

## **ENTREPRENEURSHIP AND MANAGEMENT**

### **FAMILY ENTREPRENEURSHIP**

Exam: 10.3.2014

Examinator: Jan Sten

Maximum points: 40 points

Minimum points required for passing the exam: 20 points

Maximum time for writing: 4 hours

Please answer all four questions.

1. **Conflict management.** It is a challenge for family members to be in business together, and there will for sure be conflicts within the family about business matters. What kind of conflicts do you believe are typical in business families, and how do you think such conflicts could be avoided, or solved if they actually take place? (9 points).
2. **Life-cycles in family businesses.** When one studies family businesses, one easily comes across different kinds of life-cycles. What kind of life-cycles in family businesses do you know about, and what can you tell about these different life-cycles? (9 points)
3. **Case question.** Read through the material about Our Town America and answer the following three sub-questions: (10 points)
  - a. It is not self-evident that children will continue their parents' family business. What do you feel are the major reasons why children say thanks, but no thanks?
  - b. Michael worked alongside his father for many years. What is important to think about if you are working in a business where your mother/father is the boss?
  - c. Should Michael continue running the family business or do you think he should sell it? Motivate your answer.

**In October 2009**, Michael Plummer Jr. delivered the eulogy at the funeral of his father, Michael Sr., who had died of a heart attack. A few days later, he walked into his father's office, sat down at the ornate wooden desk, and signed paychecks for the 30 employees of his father's Pinellas Park, Florida, company, Our Town America. As he did, he pondered his next move.

Plummer had been working alongside his father for the past nine years. In fact, he had given up a much-loved career as an Army medic to help out at Our Town America after his father suffered his first major heart attack, in 2000. The company sends "welcome packages," with offers from local businesses, to people who have recently relocated; it has some 40 franchisees nationwide. Plummer Sr. launched the company in 1972, and his dream was that his son would one day take over. Plummer loved his father dearly but never shared his dad's enthusiasm for Our Town America.

He missed the adrenaline rush of emergency medicine. In the back of his mind, he fantasized about returning to the military or enrolling in medical school. And then there was the outsize presence of his father to cope with. "I would sit at the same damn desk every day and think, Everything is his," says Plummer, 35. "It was his legacy. I was engulfed by it."

His father's sudden death, though sad and shocking, presented an opening for Plummer to finally return to the career he loved. But he was torn. Our Town America was his father's legacy, as well as the employer of his sister, aunt, and cousin. Could Plummer really walk away from his family's business—and his father's dream?

Plummer had been groomed to follow in his father's footsteps. He began working at Our Town America at age 5, stuffing envelopes. But by the time he graduated from high school, he had other ideas. "Everybody has a dream," Plummer says. "I wanted to do medicine." At 20, he declined an offer to join the family business, with a salary of \$65,000, and enlisted in the Army. "This is the dumbest thing you're going to do," Plummer recalls his father telling him.

Plummer's military service took him to South Korea, where he soon found himself running an urgent-care clinic. Eventually, his father changed his tune, speaking often about his pride in his son's achievements—especially his decision to turn down the easy money and seek his own path.

Then, one summer day in 2000, Plummer received an unexpected phone call: His dad, he learned, had suffered a major heart attack. Plummer rushed back to Florida—where his wife and two daughters still lived—fearful that his father would be dead by the time he arrived. Fortunately, Michael Sr. had survived quintuple bypass surgery. In the days that followed, the two rekindled a close relationship.

Plummer soon returned to Korea, but he and his father talked on the phone a few times a week. Plummer Sr. said he could use some help at the company, and his son decided it was time to come home. He started in sales and moved into IT, improving the company's databases and working on an on-demand printing operation. But the best part of the job was all the time he spent with his father.

**Plummer Sr.** was something of a legend around Pinellas Park. Known for driving too fast and blaring classic rock and rap on the stereo, he didn't bother with protocol and business plans. "He shot from the hip," says Travis Morales, the company's national sales manager and Plummer Sr.'s closest friend. "His philosophy was, if he had a problem, he could sell his way out of it." His generosity was legendary. He showered friends and employees with gifts and sometimes even paid for strangers' groceries at the market. Plummer was also impressed by his father's motivations as an entrepreneur. He believed he was building community by introducing new families to local businesses. Still, Plummer Jr. never considered Our Town America to be his calling; even after years of working there, it still felt more like a detour than a destination.

One morning in October 2009, Plummer received a second fateful phone call. His father had had a second heart attack. This time it was fatal. Plummer Sr. was only 57 and had shown no signs of distress or ill health. In fact, the night before he died, he went to an Alice Cooper concert and sped home in his Ferrari. At the funeral, Plummer choked up as he told a crowd about the "strongest man I've ever known."

In an odd coincidence, a couple of days after his father died, Plummer had received a call from a business broker asking if he was interested in selling the business. A shell-shocked Plummer immediately refused. But he was beginning to wonder. Everything was in flux. Family members, including his father's ex-wife, were fighting over the ownership and direction of the company. Franchisees worried about the fate of their investments. