Family Business



ERNESTO J. POZA

CONTENTS

Preface xv About the Author xxiii

PART I DEFINING THE FAMILY BUSINESS I

CHAPTER I

FAMILY BUSINESS: WHAT MAKES IT UNIQUE? 3 What Constitutes a Family Business? 5 Building Family Businesses That Last 7

Family Business Research 7

The Systems Theory Perspective 8
Blurred System Boundaries 10

The Alternative to Blurred System Boundaries: Joint Optimization 12

The Agency Theory Perspective 14

Competitive Challenges Faced by Family Businesses 14 Competitive Advantage: The Resource-Based View 15 Summary 19

PART 2 LEADING THE FAMILY BUSINESS 21

CHAPTER 2

FIRST LEADERSHIP IMPERATIVE: THE MANDATE TO BUILD INSTITUTIONS OF GOVERNANCE AND MANAGE THE TRANSFER OF POWER 23

The CEO as Architect of Governance 23

The Transfer of Power 25

The CEO as Architect of Succession and Continuity 26

CEO Exit Styles 27

The Monarch 28

The General 29

The Ambassador 29

The Governor 30

The Inventor 31

The Transition Czar 31

Implications of CEO Exit Styles for Succession and Continuity 32

Summary 33

Exercise: How to Safely Promote a Sometimes

Difficult Conversation 34

CHAPTER 3 SECOND LEADERSHIP IMPERATIVE: PROMOTING TRUST

AMONG FAMILY MEMBERS 35

The Unique Roles of the CEO Spouse 36

Role Types of the CEO Spouse 37

The Jealous Spouse 37

The Chief Trust Officer 38

The Business Partner 38

The Vice President 39

The Senior Advisor/Keeper of Family Values 40

The Free Agent 42

The Broader View 43

Summary 44

CHAPTER 4 THIRD LEADERSHIP IMPERATIVE: THE NEXT GENERATION 45

Are the Kids Good Enough to Run the Business? 46

The Very Young Members of the Next Generation 50

Sibling and Cousin Teams 51

A Vision for the Company: Taking It to the Next Level 53

Disagreements: Having the Difficult Conversations 54

Respecting the Past and Focusing on the Future 56

Some Final Rules of the Road for Next-Generation Leaders 57

Summary 58

Exercise: Cross-Generational Bridge-Building 59

CASE I ADELPHIA COMMUNICATIONS 61

CASE 2 THE WASHINGTON POST AND THE GRAHAM FAMILY 63

CASE 3 SIGMA MOTION, INC. 66

Case 4 The Cousins Tournament 78

PART 3 MANAGING THE FAMILY BUSINESS: BEST PRACTICES 85

CHAPTER 5 ESTATE AND OWNERSHIP TRANSFER PLANNING 87

Estate Taxes 88

The Estate Plan 89

Preserving Speed and Agility 91

Giving Successors the Capacity to Lead 91

Corporate Structures and Classes of Stock 92

Trusts 94

Equity and Nonfamily Employees 95

Pitfalls to Avoid in Estate and Ownership Transfer Planning 96

The Role of the Board of Directors 98

Summary 99

Exercise: Ownership Transfer and Estate Planning Inventory 100

CHAPTER 6 PROMOTING STRATEGIC GROWTH 105

The Zero-Sum Family Dynamic and Strategic Planning 107

Creating Value with Unique Business Models 108

Financial Resources 109

Physical Assets 109

The Product: Its Price and Performance 109

Brand Equity 110

Organizational Capabilities 110

Customer-Supplier Integration 111

The Nature of the Family-Business Relationship 112

The Customer-Oriented Company 113

Strategic Planning and "Jamming" 115

Business Development and Survival 117

The Unique Vision of Family-Controlled Companies 118

Summary 119

CHAPTER 7 THE CRITICAL ROLE OF NONFAMILY MANAGERS 121

The Perspective of Nonfamily Managers 122

A Delicate Balance 122

Concerns About Management and Governance Practices 123

Concerns About Succession 124

Career Opportunities for Nonfamily Managers 125

Compensation and Benefits 125

Performance Feedback 127

Extending the Family Culture to Nonfamily Managers 127

Motivating and Retaining Nonfamily Managers 128

Summary 130

Exercise: Managing the Relationship Between Shareholders and Managers: The

Family Constitution 130

CHAPTER 8 FAMILY BUSINESS GOVERNANCE 137

The Board of Directors/Advisory Board 138

Boards Versus Independent Advisors/Consultants 139

Members of the Family Business Board 141

The Board's Role in Setting Company Strategy 144

The Board's Role in Adaptation over Generations 146

The Board's Role in Succession and Continuity Planning 147

Research on the Impact of Boards on Family-Owned Businesses 148

The Family Council 148

Boundaries Between the Board and the Family Council 149

The Family Assembly 151

The Annual Shareholders' Meeting 151

The Top Management Team 151

Summary 152

CHAPTER 9 THE FAMILY CULTURE 153

The Stories of Two Family Cultures 153

The Binghams and the Louisville Courier-Journal Companies 154

The Blethens and the Seattle Times Company 156

Zero-Sum Dynamics and Family Culture 157

The Benefits of Family Councils 158

Family Unity and Continuity 160

How Families Add Value 161

Planning and Policy Making 163

Trusts, Legal Agreements, and Personal Responsibility 166

Conflict Management 167

The Family Office 168

Summary 169

Case 5 Fasteners for Retail: A Question of Succession (Part A) 171

CASE 6 THE VEGA FOOD COMPANY 188

CASE 7 THE GRUPO FERRÉ RANGEL 195

PART 4 THE EVOLVING AND CHANGING FAMILY BUSINESS 209

CHAPTER 10 LEADING THE EVOLUTION 210

Continuity and Culture 212

Changing the Culture 213

New Leaders of the Evolution 214

The Raw Materials of a New Culture 215

Three States of Evolution 217

The Future State 217

The Present State 220

The Transition State 221

Continuity and Family-Management-Ownership Structures 222

Commitment Planning 224

Institutionalizing the Change 225

Summary 225

Exercise: A Succession Plan That Addresses the Leadership Imperatives and Best Practices for Family Business Continuity 226

CHAPTER 11 THE FUTURE: CAN THE FAMILY BUSINESS COMPETE AND THRIVE? 233

Agility in the Face of Change 234

Competition and Value Creation 236

Tapping the Next Generation 236

Thriving Through Competition 237

Organic Competencies and the Business's Future 239

Interpreneurship: Intergenerational Growth in Entrepreneurial Families 240

ENDNOTES 253