

ENTREPRENEURSHIP AND MANAGEMENT

FAMILY ENTREPRENEURSHIP

Exam: 11.3.2013

Examinator: Jan Sten

Maximum points: 40 points

Minimum points required for passing the exam: 20 points

Maximum time for writing: 4 hours

Please answer every question.

1. **Strategic planning in family businesses.** Family business owners, like any other owners, are encouraged to do strategic planning. Do you think that strategic planning in family businesses is different from strategic planning in non-family businesses? If there are differences, what kinds of differences are there? (9 points)
2. **Thinking about hiring non-family members.** In this example, we have a family business, where only family members are employees. However, the business is expanding and it needs more people. For the first time it is thinking about hiring non-family members, but the family is hesitating. "So much will change when we start to also have non-family members working for us", some of the family members say. Yes, what will actually change in a family business when also non-family members start to work in the family business, and how should the family business owners handle these changes successfully? (9 points)
3. **Case Study: *Two Brothers***

Joe Francis, 65, is faced with a difficult dilemma. He is the founder of a successful rental company, Francis Footwear, and he has four children, Mary, age 42; Joe, Jr 37; Robert, 36; and Irene, age 31. Joe and his wife Kathleen have been married 45 years. Joe, Jr. had graduated from business school 10 years ago; he was employed by a large 'down town' firm for 6 years, at which point he decided that he was bored and after having joined an Internet start up that went bust, he wanted to return to the family business. He approached his father with a proposition. "It's clear that we need new blood in this company. You know I'm capable. I have an MBA and lots of outside business experience. Let's make a deal; I'll come back in, but only as president and a plan to buy you out. This would free you up to do what you want. Irene and Mary have wanted to buy larger homes for their children, your grandchildren, nearer you, and Mom wants you to retire so you can finally have some time together before you get too old. Rob is loyal but you know he is not a leader."

Joe considered this an attractive offer and discussed it with Robert who reacted quickly and heatedly. "Never! I've worked too hard in this company! I came to work for you 12 years ago when Joe, Jr. refused. At that time, you promised me a future here. I can't believe that you're even thinking of this!"

Joe, Sr. thinks his older son's offer is quite appealing. And, although he knows that Joe, Jr. is very bright and creative, he worries that he gets bored easily and has a tendency to jump from one thing to another. Nevertheless, he thinks, his older son really seems to have matured during the last few years. And the company's profits have been declining. Moreover, although Robert has been loyal to his father and the company, he may not be the dynamic leader needed to face a future where continued success may be determined by competition and other factors beyond his control.

Answer the following three questions. The case as such does not include that much information so you have to make some assumptions about the business, for example. State your assumptions clearly in your paper before you start to answer the questions. (10 points)

- a) **Sibling partnerships.** What kinds of special challenges does a family business face when it enters into a sibling partnership?
- b) **Evaluation of successor.** How should a family like the one in this case evaluate the capabilities of potential successors? What should that evaluation process look like in this case?
- c) **Finally, what do you believe is the best possible solution in this specific case, AND why do you think that?**

- 14. **Family involvement.** Family members can be involved in a family business in several different ways. Give your ideas on what forms family involvement may take *and* discuss what is of importance when families discuss how their family and family members should be involved in the family business (12 points)

Good luck and have in mind that a question can be answered in several different ways! There is seldom only one correct answer.