Syllabus
Version 1.0

FAMILY BUSINESS MANAGEMENT
Spring Term 2014

Instructor: Michael Preston

Course Number: B8529

Day and Time: Thursdays: 9:00AM to 12:15PM

Room Number: Uris Hall, Room 330

How to Contact: Telephone: (631) 903-9318 (Before 9:30pm please)
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Course Description, Objectives and Approach:
Managing any business can be challenging these days especially with the increasing
impact of factors such as technology, social media and globalization. But, managing a family
business can be especially challenging as family considerations add additional levels of
complexity to the tasks of management and can make managing either easier or more difficult or
in some cases both at the same time depending on the circumstances.

Family business is an important topic as it constitutes a significant segment of the
economy in the US and an even larger proportion of the global economy. Worldwide 80% of all businesses are classified as “family businesses.” Although family squabbles often receive headlines from the business press, recent studies have shown that family businesses, on average, outperform and last longer than non family businesses. This course, Family Business Management, focuses on this vital and interesting sector.

The course is directed towards students who will enter into the management of family
businesses, either their own family's or someone else's, and students who will do business
with family firms, consult to them, work with them in private wealth management,
mergers and acquisitions, banking, consulting, outsourcing, etc. The focus is on small and
mid-size firms with annual revenue of $10-$500 million. We will explore the business,
personal and family issues found in family owned and managed companies. The
managerial, strategic, financial and behavioral complexities in these firms are also
analyzed. In addition the unique aspect of family businesses in real estate will be covered.

Through case studies, student research and guest speakers, we consider questions of ownership,
succession, conflict resolution, sibling rivalry, compensation, attracting and retaining both family
and nonfamily talent, estate planning, and financing the family owned enterprise. A session will
be devoted to the issues and the process involved in deciding whether to enter the family
business.
The course has the following objectives:

- Increase your understanding, effectiveness and commitment as a member of a family firm (either you own family’s or someone else’s)
- Identify the characteristics that differentiate a family business from other businesses
- Examine the life cycles of family businesses from the perspective of business, family and ownership
- Learn methods to enhance communication ability and conflict resolution with family business owners, managers, and family members
- Learn to evaluate situations and problems in family businesses
- Examine best practices and explore emerging trends in family business management
- Develop family business competitive strategies

Teaching Methods and Course Materials:

- The course will include case studies, group research, lectures, readings, videos and discussions
- A number of cases are assigned which you should read and prepare for discussion and at least two of these cases will require a more detailed write up which will be due at the beginning of the class session when the case is assigned.
- Seven Discussion Teams will be formed to study and do research on key course topics. The teams will present their findings at the assigned class.
- Guest speakers will be brought in from the world of family business, from specialties including psychology and family counseling and from academia. Where possible, several family members will discuss their family business situation.
- There is an extensive library of books about family business. I will bring a recommended book to each class and briefly discuss it themes. This is to encourage additional follow up on topics of personal interest.

An independent research paper 15 to 20 pages in length is required in lieu of a final exam. (See details below.)

Textbook and Required Readings:

- Family Business by Ernesto J. Poza, 4th edition
- Course pack for Family Business Management course

Expectations and Grading

As the course is based primarily on case studies, it is expected that you will prepare the cases and readings and be ready to participate in the class discussions. This participation will aid your learning and the learning of your classmates. The cases are based on real companies and these course materials have been chosen to provide you insights, not absolute answers. In each class session, students with experience in family businesses (either their own family’s or someone else’s) will be asked to make a short presentation on their insights and observations about managing a family business.

The greater your preparation and participation the more you will learn. The grading structure is weighted on this basis as follows:

Class Participation 35%
Independent Research Paper 35%
Discussion Team Report 30%
Independent Research Paper:

You should choose any family firm you wish provided that it is in at least the second or preparing to transition to the second generation of ownership and/or management. Topics to be included:

1. **Company History and Description**
   a. Detailed account of the firm’s history including why and how it started
   b. Any significant milestones in the company’s development
   c. Organizational ownership structure
   d. Description of products and services

2. **Current Analysis**
   a. Current goals and objectives
   b. Current strategy
   c. Financial Analysis – give a brief overview (to the extent available)

3. **Family Business Mission Statement (if available)**
   a. Explain if this statement is consistent with your analysis of the company

4. **Family History**
   a. From the founder through the current generation, develop a brief history of the family including where the family originated and any myths, rules, etc.
   b. Family members in management positions and in ownership
   c. Their title
   d. Job responsibilities
   e. Career goals

5. **This is the most important sections of your paper. You should devote appropriate attention as you answer the following questions:**
   - What are three critical family business challenges facing the company and/or the owning family (families) that are present (and you should suggest an approach for dealing with each one)?
   - What are the most important lessons you take from this research paper that apply to you career?

