MGMT S-5505: FAMILY ENTERPRISE IN THEORY AND PRACTICE (DRAFT)

COURSE DESCRIPTION
Roughly one fifth of Fortune 500 companies are family-controlled. Outside the US, that number can rise up to 90% of all business activity and employment within a country. The vast majority of these family businesses are small and medium sized “mom and pop” shops. The rest are some of the largest and most influential institutions in the world – from iconic brands like Wal-Mart and Volkswagen to emerging global powerhouses like Samsung and Tata. Students will survey the vast network of family enterprises that help to power the global economy. They will also analyze cases that exemplify their greatest strengths and challenges. This course will benefit anyone who is involved with or interested in family business systems and their critical role in the modern global economy.

TEXTBOOKS AND MATERIALS
Chapters from the following textbooks will be assigned as reading, along with articles from academic journals, magazines and newspapers based on the topic of each session.

Required Reading:
- Succeeding Generations, Lansberg (1999)

Recommended Reading:
- Strategic Planning for the Family Business, Carlock and Ward (2001)

ASSIGNMENTS
WRITTEN CASE STUDY OF AN ICONIC FAMILY BUSINESS (50%)
Students will work on their own or in groups of two to research and analyze a high-profile family enterprise in the Fortune Global 500. This assignment will be completed over the course of the first ten classes, with each session adding new analytical tools and insights. The assignment is due at the start of the final class. See course modules below for further details.

PRESENTATION ON AN ICONIC FAMILY BUSINESS (25%)
Students will also present a summary of their written case study and recommendations during the final class.

CLASS PARTICIPATION (25%)
Students are expected to participate actively in class, including preparation for case studies.

COURSE OBJECTIVES
To define and explore the key characteristics of family enterprise systems
To analyze the role of family enterprises in the modern global economy
To understand why these systems can be so resilient and often outperform their peers
To understand their developmental evolution and unique organizational dynamics
To explore interesting and illustrative case studies from around the world
**MONDAY JULY 13, 2015**

**MODULE ONE: INTRODUCTION TO FAMILY ENTERPRISE THEORY**

During this session we will survey the landscape of family-controlled organizations – from massive multinationals to local champions to charitable foundations. The “Three Circle Model” will be introduced and become the analytical backbone for the remainder of the course. This session will also introduce a Developmental Model to help students understand how family enterprise systems evolve over time.

**Required Reading:**
- Generation to Generation, Gersick et al., Introduction, pp1-25
- Family Firms: Business in the Blood, The Economist (link)

**Recommended Reading:**
- The End of a 1,400 Year-Old Business, Bloomberg (link)
- Stories of the World’s Most Enduring Family Enterprises, Ernst & Young (link)

**MODULE TWO: FAMILY ENTERPRISE IN PRACTICE – MARKET BASKET CASE**

Students will apply the Three Circles and Developmental Model to their first in-class case with a review of the infamous Market Basket Family Showdown.

**Required Reading:**
- Market Basket Shows the Best and the Worst of Family Business, HBR (link)
- How to Prepare for a Harvard Case Discussion, HBS (link)

**Recommended Reading:**
- Managing the Family Business: Market Basket’s Lessons About Buyouts, HBR (link)

**Homework Assignment: (due next class)**

- **Part 1:** Review the FT Global 500 spreadsheet on the course website and add your team member names beside an iconic family enterprise. This company will be the subject of your homework assignments. Note: Only one student team per company, first-come first-served!

- **Part 2:** Review the Anderson Steel case and answer the Business Circle questions listed on the course website.

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**TUESDAY JULY 14, 2015**

**MODULE THREE: THE BUSINESS CIRCLE**

This lecture will explore the many complex challenges that families face as they manage their operations and highlight the key differences between family-controlled organizations and their non-family controlled peers in terms of strategy, corporate finance, branding, human resources, investments, and stakeholder management.

**Required Reading:**
- Generation to Generation, Gersick et al., Chapter 3, pp103-132
- What You Can Learn From Family Business, HBR (link)
Recommended Reading:
- *Strategic Planning for the Family Business*, Carlock and Ward, Chapter 8, pp192-199

**MODULE FOUR: THE BUSINESS CIRCLE IN PRACTICE – ANDERSON STEEL CASE**

This case is designed to introduce students to a family enterprise facing strategic business challenges, as well as an ownership transition and deteriorating sibling relations. It will bring together concepts covered during the previous class and require students to identify and explore a range of topics with which family enterprises often wrestle. The focus during this module will be on the Business Circle.

