Family Enterprise Strategy

Syllabus
Winter/Spring 2014

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Course:  **Family Enterprise Strategy**  
MGT 70580/70589  

Class Time:  Monday 3:00-6:50 p.m.  
(Jan. 13 – Feb. 24, 2014)  

Class Room:  MCOB 158

Instructors:  Chris Eckrich  
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Required Book:

*Family Business (4th Edition)*  
By Ernesto J. Poza & Mary S. Daugherty, South-Western Cengage Learning, 2014

Course Description & Objectives

**Family Enterprise Strategy  (2 Credit Hours)**

MGT70580/MGT70589

**Course Description**

*What do Toyota, Gallo, Hallmark, and Walmart all have in common?*  All are family-owned or family-controlled enterprises. Family-controlled businesses are one of the most important engines of the world economy, especially in developing nations.  Over 60% of the world’s commerce is derived from family businesses, including over the half the jobs in the United States.  While business courses generally focus on public companies because of access to data, there is now more in-depth research available demonstrating the longer-term value creation of businesses where a family retains control.

This team-taught course explores the unique challenges and opportunities these businesses face in the intersecting systems of family, ownership, and management.  Theories of family enterprise operation will be discussed, using the case study method.  Particular attention is focused on the process of generational succession and family business continuity challenges for both ownership and leadership, including governance policies, family dynamics, and strategic planning.  Reading assignments will be drawn from a text and supplemental handouts.  The final project in this course will be a Continuity Plan for a family business, in which a project team of students will write, incorporating materials from readings, case studies, lectures, and discussions.
This course is being co-taught to provide a greater breadth of family enterprise experiences and real-world team project interaction. The course will combine theory with an interactive team project.

The course objectives are to:

- Develop a meaningful understanding and appreciation of the role family-owned businesses play in the world economy.
- Build practical “inquiry process” skills on how to gather substantive data from family businesses that help clarify current strategies.
- Learn to analyze family business strategic issues and develop potential strategic solutions in family and business relationships.
- Develop a deep understanding of the strategic issues facing the successful continuance of family businesses.
- Provide initial thoughts and knowledge so that you can make informed decision about whether you may wish to join an existing family business or start a family business.

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**Summary of Course Grading**

The following grading outline will be used for this course.

<table>
<thead>
<tr>
<th>Assignment</th>
<th>Points</th>
<th>Percent of Grade</th>
</tr>
</thead>
<tbody>
<tr>
<td>Case Evaluations (4)</td>
<td>75</td>
<td>37.5%</td>
</tr>
<tr>
<td>Pop Quizzes</td>
<td>30</td>
<td>15%</td>
</tr>
<tr>
<td>Class Participation</td>
<td>25</td>
<td>12.5%</td>
</tr>
<tr>
<td>Family Enterprise Project</td>
<td>70</td>
<td>35%</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>200</strong></td>
<td><strong>100%</strong></td>
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Grades will be assigned according to the following point values. *

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\begin{align*}
A & = 188-200 & B- & = 162-167 & D+ & = 136-141 \\
B & = 168-177 & C- & = 142-147 & F & = <12
\end{align*}
\]

* With consideration to Syllabus sections on Participation and Honor Code
Project
Much knowledge will be gained through gathering, interpreting and applying data about a real family business. This will be a team project designed to have the students think like trusted advisors to a family-owned business providing clear recommendations on succession planning initiatives for the family business studied. The project elements include (a) the design of data-gathering surveys and searches, (b) the actual gathering of the data, (c) the synthesis of the data into a meaningful report, and (d) the presentation to the class of the family business report, including findings, perspective, and recommended succession strategies. More information about project expectations will be passed out in class.

Pop Quizzes
Two quizzes will cover the readings and class lectures.

Participation
This course is designed to engage students in interactive discussion and a team project on enterprising families. Class members learn from each other by sharing different family experiences and research findings with the class. Participation is encouraged and evaluated. Both quality and quantity of comments in class will be considered in grading.

Because of the participative nature of this course, attendance at each class is expected. Just as in a family business, the good of the whole depends on each member willingly contributing to that common good. The learning experience of the class will be optimized if each person contributes by sharing his or her insights and perspectives. Twelve and one half percent of your final grade will be based the quality of your participation.

IMPORTANT NOTE: Participation points cannot be earned for classes not attended. Students missing more than one of the required class meetings will have their final grade reduced by two letter grades. A third absence will result in an F.

Preparation
Come to class prepared with readings studied and assignments complete. With only six regular classes it is critical to be prepared to optimize your learning experience.

Assignments
All assignments are due at the beginning of each class. Assignments are to be printed and submitted as a hard copy. We will not accept e-mailed assignments as these
sometimes do not come through firewalls. Be sure your computer is backed up as there are no excuses for lost data. All work must be complete by the final day of class; no carry-overs.

