New York University
Leonard N. Stern School of Business - Graduate Division

Family Business Management

B 65.2328.30

Professor Ken Preston

Spring 2006

Wednesdays at 6 P.M.

Course Room: 2-80 KMEC
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Course Description:

FAMILY BUSINESS MANAGEMENT B65.2328 is directed to (1) students who will enter into the management of family businesses, either their own family’s or someone else’s, and (2) 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.

Focus is on small and mid-size firms with annual revenue of $10-$500 million. The course explores the business, personal and family issues found in family owned and managed companies. The managerial, strategic, and behavioral complexities in these firms are analyzed. Through case studies and guest speakers, we consider questions of ownership, succession, sibling rivalry, attracting and retaining non-family talent, estate planning, and financing the family owned enterprise. At this time over 80% of the world’s businesses are classified as “family businesses.”

Course Objectives

• Increase your understanding, effectiveness, and commitment as members of family firms (either your own family’s or someone else’s)
• Identify the characteristics that differentiate family business from other businesses
• Examine the life cycles of family businesses from the perspective of business, family and ownership development
• Learn methods to enhance communication ability and conflict resolution with family business owners, managers, and family members, including relatives
• Learn to evaluate situations and problems in family businesses

Course Methodology:

* Lectures, Readings, Videos, and Discussions

* Guest speakers. Guest speakers will be brought in from the family business world, from the field of psychology and family therapy, and from academia. Due to travel schedules, the dates of some guest speakers’ dates may change. I will notify you of any changes either in a preceding class, by e-mail, or on Blackboard under “Announcements”

* Case preparation. A number of cases are assigned for this class. Please prepare written notes on all the case questions listed in this syllabus. Deliverable cases will be announced.


* Five case deliverables (in lieu of a mid-term exam). Your best four grades will be counted. I will specify the cases that are to be written up and handed in.
Grading Basis:

- Term Paper          40%
- Five case deliverables (count best 4)                    20%
- Attendance                                                            20%
- Class Contribution and Class Participation          20%

Required Textbooks:

(1) “Family Business” by Ernesto J. Poza, Case Western Reserve University
(2) Case Packet for Family Business Course

Absences & Lateness:
Class starts promptly at 6:00 PM. Please be prompt as lateness disturbs everyone. Notify me of any absences by e-mail. If you are absent, ask a classmate for any change in assignments or reading material which is handed out in class. Please get the phone numbers and E-mail addresses of classmates for this purpose.

Notes on Case Preparation and Class Discussion:

- Most of the cases are comprehensive. Please budget adequate time for case preparation and preparation of responses to all of the questions. The questions form the basis of our class discussions and deliverable assignments during the course.

- You are expected to have identified and analyzed the core issues in the case, to have drawn conclusions and to have a specific course of action ready to present and discuss.

- It is important to come to class with a written, thoughtful, crisp summary of your answers to each study question. My questions primarily follow those study questions in the syllabus. Remember: I’m not looking for a specific “right answer”. I’m looking to facilitate a well thought out class discussion. Whether or not I entirely agree with your conclusions is irrelevant. In fact, there is usually a wide range of legitimate points of view on any given case. The quality and conviction of your argument is what counts. (Of course, that doesn’t mean I won’t challenge your position or play devil’s advocate, even if I happen to agree with it.)

Seats and Name Cards:
Please display your name card during all classes both for my benefit and for guest speakers throughout the semester. After the first session, please take the same seat each class.

Laptops
Laptops are permitted in class for note taking or for review of notes that you’ve taken for this class only. If you cannot comply with this rule, please drop the course.
Term Paper Assignment
Independent Research and Thinking Paper

In this course there is a final term paper in lieu of a final exam. Why was this decision made? I believe that people develop good ideas and insights by doing their own research and reading and then thinking about what they’ve encountered and drawing their own conclusions. In my opinion researching and writing this paper will be more valuable for your learning experience than a final exam. You may choose any family firm you wish provided it is in at least the second generation of ownership and/or management.

Due Dates:
Term Paper Proposal: Due Feb. 22
Term Paper Proposal should be one or two paragraphs. Indicate the company you have chosen, the reasons you have chosen it, and that you have noted all of the paper requirements.

Term Paper Assignment: Due April 19

Paper Requirements
- Include ALL the topics given below.
- Paper must be 15-20 pages; typed 12 pt. double spaced with normal margins & footnotes or endnotes.
- Paper must include bibliography as well as any supporting exhibits such as financials, etc. (Note that these are not included in the length of 15-20 pages).

Your term paper proposal must include a statement that you have noted all of the paper requirements.

Topics to be included:

(1) Company History and Description:
   a. Detailed account of when the firm started, why and how
   b. Any milestones of the company’s history
   c. Organizational ownership structure
   d. Description of products, services

(2) A Brief Industry Analysis
   Describe the industry in which the company operates. What are the trends? If you have difficulty finding data, check with industry trade associations.