Required Reading:
- *Case Study: Andersen Steel Service, Inc.*

**Homework Assignment: (due next class)**

**Part 1:** Prepare a brief summary of the family enterprise you have chosen, including a paragraph describing the business (e.g. industry, age, current activities) and a table of selected data on its finances and performance (e.g. revenues, profits, number of employees, etc.). Also include brief profiles of any family members currently working in the business or serving on the Board. Many websites like Bloomberg and Yahoo! Finance provide this information.

**Part 2:** Review the Andersen Steel case and answer the additional set of questions on the Family Circle listed on the course website.

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**WEDNESDAY JULY 15, 2015**

**MODULE FIVE: THE FAMILY CIRCLE**

This lecture will explore the many complex challenges that families face outside of managing their collective assets. These include any issues that may affect the family as a result of its affiliation with the business. Topics covered in this lecture include how to define “family”, how to discuss wealth with family, the benefits and challenges of family employment, and the value of coordinating structures like Family Councils and Assemblies to promote unity and commitment.

Required Reading:
- *Generation to Generation*, Gersick et al., Chapter 2, pp57-102

Recommended Reading:
- *The Bettencourt Affair*, Vanity Affair (link)
- *Dealing with the Unique Work-Life Challenges of Family Businesses*, HBR (link)

**MODULE SIX: THE FAMILY CIRCLE IN PRACTICE – ANDERSEN STEEL CASE**

We return to the Andersen Steel case to explore the dynamics at play in the family circle.

Required Reading:
- *Case Study: Andersen Steel Service, Inc.*
Homework Assignment: (due next class)

**Part 1:** Drawing on examples from the class, each student will create a genogram for your own family (through to your maternal grandparents). Then students will work with their partners to prepare a genogram of your chosen family enterprise based on whatever public information you can find (e.g. corporate websites, Wikipedia, articles, books, etc.) Highlight family members who have played critical roles in the success or failure of your chosen company. Then place the names of these family members on a map of the three circles depending on their role (e.g. family employees, family owners, etc.). Finally, describe any successful or problematic relationships in the system (e.g. spouses, siblings, parent/child, etc.).

**Part 2:** Review the Andersen Steel case and answer the Ownership Circle questions listed on the course website.

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**THURSDAY JULY 16, 2015**

**MODULE SEVEN: THE OWNERSHIP CIRCLE**

Family owners can provide tremendous value to an enterprise – and they can also destroy value. This lecture will explore the opportunities and challenges of collective family ownership, and cover topics such as governance architecture, the role and value of Boards, setting key ownership parameters (e.g. risk, liquidity, growth, and debt), the importance of shareholder development, and how/when to sell the business.

**Required Reading:**
- *Generation to Generation*, Gersick et al., Chapter 1, pp29-56

**Recommended Reading:**
- *Strategic Planning for the Family Business*, Carlock and Ward, Chapter 4, pp71-92
- *Built to Last: Family Businesses Lead the Way to Sustainable Growth*, E&Y ([link](https://www.fmaleadership.com/built-to-last/))

**MODULE EIGHT: THE OWNERSHIP CIRCLE IN PRACTICE – ANDERSON STEEL**

We return to the Andersen Steel case one final time to explore the dynamics at play in the Ownership Circle.

**Required Reading:**
- *Case Study: Andersen Steel Service, Inc.*

**Homework Assignment: (due next class)**

**Part 1:** Trace the developmental history of your family enterprise across the business, ownership and family circles. Identify which stage they are at in each of the circles, and pay close attention to the moments of transition from one “state” to the next, highlighting any specific incidents which may have triggered the shift and describing the outcome.

**Part 2:** Review the Calveta Dining case and answer the questions listed on the course website.
MONDAY JULY 20, 2015

MODULE NINE: THE IMPORTANCE OF A SHARED VISION AND VALUES

The continuity of family enterprises rests on the extent to which the owners’ personal, familial and economic aspirations are in alignment. This lecture will help explore how to craft a shared vision for the future of the enterprise, one that is both respectful of individual aspirations and also realistic in the world. It will also explore how this vision should connect with the mission of the enterprise and be shaped by the family’s core values.