**Instructors**

Both instructors are intimately involved with a variety of family enterprises through consulting roles and board positions. They have experience working in leadership positions at family businesses, as well as teaching undergraduates, graduate students, and executives.

**Honor Code**

All students in this course are expected to adhere to university standards of academic integrity. Please remember that you have pledged to uphold the Academic Code of Honor, a copy of which can be found [http://nd.edu/~hnrcode/docs/handbook.htm](http://nd.edu/~hnrcode/docs/handbook.htm). This Code of Honor contains the following pledge: “As a member of the Notre Dame community, I will not participate in or tolerate academic dishonesty.”

Cheating, plagiarism, and other forms of academic dishonesty will not be tolerated in this course. This includes, but is no limited to, consulting with another person during an exam/quiz, turning in written work that was prepared by someone other than you, and making minor modifications to the work of someone else and turning it in as your own. Ignorance will not be permitted as an excuse. If you are not sure whether something you plan to submit would be considered either cheating or plagiarism, it is your responsibility to get clarification. Either ask us about it or consult credible sources of information on the subject. One useful Internet sites is: [http://www.indiana.edu/~wts/pamphlets/plagiarism.shtml](http://www.indiana.edu/~wts/pamphlets/plagiarism.shtml).
Course Snapshot

Week 1 - January 13, 2014  Introduction to Family Enterprise

Week 2 - January 20, 2014  Foundational Strategies for Successful Family Enterprise

Due: Perspective Report on

*Henry Ford’s Great-Great Grandchildren Join the Family Business*

Readings: Poza – Chapters 1, 2, 3


Week 3 - January 27, 2014  Strategic Planning in a Family Enterprise

Due: Case reaction to the case *Prudence and Audacity: The House of Beretta*

By Colleen Lief and John Ward; IMD, Switzerland

Readings: Poza – Chapter 5, 8 & 10


Week 4 - February 3, 2013  Family Enterprise Succession

Due: Case reaction to Gupta Garments and Amit’s First 100 Days

Readings: Poza – Chapters 6 & 7


*Case: Gupta Garments and Amit’s First 100 Days. Poza pages 183-193.*
Week 5 - February 10, 2014  Governance and Ownership Transition in Family Enterprise

Readings: Poza – Chapters 4, 9 & 12


Week 6 - February 17, 2014  Integration and Key Issues

Due: Case Reaction to The Richard Owens Family (A, B, & C)


Week 7 - February 24, 2014  Family Enterprise Reports & Presentations

Due: Written and Oral Family Business Report

Articles on eReserve can be found at: [INSERT LINK HERE]

Additionally, eReserve articles for MGT 70580 can be accessed from http://bic.library.nd.edu/ under Library Services.

Students can report access problems or technical difficulties directly to reserves.1@nd.edu

(Optional) Additional readings are available for those students who wish further depth of selected topics.
Perspective Report on

*Henry Ford’s Great-Great Grandchildren Join the Family Business*

**Assignment Expectations**

**Due:** Beginning of class session #2 on **Jan. 20, 2014.**

**Weight of Assignment:** 10 Points (or 5% of final grade)

**Assignment:** A short (1 to 2 pages at most) “Perspective Report” on the article – *Henry Ford’s Great-Great Grandchildren Join the Family Business*. Report questions:

- How has the Ford family added value as shareholders?
- In Chapter 3 Poza talks about shareholder priorities. How would you describe the Ford family’s priorities?
- What are the most significant issues (family and strategic) facing the family in the next generation?
- Using your own family as a point of reference, if this was your family business, how would you do things differently than Bill Ford and the Ford family?

**Expectations**

- Excellence in writing is expected.
- Only double spaced, typed papers will be accepted.
- A staple in the upper left corner will be appreciated.
- Integration of class concepts and depth of analysis are weighted heavily.
Assignment Expectations

Due: Beginning of class session #3 on January 27, 2014.

Weight of Assignment: 20 Points (or 10% of your final grade)

Assignment:

Each student will read the Prudence and Audacity: The House of Beretta case study and submit a 2-4 page reaction to the case that addresses the following questions:

1. How has the Beretta family over multiple generations stayed true to their family business motto of Prudence AND Audacity?

2. How do you envision the reorganization of Beretta will help its diversification, innovation, and overall future success?

3. What concerns do you have for Beretta’s approach, and what would you recommend?

4. How does this case relate to the material in the reading assignments for this week (Poza Chapters 5, 8 & 10)?

Expectations

- Excellence in writing is expected.
- Only double spaced, typed papers will be accepted.
- A staple in the upper left corner will be appreciated.
- Integration of class concepts and depth of analysis are weighted heavily.
Gupta Garments & Amit’s First 100 Days Case Study

Assignment Expectations

Due: Beginning of class session #4 on February 3, 2014.

