Family Business Management Syllabus

MGMT-GB.2328.10

Fall Term 2011
Thursdays 6pm-9pm
(No Class Sept 29 or Nov 24)

Professor: Roger Healy
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Room: TBA

Course Description:

In the US, family businesses account for 85% of private sector employment. One-third of the S&P 500 and approximately 80% of the world’s businesses are family businesses. Many students will lead successful careers in or with family businesses. Careers in investment banking, wealth management, consulting and management all depend to some extent on family businesses. This course promotes the continuity of successful family businesses and provides the knowledge necessary to support those families for whom continuity of family in business is a strategic objective. The best practices examined provide a road map to enable the family business to avoid the universal “shirt sleeves to shirt sleeves in three generations” proverb.

The course investigates the unique characteristics that allow family businesses to create inimitable competitive advantages that result in their outperformance of non-family businesses. The issues and risks which lie at the intersection of ownership, control, and management of family businesses and the practices necessary to ensure effective optimization of all of the family business subsystems for the long-term benefit of the family business will be explored.

The experiences of many families will be brought to bear on issues of family control, non-family management, next-generation talent and development, estate and tax planning, wealth management concerns, philanthropy and family business financing.
Course Objectives:

- Understand the qualities which typify family businesses;
- Appreciate family businesses’ unique capacities and potential for superior returns;
- Understand developmental needs of family members at various stages of the businesses;
- Develop the management and communication skills to build trust and understanding; and
- Identify and cope with foreseeable obstacles to continuity of a family business.

Course Methodology and Classroom Etiquette

The case study method requires that each student comes prepared to each session. Implicit in this methodology is the requirement for adequate time to be devoted to the preparation of each case before class. The cases will form the basis of class discussion. It is recommended that written answers to the questions provided be prepared for the students use in class. Questions for case 1 & 2 are provided below. Questions for the remaining cases will be provided in class.

The submission of written assignments for certain cases will be required. Those cases will be designated in advance. Case assignments will be 3-5 pages typed, 12 point, double spaced with normal (1 inch) margins and must be readable by Microsoft Word. Case assignments are to be emailed before class is scheduled to begin. Late submissions will not be accepted.

A Term Paper will be required. Term paper assignments will be provided in class.

Active and respectful participation in class discussions is required and will determine a significant proportion of the grade. Thorough preparation of cases will enable students to participate fully in class discussions. The evaluation of approaches suggested by others and building on those approaches with constructive commentary will earn high marks for class participation.

Name card should be displayed in each class and students should remain in their chosen seat for the duration of the course.

Changes may be made to the syllabus. Any changes will be communicated to students directly.

Conduct: The NYU Stern Code of Conduct applies. If necessary, please re-familiarize yourself with the code (http://www.stern.nyu.edu/UC/CurrentStudents/CodeofConduct/CON_022122).

Grading:

Class Participation 20%
Case Assignments 40%
Term Paper 40%

Course Materials:

(1) *Family Business, 3rd Edition* by Ernesto J. Poza, South-Western Cengage Learning
    (N.B.: Kindle and other versions may not include all material)
(2) Case Packet for Family Business Management
Course Schedule and Case Questions:

Session 1 – Sept 22 – Characteristics of Family Businesses  
Reading: Chapter 1, *Family Business*, 3rd Edition, Poza  
Case 1:  *Pitcairn Family Heritage ® Fund*  
Case 2:  *Anderson Steel Service, Inc.*

THERE WILL BE NO CLASS ON THURSDAY SEPT 29

Session 2 – Oct 6 – Successful Family Businesses  
Case 3:  *Harilela Enterprises*  

Session 3 – Oct 13 – Building Understanding and Trust  
Case 5:  *The Khalil Abdo Group*  
Case 6:  *Bentington Industries*

Session 4 – Oct 20 – Next Generation: Renewing Entrepreneurship  
Reading: Chapter 4, *Family Business*, 3rd Edition, Poza  
Case 7:  *Keddeg Company (A)*

Session 5 – Oct 27 – Estate Planning, Trusts and Other Devices  
Reading: Chapter 7, *Family Business*, 3rd Edition, Poza  
Case 8:  *The Fojtasek Companies and Heritage partners: March 1995*  
Case 9:  *Ottawa Devices, Inc. (A)*

Session 6 – Nov 3 – Valuation  
Reading: Chapter 8, *Family Business*, 3rd Edition, Poza  
Case 10:  *Kohler Co. (A)*  
Case 11:  *Ayala Corporation*

Session 7 – Nov 10 – Strategic Planning and Non-Family Managers  
Reading: Chapter 9, *Family Business*, 3rd Edition, Poza  
Case 12:  *Stevenson Industries (A)*  
Case 13:  *Donald Salter Communications*  
Case 14:  *Cross Country group: A Piece of the Rock (A)*

Session 8 – Nov 17 – Family Business Governance  
Reading: Chapter 10, *Family Business*, 3rd Edition, Poza  
Case 15:  *Adelphia Communications Corp.’s Bankruptcy*  
Case 16:  *Ford Motor Company’s Value Enhancement Plan (A)*

THERE WILL BE NO CLASS ON THURSDAY NOV 24
Session 9 – Dec 1 – Family Management - Human Capital
Reading: Chapter 11, Family Business, 3rd Edition, Poza
   Integrating the daughter into family business management (Case Packet)
Case 17: Precista Tools AG (A)
Case 18: J. Perez Foods (A)

Session 10 – Dec 8 – Leading the Transition
Reading: Chapters 5 & 6, Family Business, 3rd Edition, Poza
Case 19: Atherton Clothing Company
Case 20: Sam Steinberg (A) and (B) (Condensed)
Case 21: From Swords to Ploughshares: Three Generations of Family Entrepreneurship, Conflict, Transition and Connection

Session 11 – Dec 15 – Lessons from Centennial Family Companies
Reading: Chapter 12, Family Business, 3rd Edition, Poza
Case 22: Eu Yan Sang: Reviving a Traditional Family Business with Modern Business Principles

Session 12 – Dec 22 – Global Family Businesses Roundup

FOR THE FIRST CLASS: Questions for Cases 1 & 2:
Prepare answers to cases 1 & 2 for the first class. These answers will not be turned in but it is recommend that students prepare written answers to these questions for class discussion.

Case 1: Pitcairn Family Heritage ® Fund
Questions:
1. Would you invest in this fund? Provide three reasons for your answer.
2. If you were to manage this fund, how would you modify the investment selection criteria (the philosophy must be preserved)

Case 2: Anderson Steel Service, Inc.
Questions:
1. What are the business, family, and ownership issues in the case?
2. If you were Charles Anderson at the end of the case, what should you do?

New York, July 13, 2011