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

Strategies and Practices of Family-Controlled Companies

Management 2330/8330

**COURSE SYLLABUS
Q3 - 2024**

INSTRUCTOR:

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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.

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. *Family Constitution* – Students will be divided into teams of four. The teams will prepare a constitution which will govern a family and its business through multiple generations. The document will incorporate all course content that will assist a family as it moves from generation to generation to include the correct set of values that needs to be in place, the governance necessary to maintain family harmony, and procedures for generational transition. As a guideline, most family constitutions are 15 to 20 pages in length and are presented in an easily referenced format. Students, individually, will evaluate the workings of the team in preparing the constitution with emphasis on conflict resolution, team communications, and the reliability of each team member in fulfilling their assignments.
- B. *Special Project* - If a student's family controls a business, the student may petition the instructor to do a special project that applies course content to a situation the student's family business is facing. This project will be done individually and will replace the Constitution as a course requirement.

The Family Constitution or Special Project is due March 1, 2024

- C. *Case Papers* – Students will be required to prepare a written case presentation (approximately 3-5 pages, double spaced) during the Quarter. This case study will allow the student to receive concerning their grasp of course content.

<u>Case</u>	<u>Due Date</u>
<i>Anderson Steel Services</i>	<i>February 6, 2024</i>

- D. *Research into a Stewardship Culture* – Students will be required to submit a short paper that demonstrates their knowledge of the importance of a stewardship culture to the multigenerational success of a family business. This paper is due January 25, 2024.
- 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 three 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	12%
Conflict Resolution Exercise	3%
Communications Exercise	NG
Family Constitution or Special Project	50%
Case Write-Up	20%
Attendance and Participation:	<u>15%</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

MGMT 2330/8330 Strategies and Practices of Family Controlled Corporations

Part I: The Importance of Culture

1/16 **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. The importance of this type of culture to everything a family business does will be explained.

Readings:

1. *It's all About Culture, Alexander*
2. *Case Study: The Mitchell Family and Mitchell/Richards, Edmonson and Davis*
3. *Stewardship: A Very Practical Family Business Theory, Craig*
4. *Stewardship Climate Scale, Family Business Review, March, 2017*

1/18 **STEWARDSHIP CULTURE - COMPETITIVE ADVANTAGE IF YOU CAN GET IT!**

Session Two: will explain the connection between a stewardship culture and multigenerational wealth creation. The session will then explore why there is such divergence in the cultures of family businesses even though stewardship is essential.

Readings

1. *Why a Stewardship Culture? Alexander*
2. *Challenges to a Stewardship Culture, Alexander*
3. *Case Study: Sam Steinberg A&B*
4. *Case Study: H.B. Alexander*

1/23 **WHAT A STEWARDSHIP CULTURE LOOKS AND FEELS LIKE**

Session Three: will explore what a family business that practices stewardship looks like. The Co-CEO of D&H Distribution will present their family business story.

Readings

1. D&H Distribution Company
<https://www.dandh.com/v4/view?pageReq=dhMainNS>
Review website for background on presenter's family business

: **PART II: CHALLENGES OF THE EARLY GENERATIONS**

1/25 TRUST AND EMPOWERMENT: NOTHING IN A FAMILY BUSINESS HAPPENS (QUICKLY) WITHOUT IT!

Session Four: will focus on the key to making anything happen in a family business – trust and empowerment. This session will focus on how to measure the level of trust in a family, how trust and empowerment are built and destroyed in a family, and why the development of trust and empowerment resources are 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. *Empowerment and Mentoring, Alexander*
3. *Case Study: J. Perez Foods (A)*

1/30 CHANGE MANAGEMENT: CHANGE IS INEVITABLE SO DO IT RIGHT

Session Five: 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. Inherent in change is conflict over whether the change is necessary and how the change should be undertaken, so this session will also discuss conflict resolution strategies used by families.

Readings:

1. *Conflict Management, Alexander*
2. *Change Management, Alexander*
3. *Case Study: Franklin Harris and Sons, Inc*

2/01 COMMUNICATIONS: THE RESOURCE THAT MAKES ALL OTHER RESOURCES POSSIBLE

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.

Submission: Conflict Resolution Exercise

Reading:

1. *Communications – The Essential Resource for all Family Businesses, Treat*
2. *Unraveling Communications Among Family Members. Lundberg*

PART III: CHALLENGES OF LATER GENERATIONS

2/06 GOVERNANCE: WHY YOUR COUSINS MAKE IT NECESSARY!

Session Seven will explore why maturing family businesses have a whole new set of challenges to prepare for succession and why governance must be introduced into the business. The importance of the family meeting in this process will be emphasized.

Submission: Anderson Steel Services, Inc

Reading:

1. *The Need for Governance, Alexander*
2. *The Family Meeting, Alexander*
3. *Case Study: J.M. Huber: A Family of Solutions: Glemser (Read pages 4-12, Scan remainder of document).*

2/08 THE FAMILY CONSTITUTION: RULES FOR ALL OCCASIONS.

Session Eight: 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. The student will also be introduced to the Shareholders Agreement which follows from a constitution.

Submission: Communications Exercise

Readings:

1. *The Family Constitution, Alexander*
2. *Technical Note: The Family Constitution, Ward*
3. *Questions to be Answered in a Family Charter, Ward*
4. *Understanding Buy-Sell Agreements, Carlson*

2/13 HUMAN RESOURCE PLANNING AND THE BOARD OF DIRECTORS

Session Nine: 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. The role of a board with independent directors to oversee the HR function will be discussed in this class.

Readings

1. *Managing the Complexity of Human Resources in Family Firms: Ransburg, Sage-Hayward, and Schuman*
2. *Case Study: Bush Brothers & Company, Carr*

2/15 OWNERSHIP: THE RIGHTS AND RESPONSIBILITIES OF OWNERS

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

Readings:

1. *Ownership, Alexander*
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. *Freeing the Shackles of Family Business Ownership, Thomas*

2/20 LIVING CASE STUDY; CLEMENS FAMILY CORPORATION

Session Eleven: 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)*
2. *Family Business Succession: What's Motivation Got to Do With It?, Gagné Marwick, Brun de Pontet, Wrosch*
3. *Succession in Family Firms: The Problem of Resistance, Handler and Kramer*

2/22 PUTTING IT ALL TOGETHER TO INSURE SUCCESSION

Session Twelve: will detail an ideal transition plan with emphasis on the transfer of resources and the empowerment of the successor generation as the keys to the perpetuation of any business through multiple generations. The willingness of the outgoing generation to let go will be discussed.

Readings

1. *What Succession Planning is All About, Cohn*
2. *The Hero's Reluctant Farewell, Sonnenfeld*
3. *Succession in Family Business: A Review of the Research, Handler*
4. *Listening to the Heart or the Head? Exploring the "Willingness Versus Ability" Succession Dilemma, Richards, Kammerlander, Zellwege*