Weight of Assignment: 20 Points (or 10% of your final grade)

Assignment:

Each student will read the Gupta Garments & Amit’s First 100 Days case study and submit a 2-4 page reaction to the case that addresses the following questions:

1. What has been the impact of the family on the business to date?

2. How has the family organization positioned itself to succeed in management succession from both a family and a business perspective?

3. What concerns do you have about the future, and how would you recommend the family proceed to maximize chances for success throughout management and ownership succession?

4. How does this case relate to the material in the reading assignments for this week (Poza – Chapters 6 & 7)?

Expectations

- Excellence in writing is expected.
- Only double spaced, typed papers will be accepted.
- A staple in the upper left corner will be appreciated.
- Integration of class concepts and depth of analysis are weighted heavily.
The Richard Owens Family Case Study (A, B, C)

Assignment Expectations

Due: Beginning of class session #6 on Feb. 17, 2014.

Weight of Assignment: 25 Points (or 12.5% of your final grade)

Assignment:

Each student will read The Richard Owens Family (parts A, B, C) case study and submit a 3-4 page reaction to the case that addresses the following questions:

1. The initial problems the founder’s children experienced with each other seemed intractable. How might they have addressed key stuck points earlier in the life of the enterprise? What specifically should they have done?

2. What are your observations about the process they used to create the family constitution? How will this help them, and what concerns do you have about the constitution they have created?

3. In considering the family constitution and all of its sub policies, which three do you see as most critical to their healthy future functioning, and why?

4. What would you recommend this family enterprise do to adequately prepare for succession given their current situation, given what you know about the case?

Expectations

- Excellence in writing is expected.
- Only double spaced, typed papers will be accepted.
- A staple in the upper left corner will be appreciated.
- Integration of class concepts and depth of analysis are weighted heavily.
Family Enterprise Project Description

Much knowledge will be gained through gathering and interpreting data about a real family enterprise, then developing succession strategies that ensure the continuation of the family business. This will be a team project designed to have the students think like trusted advisors to a family-owned business providing clear recommendations on succession planning initiatives for the family business studied. The project elements include (a) the design of data-gathering surveys and searches, (b) the actual gathering of the data, (c) the synthesis of the data into a meaningful report, and (d) the presentation to the class of the family business report, including findings, perspective, and recommended succession strategies.

The purpose of this project is to expose students to real world experiences that demonstrate how course concepts play out in business-owning families. Family businesses provide students with the opportunity to apply their acquired course knowledge to each particular situation.

The students are to work as a team collaborating on gathering data, interpreting data, developing strategies, and producing a final report and class presentation.

Each team will identify a family-owned enterprise and interview multiple stakeholders to explore the nature of family and business involvement. The data gathering process should include some website searches, but mostly face-to-face or phone interviews with family members and non-family executives working in the business. You should interview at least 3 different family members and possibly one non-family executive. They should occupy different roles. If possible, also include a spouse, sibling, cousin or other family member NOT working in the business. You will be acting as a student researcher, helping the family pull together various data points and strategies that directly addresses opportunities and issues facing the family business.

Success of this project will be measured by the substance of the report and presentation due on the last day of class. Reports should identify key individuals impacting the family business, challenges the firm is encountering, and opportunities for change or improvement. Most importantly, the project team should clearly explain how the data and team thought process are used to derive recommended succession strategies for leadership and ownership. Each team will also turn in a second copy of the report with a stamped envelope addressed to the primary contact at the family business interviewed. We will ensure that it gets mailed with a thank you letter for their participation.
Outline for Report

The following is a report format that will be helpful as the team works through this family business research process. You are encouraged to follow a similar framework for your report.

1. **Cover Page** - Include the company name, address, contact name, and names of family members and others interviewed.

2. **Company History and Description**
   a. When, how and why did this family business get started?
   b. Describe the business or businesses - What types of products and services are offered?
   c. What were any unique circumstances or innovative thinking that helped to launch the business in the first generation, and diversify and grow the business in future generations?
   d. Describe any outstanding or pivotal events in the history of the company.

3. **The Family Impact**
   a. What family members are currently in the business, and what are their titles and roles in the business? How do they impact the business?
   b. Create a genogram of family from time of founding.
   c. Develop a family history identifying lineage and documenting important rules, expectations, beliefs, values and dreams this family shares. How do these elements impact the business currently?
   d. Is there a family statement on values, vision, and mission? If so, please provide.
   e. What types of documents has the family constructed to help them manage family business challenges?
   f. How is this family capitalizing on its status as a family business?