Be sure to analyze the manner in which the structure of the family, family dynamics; management of the business and personality styles will help or hinder success in overcoming challenges.

**Due Dates:**

- **Term Paper Proposal:** Due in Class Session 6 Thursday March 6th, 2014
  - The Term Paper Proposal should be one or two paragraphs indicating the company you have chosen and the reasons you have selected it and confirming that it meets all of the requirements

- **TERM Paper Assignments:** Due in Class Session 11 Thursday April 24th, 2014
  - **Requirements:**
    - Paper must be 15-20 pages; typed in 12 pt. double spaced with normal margins and footnotes or end notes
    - Papers must include a bibliography as well as any supporting exhibits (Note: these are not included in the 15-20 page length).
Contacting the Instructor

Office hours are from 2:00PM to 4:00PM on Thursdays after class at my office which is located in the Adjunct Faculty Area, Room 218f in Uris. Meetings by appointment are encouraged. If you have a quick question or wish to make an appointment, call me or contact me by e-mail at the numbers listed on the front page.

AN OVERVIEW OF THE COURSE
The course outline is provided below. It may be necessary during the term to adjust the sequence of sessions or modify teaching materials to accommodate guest speakers or to reschedule for other reasons. If this should occur, you will be informed by the Professor or the course TA.

Preparatory Readings
Ferré Media Group Case Study [Poza, p 78-83] Please read this case and come to class prepared to discuss it. See the assigned questions below.

Preliminary Written Assignment (to be handed in at the beginning of class one):
- If you are from a family business: What are the main challenges facing your family business? What challenges are you facing related to the family business, if any?
- If you are not from a family business, what is your impression of family businesses both the pros and cons?
- What do you expect from this course?

Class Session 1-Thursday January 30, 2014
The Nature, Importance and Uniqueness of Family Business and Great Family Business

Reading: “Family Business”, Poza, Chapters 1 & 2
Case Assignment: Case 3, The Ferré Media Group [Poza, p 78-83]

Questions:
1. What are the facts of this case as they relate to: a. the entire enterprise? b. the Ferré Rangel family? c. the nature of the relationship between the family and the business?
2. To what do you attribute the tremendous success that the Ferré Media Group is enjoying? What has the leadership done in the family, ownership, and management fronts to ensure continued success?
3. To what extent does the Ferré Media Group match the profile of a great family business? Please discuss.
4. What does the CEO need to do next to ensure continuation of the legacy of the enterprise and its history of innovation?

Guest Speaker:
Class Session 2- Thursday February 6, 2014

Ownership of an Enterprise: Built to Last

Reading: Chapter 3
Case Assignment: Salvatore Ferragamo, SpA Case

Questions:
1. How well positioned is Ferragamo to undertake the growth strategy outlined by Mazzalovo?
2. How have family values contributed or detracted from Ferragamo’s success to date?
3. If a decision is made to pursue the strategy for aggressive growth, are Mazzalovo’s organizational recommendations sound?
4. What should Wanda Ferragamo do?

Guest Speaker:

Class Session 3- Thursday February 13, 2014

Succession and Transfer of Power

Reading: Chapter 4 & 5
Case Assignment: Sam Steinberg (A) and Steinberg (B) Condensed

Questions:
1. What factors account for the Steinberg Company’s success? Be specific and rank them as best as you can.
2. What aspects of the Steinberg family strike you as important to its development over time?
3. What do you predict will happen to the company and family in the 1969-1989 time frame?