Required Reading:
- *Succeeding Generations*, Lansberg, Chapter 4, pp75-93
- *Succeeding Generations*, Lansberg, Chapter 5, pp95-122
- *This We Believe: SC Johnson Values Statement* (link)
- *Make Your Values Mean Something*, HBR (link)

Recommended Reading:
- *Old-Fashioned Virtues*, The Economist (link)
- *Building Your Company’s Vision*, HBR (link)
- *Aligning Actions and Values*, Jim Collins (link)

MODULE TEN: SHARED VALUES IN PRACTICE – CALVETA DINING CASE

This case describes the struggles of a $2 billion food services company as it tries to balance a vision for rapid growth with a commitment to a set of cultural norms known as “Antonio’s Way”. It will highlight the value of values in a family enterprise for guiding strategic action and sustaining economic success.

Required Reading:
- *HBS Case: Calveta Dining Services, Inc. – A Recipe for Growth?*

Recommended Reading:
- *Built to Last*, Collins and Porras, Chapter 5, pp91-114

Homework Assignment: (due next class)

**Part 1:** Research evidence of a clear ownership vision for your chosen family enterprise. What is it? What makes this vision different from their competitors? How often has this vision changed? If none is available, explore the behaviors of the company throughout its history and predict what the owners’ vision might look like if it were published on their corporate website. Teams are encouraged to research other successful companies who proudly share their vision for employees, customers, and external stakeholders to see.

**Part 2:** Using Lencioni’s framework, find evidence of your company’s values, and determine which of these are actually “core” values vs. “permission to play”, “aspirational” or “accidental” values. Also explore whether there is any evidence of “accidental” values at work in the system. Where did they originate? Are they beneficial or harmful? Have the company’s core values remained stable or have they changed over time? As with the vision, if none of this information is available, explore the behaviors of the company throughout its history and predict what the owners’ values might be if they were published on the corporate website.

**Part 3:** Review the Khalil Adbo and answer the questions listed on the course website.
TUESDAY JULY 21, 2015

MODULE ELEVEN: LEADERSHIP

The success of any family enterprise most often depends on the quality of its leaders. This lecture will introduce concepts for strategic planning in the family enterprise as well as leadership skills and styles associated with high-performing family enterprises, and explore how leadership often changes as the family business system develops over time.

Required Reading:
- *Succeeding Generations*, Lansberg, Chapter 10, pp223-247
- *A Little Nut Rage Can Be Good*, The Atlantic (link)

Recommended Reading:
- *Level 5 Leadership: The Triumph of Humility and Fierce Resolve*, HBR (link)
- *Strategic Planning for the Family Business*, Carlock and Ward, Chapter 8, pp179-199
- *Family Businesses Need Entrepreneurs For Long-Run Success*, Forbes (link)

MODULE TWELVE: LEADERSHIP DILEMMAS IN PRACTICE – KHALIL ADBO CASE

This case is designed to introduce students to the study of leadership and nepotism in family businesses and its strategic consequences, as experienced by three Egyptian brothers who inherited a successful pharmaceutical and trading business from their father.

Required Reading:
- *Case Study: The Khalil Adbo Group*

Homework Assignment: (due next class)

*Part 1:* Prepare a profile of the key leaders within each of the three circles in your chosen family enterprise (e.g. CEO, Chairman of the Board, and any figural heads of the family). How old are they? How long have they been in their current role? What is their leadership style? What major strategic initiatives have been launched under their leadership?

*Part 2:* Review the Khalil Adbo case and answer the questions on the course website.

WEDNESDAY JULY 22, 2015

MODULE THIRTEEN: SUCCESSION

The success of any generational transition is linked to the ability of leaders in both the senior and junior generations to craft a long-term strategy that is respectful of the legacies of the past, the realities of the present, and the opportunities of the future. This lecture will introduce various frameworks for organizational transition and explore the challenges both for departing and emerging leaders.

Required Reading:
- *Succeeding Generations*, Lansberg, Chapter 11, pp249-275
- *Tests of a Prince*, HBR (link)

Recommended Reading:
- *Generation to Generation*, Gersick et al., Chapter 7, pp193-221
• **Leading Change: Why Transformation Efforts Fail**, HBR ([link](#))

**MODULE FOURTEEN: SUCCESSION DILEMMAS IN PRACTICE – KHALIL ADBO CASE**

We return to the Khalil Adbo case and explore the succession challenges of this Egyptian pharmaceutical and trading business.

**Required Reading:**

- **Case Study: The Khalil Adbo Group**

**Recommended Reading:**

- **Twelve Tasks in Succession**, LGA ([link](#))
- **Heineken’s Charlene de Carvalho: A Self-Made Heiress**, Fortune ([link](#))
- **Top 50 Family Business Leaders**, Ernst & Young ([link](#))

**Part 1:** Design a succession plan for these key leaders – i.e. define a process for the owners to identify, recruit and train the next generation of organizational leadership. Your plan should include a profile of the type of leader your company will need in the future (i.e. responding to the realities of a changing business environment) – and remember to include any family-related responsibilities. Next, identify at least three potential candidates for this position, either from within the family or other highly-regarded global executives.

