13, 2023
- D. *Research Paper on a Stewardship Culture* – Students will be required to submit a paper explaining the importance of a Stewardship Culture to the success of a multigenerational family business. This submission, 3 to 5 pages double spaced, must include at least 3 references about the importance of stewardship to a family business not including class slides and required readings. This paper is due January 31, 2023.

E. *Attendance and Class Participation*- The success of this course is based on the student’s consistent preparation, regular attendance, submission of non-graded assignments, and active participation in group activities. 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>
Stewardship Paper	8%
Conflict Resolution Exercise	2%
Family Constitution	30%
Case Write-Ups (2 ea. @ 10%)	20%
Term Project	30%
Attendance and Participation:	<u>10%</u>
 TOTAL	 100%

Course Materials

REQUIRED READING FOR CLASS DISCUSSION AND EXAMINATIONS:

Articles and Cases 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

Spring Term 2023

PART 1: THE THEORETICAL FRAMEWORK

1/12 INTRODUCTION: WHAT IS A FAMILY BUSINESS?

Session UG1: will explore what the ideal family business looks like and what a family Needs to do to achieve that success.

Readings: J.M. Huber Company, A Family of Solutions

1/17 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 content 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. *Why the 21st Century Will Belong to Family Businesses, HBR*
3. *Case Study: Faber-Castell, AG, EY Family Business Yearbook*

1/19 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. Members of the Mitchell family will participate in the discussion.

Readings:

1. *Stewardship: A Very Practical Family Business Theory, Craig*
2. *Stewardship Climate Scale, Family Business Review, March, 2017*
3. *Case Study: The Mitchell Family and Mitchell/Richards, Edmonson and Davis*

1/24 STEWARDSHIP CULTURE AND COMPETITIVE ADVANTAGE

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

Readings

1. *The Competitive Advantage of Culture in a Family Business, LeCowie, Rhodes*
2. *Case Study: Succession and Continuity for Johnson Family Enterprises (A) Ward*

1/26 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: CHALLENGES OF THE FIRST-GENERATION

1/31 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*

2/02 EMPOWERMENT: JOB #1 FOR GENERATIONAL SUCCESS!

Session Six: 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. *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*

2/07 CONFLICT RESOLUTION: KEEPING THE ENERGY POSITIVE.

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 in a family business.

Readings:

1. *Predictable Yet Not Inevitable: Archetypes of Potential Conflicts in the Family Enterprise: Rhodes*
2. *Negotiating Effectively in Family Business Systems, Malhatra and Davis*
3. *Case Study: Anderson Steel Services, Inc*
4. *Collaborative Conflict Management*
5. *Conflict Resolution Exercise*

2/09 CHANGE MANAGEMENT: CHANGE IS INEVITABLE SO DO IT RIGHT

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.

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*

2/14 COMMUNICATIONS: THE RESOURCE THAT MAKES ALL OTHER RESOURCES POSSIBLE

Session Nine: 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. *Communications Exercise*

2/16 COMMUNICATIONS: LEADERSHIP EMPOWERMENT STARTS WITH BEING A GOOD COMMUNICATOR.

Session Ten: 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, Lansburg*

2/21 THE FIRST GENERATION CASE STUDY

Session Eleven: will explore 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*
3. *Uncommon Wisdom in Welcoming Newcomers to Enterprising Families, Echrich*

PART III: CHALLENGES OF THE SECOND GENERATION AND BEYOND

2/23 GOVERNANCE: WHY YOUR COUSINS MAKE IT NECESSARY!

Session Twelve: 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: Communications Exercise

Reading:

1. *Governing the Family Enterprise: Practices, Performance and Research* Gersick. Feliu
2. *Team Building in the Next Generation: Preparing Future Leaders: Bettinger,*
3. *Case Study: J.M. Huber: A Family of Solutions: Glemser (Read pages 4-12, Scan remainder of document).*

2/28 MAKING THE CORRECT DECISIONS TO GET FROM G1 TO G2

Session UG2: will discuss, using simulations and case studies, how to successfully get a family business from G1 to G2.

Reading: HBS Family Business Simulation: Honey Heritage, Agarwal

3/02 MAKING THE CORRECT DECISIONS TO GET FROM G2 TO G3

Session UG3: will discuss, using simulations and case studies, how to successfully get a family business from G2 to G3.

Reading: HBS Family Business Simulation: Honey Heritage, Agarwal

3/14 THE FAMILY MEETING: GETTING EVERYONE INTO THE ROOM 12:00- 12:40

Session Thirteen A: 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. This session is for students whose family is connected to a business they control.