(3) Current Analysis
   a. Current goals and objectives
   b. Current strategy
   c. Financial analysis - Give a brief overview of the financials (to the extent available)

(4) Family Business Mission Statement (if available)
   Does your analysis show consistency of the statement and how it is carried out? Explain.

Topics continue on next page…
(5) Family History
   a. Founder through present generation (develop a history of the family). Where did the family originate? Any myths, rules, etc.?
   b. Family members in operating and ownership positions (If large numbers, discuss with me as to how to handle in your paper).
      • Title (if active in the business)
      • Job Responsibility
      • Career Goals (if applicable)

6. **This section is the most important section of your paper, to which you should devote appropriate attention, in answering the following question:**
   What are three critical family business challenges facing the company and/or its owning family (families) that are present and suggest an approach for facing each.

7. What are the most important learnings you take from this research project that will apply to your own career future?
Session 1 – **Wednesday February 8 - Defining the Family Business**
Reading Assignment: Chapter 1 – Poza – Family Business
Case Assignment: Adelphia Communications and the Washington Post – case and questions are on pages 61-65 in textbook

Session 2 – **Wednesday February 15 - Leading the Family Business**
Reading Assignment: Chapter 2
Case Assignment: Precista Tools AG (contained in your Case Readings Packet)
Prepare Responses to the following Precista Tools AG Case 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 at work here? What are the family issues?
(3) In your judgment, how has Greta Huebel been handling the crisis of career up to now?
(4) Spell out the different transitions that occurred within the last year years of this case (e.g. Franz Huebel from active hands-on management to poor health and old age).
Sophie Huebel, Peter Huebel, Board of Directors, Precista - spell out the transitions of these four.

Session 3 – **Wednesday February 22 - Promoting Trust Among Family Members and among family Members and Non-Family Members**
Reading Assignment – Chapter 3
Case Assignment: Rob Taylor (Case Reading Packet)
Prepare Responses to the following Rob Taylor Case questions:
(1) What has happened to Rob Taylor in the last few years? How much of this is he responsible for?
(2) What caused the problems between Alex and Rob?
(3) What would you recommend to Rob Taylor?

**TERM PAPER PROPOSALS ARE DUE TODAY**
Session 4 – **Wednesday March 1 - The Next Generation (Succession)**
Reading Assignment: Chapter 4
Case Assignment: Cole Tek, Inc. (contained in your Case Readings Packet)
Prepare Responses to the following Cole Tek, Inc. Case questions:

1. As Alan, what terms and conditions would you insist upon 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?
5. Should Brian and Paul return to ColeTek? Why or why not?

Session 5 – **Wednesday March 8 - Estate and Ownership Planning**
Reading Assignment: Chapter 5
Case Assignment: Sam Steinberg (A) and Steinberg (B) Condensed
Prepare Responses to the following Sam Steinberg Case questions:

1. What factors account for the Steinberg Company’s success? Be specific and rank them as best 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?

**NO CLASSES – SPRING BREAK – MAR 13-19**

Session 6 – **Wednesday March 22 - Promoting Strategic Growth and the Critical Role of Non-Family Managers**
Reading Assignment: Chapters 6 and 7
Case Assignment: Lyric Dinner Theater
Prepare Responses to the following Lyric Dinner Theater Case questions:

1. What is your assessment of Deborah Denenberg’s performance?
2. What are the problems facing her?
3. What actions should Denenberg take? In what order?

(Continued on next page)
(4) Which actions that Denenberg took do you feel were appropriate? Which were inappropriate?

Session 7 – **Wednesday March 29 – Special Event**
This evening will be devoted to a FABA (Family Business Association) Event that will feature a prominent speaker from the family business field.

Session 8 – **Wednesday April 5 -Family Business Governance**
Reading Assignment: Chapter 8
Case Assignment: Sorelle Bakery and Café
Prepare Responses to the following Sorelle Bakery Case questions:
(1) What assumptions are different people making in this case?
(2) Although the case looks more like problems of communications or personality, what else might be going on here? Are there generational issues?
(3) What should Maria do at the meeting? Should she have called a board meeting for this purpose?
(4) How did Sabina communicate her values?
(5) What should Joan and Susan do at the end of the case?

Session 9 – **Wednesday April 12 - The Family Culture**
Reading Assignment: Chapter 9
Case Assignment: Salvatore Ferragamo, SpA
Prepare Responses to the following 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?

Session 10 – **Wednesday April 19 - Leading the Evolution**
Reading Assignment: Chapter 10
Special Interest topics and selected cases

**TERM PAPERS DUE TODAY**
Session 11 – **Wednesday April 26 - Presentation of term paper findings by each student**
(instructions on these oral presentations will be given in class and on Blackboard).

Reading Assignment: Chapter 11 – The Future of Family Business

Session 12 - **Wednesday May 3 – Balance of term paper findings**

**Video** – “How to Run a Successful Family Business” – summarizes course learnings