**Part 2:** Review the Rockefeller readings and answer the questions listed on the course website.

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**THURSDAY JULY 23, 2015**

**MODULE FIFTEEN: FAMILY PHILANTHROPY**

Families often create a private foundation to organize their common philanthropic interests. Such collective family philanthropy can strengthen family relationships at the same time as it serves broader social interests. However, for philanthropy to be a positive experience both for the family and the community, it must be approached with the same discipline and thoughtfulness that propels a business. This module will explore the key factors needed to design and oversee effective family philanthropy.

**Required Reading:**

- **Glue to Bind Generations**, LGA ([link](#))
- **Top Trends in Family Philanthropy**, National Center for Family Philanthropy ([link](#))

**Recommended Reading:**

- **Questions To Help You Develop Your Grantmaking Strategy**, NCFP ([link](#))
- **The Advantage of Family-Owned Businesses in Creating Shared Value**, FSG ([link](#))

**MODULE SIXTEEN: FAMILY PHILANTHROPY IN PRACTICE – THE ROCKEFELLERS**

This background brief on three centuries of Rockefeller family philanthropy will introduce students to one of America’s first and most influential philanthropic families. Students will explore the

**Required Reading:**

- **The Rockefellers: A Legacy of Giving** ([link](#))
Homework Assignment: (due next class)

Part 1: Research and summarize both corporate and family-led philanthropic initiatives in your chosen family enterprise. Analyze the degree of alignment (if any) between these two frequent forums for social / stakeholder engagement. If there is no clear evidence of philanthropic and/or CSR activities, develop a list of potential opportunities for social engagement which could support the corporate mission as well as the family’s values.

Part 2: Review the Mitchells/Richards case and answer the questions listed on the course website.

MONDAY JULY 27, 2015

MODULE SEVENTEEN: MANAGING RISK IN THE FAMILY ENTERPRISE

During this session we will explore the unique challenges that families must address in order to effectively manage risk within their collective enterprise. Students will be introduced to the basic skills needed to identify and assess risk, the processes and structures needed to manage and mitigate risk, the cognitive biases that complicate any objective interaction with risk, and the implications for owners, managers and family.

Required Reading:
- Managing Risks: A New Framework, HBR (link)
- How to Build a Dynasty: The Case of Italy's Beretta, LGA (link)

Recommended Reading:
- The Living Company, Arie de Geus, Chapter 8, pp142-158
- A Framework for Risk Management, HBR (link)

MODULE EIGHTEEN: MANAGING RISK IN PRACTICE – THE MITCHELLS CASE

This case involves a luxury regional clothing retailer with multi-generational family management that is poised for expansion. Students explore the underlying risks of the business model and debate whether expansion makes sense both for the business and the family.

Required Reading:
- Case Study: Mitchells/Richards

Homework Assignment: (due next class)

Part 1: Based on the framework presented in class, develop a Risk Matrix for your family enterprise. Focus exclusively on Internal and Interactive risk factors as described during Module Fifteen. Once you have assessed all of the key risk factors, proceed to rank them in order of importance, then describe (in 1 sentence) a plan for managing or mitigating each distinct risk.

Part 2: Review the Mitchells/Richards case again and answer the second set of questions listed on the course website.
TUESDAY JULY 28, 2015

MODULE NINETEEN: FAMILY ENTERPRISE IN EMERGING & FRONTIER MARKETS

Certain enterprises operating in frontier and emerging markets display a remarkable resilience to risk and the agility to adapt to political, economic and environmental uncertainty. They manage to achieve continuity despite deep structural deficiencies in their operating environment like limited property rights, endemic corruption, gross economic mismanagement and inadequate personal security. These harsh operational realities force surviving firms to adapt their internal systems and external activities to the emergence of such an ‘extreme’ environment. This module will explore the emerging study of Frontier Family Enterprises and draw lessons that apply to all family businesses regardless of jurisdiction.

Required Reading:
- The Family-Business Factor in Emerging Markets, McKinsey (link)

Recommended Reading:
- Strategies that Fit Emerging Markets, HBR (link)
- Businesses Seek Out New African Frontiers, Wall Street Journal (link)
- Conflict Zones Sometimes Mean Investment Opportunities, New York Times (link)

MODULE TWENTY: FRONTIER FAMILIES IN PRACTICE – THE MITCHELLS CASE REVISITED

We return to the Mitchell case and explore the potential for expansion into one of four key high-growth emerging markets. Students will expand on the risk framework established on Day 9 and examine the environmental, entrepreneurial and organizational risk factors when operating in frontier markets.