Reading:

1. *The “Ins” and “Outs” of Family Meetings: Schuman*
2. *What do Family Councils Do? Ekrich and McClure*
3. *Family Business Meetings: Proper Planning for Effective Results, Nacht*
4. *Answers to Top Questions about Family Meetings: Bettinger and Schuman*

3/14 PROVIDING SERVICES TO A FAMILY BUSINESS – 12:40 – 1:30 PM

Session Thirteen B: will explain how an individual or firm can gain the confidence of a family business to provide services. This session is for students who will be providing services to family businesses.

Readings:

1. *Trust, The Beginning of Everything in a Family Business, Alexander (Reread)*
2. *Looking at Family Business Trends with 2020 Vision, Emigh and Telford*
3. *Building a Multidisciplinary Advising Team for Your Family Enterprise, - Hayward*

3/16 THE FAMILY CONSTITUTION: RULES FOR ALL OCCASIONS.

Session Fourteen: 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. This session will explain the course requirement for writing a constitution.

Readings:

1. *Technical Note: The Family Constitution, Ward*
2. *The Rise of the Family Business Constitution, Groom*
3. *Questions to be Answered in a Family Charter, Ward*

3/21 BUY SELL AGREEMENTS - LIVING CASE STUDY: CLEMENT PAPPAS, INC

Session Fifteen: 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.

Reading:

1. *Understanding Buy-Sell Agreements, Carlson*

3/23 THE HUMAN RESOURCE PLAN: CREATING A VALUABLE RESOURCE IN THE FAMILY BUSINESS

Session Sixteen: will explore ways to attract and maintain key managers when the business grows beyond the capacity of family members to provide management and how to manage compensation and benefits for family members who are unequal in performance.

Submission: Term Project Proposal

Readings

1. *Managing the Complexity of Human Resources in Family Firms: Ransburg, Sage-Hayward, and Schuman*
2. *Delivering a Difficult Message, Lansberg*
3. *What Comes First, Entitlement or Enablement? Karofsky*
4. *The Dark Side of being Too Generous to family Employees, Dartt*

3/28 THE BOARD OF DIRECTORS: USING OUTSIDERS TO MAXIMIZE BOTH VALUE AND FAMILY HARMONY.

Session Seventeen: will explain the value of outside influence in governance as a family Business grows in size and complexity.

Readings:

1. *Why Would a Family Business Create a Board with Independent Directors? Sleigh*
2. *Successful Family Directors are Not Born, They are Planned and Developed, Brun de Pontet*
3. *Attracting Top Board Talent: The Power of the Board Prospectus! Schmeider,*
4. *Case Study: Bush Brothers & Company, Carr*

3/30 J. PEREZ FOODS (A):

Session Eighteen: 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*

4/04 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 former CEO of the firm, Mr. Phil Clemens.

Reading:

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

4/06 OWNERSHIP: THE RIGHTS AND RESPONSIBILITIES OF OWNERS

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

Readings:

1. *Governance of the Family Business Owners, Davis*
2. *Family Owner Development — The Foundation for Continuity, Dartt and Fassler*
3. *Avoid the Pitfall of Systemic Uncertainty When Making Decisions About Shared Family Assets, Lansky,*
4. *Distributed Ownership Tips for Family Businesses: Gray*

PART IV: SUCCESSION

4/11 **LIVING CASE STUDY; DAY AND ZIMMERMAN, INC.**

Session Twenty-one: will be a discussion with a family owner of one of America's Largest family business enterprises in order for the student to gain an understanding of the amount of work required to create and maintain an effective ownership group that promotes multigenerational succession.

Readings:

1. *Succession Progression, Yoh*

4/13 **LEADERSHIP SUCCESSION**

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

Submission: Borne Family Constitution

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*

4/18 **LETTING GO: THE ULTIMATE GENERATIONAL CHALLENGE**

Session Twenty-three: 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*

4/20 **PUTTING IT ALL TOGETHER TO INSURE SUCCESSION**

Session Twenty-four: 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*
2. *Reread: How Outgoing CEOs Can Make Change a Tradition, Aronoff and Ward*

4/25 **MAKING THE CORRECT DECISIONS TO GET FROM G3 TO G4**

Session UG4: will discuss, using simulations and case studies, how to get a family business from G3 to G4.

Reading: HBS Family Business Simulation: Honey Heritage, Agarwal