Guest Speaker:

Class Session 4- Thursday February 20, 2014

Creating the Family Business Strategy

Reading: Chapter 6
Case Assignment: Eu Yan Sang

Questions:
1. Strategic planning in the small and medium sized enterprise (SME) is an integral part of setting the impetus and direction for the business. Using the “Five Phases of Growth” model, discuss key strengths and weaknesses of the process Richard Eu followed in formulating the strategic plan for Eu Yan Sang.
2. What are some of the key sources of value (with respect to family and business) that the strategic plan focused on?
3. What aspects of Richard Eu strike you as important to the company’s development over time?
4. Do you think Richard Eu made the right decisions from the perspectives of both family and business? What do you think he could have done differently to ensure the preservation of Eu Yang Sang as a “family business”?

Guest Speaker:

Class Session 5- Thursday February 27, 2014

Financing the Family Business

Reading: Selections from “Financing Transitions: Managing Capital and Liquidity in Your Family Business” by Francois M. de Visscher and John L. Ward

Case Assignment: Nash Engineering
Questions:
- What are the key strengths and weaknesses of the Nash Engineering Company and the Nash Family?
- What are their options? Evaluate the three strategic alternatives that are being considered: (a) Stand Alone (b) Sale of the Nash Engineering Company and (c) Recapitalization with Elmo/Siemens. Are there any other approaches you would suggest?
- What type of financial and ownership structure would best support an acquisition, as well as shareholders' long-term goals?
- What would your final recommendation be?

Guest Speaker:

Class Session 6- Thursday March 6th, 2014

Planning the Estate

Reading: Chapter 7
Estate Planning and Family Business Mediation

Guest Speaker:

TERM PAPER PROPOSALS ARE DUE TODAY

Thursdays March 13th & 20th, 2014

NO CLASSES-FALL BREAK
Class Session 7 Thursday March 27th, 2014

Key Non Family Management

Reading: Chapter 9

Panel Discussion

Guest Speaker:

Class Session 8-Thursday April 3rd, 2014
Governance, Communication & Conflict resolution

Reading: Chapter 10 & 11

Case Assignment: Reliance
1. Questions: Was the settlement a good one?
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2. Pls. evaluate the settlement from all relevant perspectives.
3. Were there other solutions? What else might he have done?

Guest Speaker:

Class Session 9-Thursday April 10th, 2014

Gender and the Family Business

Reading: Integrating the daughter into the Family Business
Case Assignment: Precista Tools AG (A), (B)* and (C)*

(*These cases will be handed out in class.)

Questions:
1. Why has Greta Huebel gone from being her father’s key lieutenant to the point of resigning from the company?
2. What are the cultural and organizational issues here? What are the family issues?
3. In your judgment, how has Greta Huebel been handling the crisis of career up to now?
4. Explain the different transitions that occurred within the last years of this case for: a. Franz Huebel b. Sophie Huebel c. Peter Huebel d. Board of Directors

Guest Speaker:

* Parts (B) and (C) of Precista Tools AG will be distributed in class.
Class Session 10-Thursday April 17th, 2014

The Family Business and Real Estate

Reading:
Case Assignment: The Raiser Organization

Questions:

1. List the principal issues facing Jennifer & Phillip
2. What would you recommend they do to resolve these issues? Please explain why. Is there additional information you would like to know?
   - For the business issues, take into account the 5 stages of growth model.
   - For the family governance issues, think about the principles of good governance.

Guest Speaker:

Class Session 11-Thursday April 24th, 2014

Entering the Family Business

Reading:
Case Assignment: Cole-Tek, Inc.

Questions:

1. As Alan, what terms and conditions would you insist on in order to ensure your control of ColeTek until such time as Paul and Brian are ready to take over? As Paul and Brian, would you find these conditions acceptable? (Be specific as to your recommendations).
2. How should matters such as operating management of the company, performance review, job assignments and possible termination of the three principals be handled?
3. Evaluate the proposal developed by Paul and Brian regarding the purchase of ColeTek.
4. What provisions, if any, should be incorporated into the purchase agreement to deal with possible future events such as termination, resignation or death of any of the three principal family members?

Presentation of Term Paper Findings

Guest Speaker

TERM PAPERS ARE DUE TODAY

Class Session 12, Thursday May 1st, 2014

The Future of Family Business

Reading: Chapter 12

Panel Discussion
Video: “How to run a successful family business”