Required Reading:
- Case Study: Mitchells/Richards

Homework Assignment: (due next class)

Part 1: Drawing insights from the case discussion, your previous homework assignments, and any additional supporting research you feel is needed, develop a list of the 3 greatest threats and 3 most promising opportunities that are facing your chosen family enterprise. Then prepare a list of recommendations on how to address each of them. For instance, if one of your greatest threats is the lack of a successor for the family CEO, one recommendation might be to request that the Board develop a succession plan for all key executives. If one of the greatest opportunities involves large investment in new markets or technologies, one recommendation might be to survey the shareholders to explore whether they are willing to trade some or all of their dividends over the near term (i.e. 3-5 years) for greater long-term growth potential.

Part 2: Integrate these final observations and recommendations into the rest of your homework assignments and prepare a comprehensive written submission profiling your chosen family enterprise (see “Written Assignment” description below for more details).

Part 3: Based on the Written Assignment, prepare a 5-10 slide summary to present to the class during the final two sessions. (see Presentation Assignment description below for more details)
WEDNESDAY JULY 29, 2015

FINAL PRESENTATIONS – PART ONE (12:00 – 3:00)

The last two days of class will feature presentations of the Presentation Assignment by teams of students profiling their chosen family enterprise.

THURSDAY JULY 30, 2015

FINAL PRESENTATIONS – PART TWO (12:00 – 3:00)

The last two days of class will feature presentations of the Presentation Assignment by teams of students profiling their chosen family enterprise.

The Written Assignment for all teams will also be handed in at the beginning of this final class.

WRITTEN ASSIGNMENT (50%)

This assignment will be comprised of the aggregated homework assigned to student teams throughout the course. It should include the following key components:

1. An introductory profile of the family enterprise you have chosen (including a summary of the business, industry, financials, key leaders and key dates)
2. An analysis of the key family members in the system (including a genogram)
3. An analysis of the developmental stage of the family enterprise for each of the “three circles” (i.e. business, ownership and family)
4. An analysis of the vision and values of the family enterprise (including your own proposed versions if none are publicly available)
5. An analysis of the key leadership team and succession planning (including prospects for filling these roles in the future)
6. An analysis of the three greatest opportunities and three greatest challenges facing the enterprise (including recommendations on how to address them)

A printed copy of this report is due at the beginning of the final class. A soft copy is due via the course website by July 31st at 5pm with no exceptions.

PRESENTATION ASSIGNMENT (25%)

This presentation will be based on the Written Assignment and should include no fewer than 10 and no more than 20 slides summarizing all of the components above. It can be prepared using any popular presentation software (e.g. PowerPoint, Keynote, Google Slides, Prezi, etc.) and must be submitted via email before the beginning of class. Teams will each have up to 30 minutes to present, including a brief Q&A period.

A soft copy of this presentation is due via the course website by July 31st at 5pm.

CLASS PARTICIPATION (25%)

Students will be graded on quality (not the quantity) of their participation, which includes:

- Coming to class on time, prepared and curious
- Reviewing all required reading and preparing notes, comments and questions
- Reviewing at least some of the recommended reading
- Answering and asking thoughtful questions (Note: there are no “stupid” questions!)
- Being respectful of your fellow students
INFORMATION ON ACADEMIC INTEGRITY

You are responsible for understanding Harvard Summer School policies on academic integrity and how to use sources responsibly. Not knowing the rules, misunderstanding the rules, running out of time, submitting "the wrong draft," or being overwhelmed with multiple demands are not acceptable excuses. There are no excuses for failure to uphold academic integrity.

DISABILITIES SERVICES

The Summer School is committed to providing an accessible academic and residential community. The Disability Services Office offers a variety of accommodations and services to students with documented disabilities, permanent and temporary injuries, and chronic conditions. If you are a student with a disability, we engage you in an interactive process to provide you an equal opportunity to participate in, contribute to, and benefit from our academic and residential programs.

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CONTACT AND SUPPORT

If you have any questions or comments on the course materials or the homework assignments, I encourage you to take advantage of the “wisdom of crowds” and utilize the course website to source answers from your fellow classmates. You can also reach me directly at deciantis@fas.harvard.edu – I will do my best to respond promptly to student inquiries between classes.