4. **Status of Industry**
   a. Is the industry in which the business is a part, growing, shrinking, or changing in some way? What is the business doing to manage industry dynamics?
   b. What is the impact of technology, consolidation, or other macro/external factors on this business?
   c. What is the company’s current position in the industry?

5. **Strategic Business Direction**
   a. What is the current overall business strategy?
   b. What are the corporate mission, goals and objectives?

6. **Opportunities & Challenges**
   a. Identify and explain two or three significant opportunities the family business has today.
   b. Identify the two or three most important family business challenges facing the company and/or its owning family and present some suggestions or recommendations on how to resolve the issues.
7. **Governance & Leadership Organizational Structure**
   
   a. What is the governance structure of the family enterprise? Board or directors, executive management, family council, owner council, etc?
   
   b. What organization structure is needed to support and align with the long-term strategic direction of the family enterprise?
   
   c. What leadership roles have family members played in the business?
   
   d. What is the philosophy on family members earning leadership positions?
   
   e. What is the philosophy of leadership selection? What is the blend of family and non-family leaders?
   
   f. Is there a leadership succession plan in place? Are there some ideas for leadership succession that could be built upon?

8. **Ownership**
   
   a. Who are the owners? Family & non-family owners? Voting & non-voting stock?
   
   b. Is there an ownership succession plan in place? Is it clear how ownership will be passed on? Explain.

9. **Key Strategic Initiatives**
   
   a. Develop strategic recommendations for leadership succession.
   
   b. Provide a potential timeline for succession.
   
   c. Develop strategic recommendations for ownership succession.

10. **Summary and Conclusions**
    
    a. Tie all the element of the report together.
    
    b. Provide succinct perspectives and final conclusion.

**TIPS**

- Work as a team – divide tasks and make progress each week.
- Focus on helping the firm first, your grade second. The former will result in the latter.
- When writing, focus on quality of content first, style second.
- Include corporate documents (i.e. mission statements, organizational charts) as appendices.
- Refer to course cases to help develop strategies.
- Start early. Folks are busy and they may require lead-time to schedule interviews.

**Confidentiality**

**THIS IS THE MOST IMPORTANT PART OF THIS PROJECT!**

The people you will be interviewing are real people, talking to you to help you with your project. They are putting trust in you and will expect that you protect their privacy in all matters. This includes feedback that you give to them.
Tracking Family Business Project Progress Week to Week

**Week 1 January 13**
- Introduce Family Business Project.
- Assign students to team (~3 students per team).
- Begin list of potential family business candidates.

**Week 2 January 20**
- Finalize family business candidates.
- Outline data gathering process & initial survey questions.
- Begin internet research gathering.

**Week 3 January 27**
- Finalize data gathering & inquiry approach.
- Begin to gather data directly from members of the family business.

**Week 4 February 3**
- Gather data – conduct interviews, research websites.
- Begin to interpret data and develop possible succession strategies.
- Begin draft outline and sections of report & presentation.

**Week 5 February 10**
- Continue to develop and refine leadership succession strategies.
- Continue to develop and refine ownership succession strategies.
- Draft report and presentation.
- Check for substantive content AND appropriate format/style.

**Week 6 February 17**
- Revise report and presentation

**Week 7 February 24**
- Hand in Family Business Report at beginning of class.
- Make Report Presentation to class.
Family Enterprise Report Assignment Expectations

Length: Approximately 10-15 pages [Staple in upper left corner. No plastic cover sheets.]

Weighting: This paper is worth 70 points, which is 35% of your final grade.

Due Date: Research Papers (bring 3 copies) are due at 3:00 p.m. on Monday Feb. 25th, 2013.

- - Grading Criteria Guidelines - -

5 Pts. Structure: Logical flow to paper, using solid opening and closing paragraphs. Paragraphs address a single idea or concept. Spelling, grammar, data presented, use of an acceptable means of documenting references.

Content: Your report should include the following.

32 Pts. Address majority of points in report outline with special emphasis on strategy recommendations and solution options. Identification of key business and family historical influences and their impact. Clear explanation and interpretation of data points gathered. Sound succession strategies that are based on the team’s interpretation of the data gathered and application of concepts learned in class. Successes and challenges in managing family and business interface. Identification of family business challenges and suggestions or recommendations to resolve or manage these challenges.

7 Pts. Demonstration of your ability to integrate course materials, and/or various theories and principles from your text and/or class discussions in your paper, citing references.

18 Pts. Oral presentation: All team members participate in presentation of your report (key findings only) and an interpretation of their meaning relative to this family business and course material.


[Note appropriateness of business selected. Unapproved businesses will result in 10 pt. reduction.]

70 Pts. Total