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

Strategies and Practices of Family-Controlled Companies

Management 2330/8330

**COURSE SYLLABUS
Q1 – 2024-2025**

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 case studies and guest presentations that will expose the student to the strategies and practices for managing and transitioning the process, organizational, and human resources of family-controlled companies. The case studies are brought to life through the dialogue of students with the professor's framework for managing family-controlled firms 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.

Use of Generative AI: It is plagiarism to submit work produced by generative AI as your own without attribution. Any use of AI must be in alignment with assignment guidelines, and all AI-generated contributions should be properly cited like any other reference material. Although not prohibiting AI-generated contributions in this course which are properly referenced, the student is cautioned that most required submissions require a unique understanding of the family dynamics that will dictate how a family will deal with a given business situation. AI will focus on a business solution which may or may not be possible given the family situation, so the students need to be aware of this risk.

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

Course Requirements

The following presents the course requirements:

- A. *Field Project* – Students will present a consulting report, as part of a team of 5 classmates, for a situation being faced by a family business. The details of this assignment will be explained on Canvas, but the intent of the assignment is to expose the student to a real-life family business situation and the complexity of dealing with that situation because it is a family business.

Field Project is due October 14, 2024

- B. *Case Study* – 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 feedback concerning their grasp of course content.

<u>Case</u>	<u>Due Date</u>
<i>Anderson Steel Services</i>	<i>9/19/2024</i>

- C. *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 9/5/24

- D. *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>	<u>Due Date</u>
Stewardship Exercise	12%	9/05/24
Conflict Resolution Exercise	3%	9/12/24
Case Study	20%	9/19/24
Field Project	45%	10/14/24
Attendance and Participation:	<u>20%</u>	Various
TOTAL	100%	

Course Materials

REQUIRED READING FOR CLASS DISCUSSION AND EXAMINATIONS:

Creating Wealth the Family Way, *Alexander*
Cases and articles 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

8/27 **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. *Chapter 1: It's all About Culture, Alexander*
2. *Case Study: The Mitchell Family and Mitchell/Richards, Edmonson and Davis*
3. *Stewardship Climate Scale, Family Business Review, March, 2017*
4. *The Secrets of Outperforming Family-Owned Businesses: How they create value—and how you can become one. McKinsey*

8/29 **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. *Chapter 2: Why a Stewardship Culture? Alexander*
2. *Chapter 3: Challenges to a Stewardship Culture, Alexander*
3. *Case Study: Sam Steinberg A&B*
4. *Case Study: H.B. Alexander*

9/03 **LIVING CASE STUDY; CLEMENS FAMILY CORPORATION**

Session Three: 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 culture, and in Particular, values in a successful Family Business with the former CEO of the firm, Mr. Phil Clemens.

Reading:

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

PART II: The Required Resources for Multigenerational Success

9/05 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. *Chapter 4: Trust, The Beginning of Everything in a Family Business, Alexander*
2. *Chapter 5: Empowerment and Mentoring, Alexander*
3. *Case Study: J. Perez Foods (A)*

9/10 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. *Chapter 6: Conflict Management, Alexander*
2. *Chapter 7: Change Management, Alexander*
3. *Case Study: Franklin Harris and Sons, Inc*

PART III: GOVERNANCE

9/12 GOVERNANCE: WHY YOUR COUSINS MAKE IT NECESSARY!

Session Six 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: Conflict Management Exercise

Reading:

1. *Chapter 9: The Need for Governance, Alexander*
2. *Chapter 10: The Family Meeting, Alexander*
3. *Case Study: J.M. Huber: A Family of Solutions: Glemser (Read pages 4-12, Scan remainder of document).*

9/17 COMMUNICATIONS: THE RESOURCE THAT MAKES ALL OTHER RESOURCES POSSIBLE

Session Seven: 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. *Chapter 8: Communications – The Essential Resource for all Family Businesses, Alexander*

9/19 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. The role of a board of directors in governance will be emphasized

Submission: Anderson Steel Services, Inc

Readings:

1. *Chapter 11: The Family Constitution, Alexander*
2. *Chapter 14: The Board of Directors*
3. *Case Study: LG Investments (A,B,C,D)*
4. *Case Study: Bush Brothers & Company, Carr*

9/24 HUMAN RESOURCE PLANNING

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.

Submission: Communications Exercise

Readings:

1. *Chapter 15: The Human Resource Plan, Alexander*
2. *Case Study: The Khalil Abdo Group*

9/26 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. *Chapter 12: The Shareholder's Meeting, Alexander*
2. *Chapter 13: The Shareholders' Agreement, Alexander*
3. *Chapter 16: Ownership Succession, Alexander*
4. *Case Study: Ottawa Devices (B)*

10/1 DAY AND ZIMMERMAN- -A LIVING CASE STUDY

Session Eleven: 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*

10/8 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. *Chapter 17: The Outgoing Generation*
2. *Chapter 18: Leadership Succession*
3. *Case Study: Passing the Baton: Role Transition of B.K. Jhavar*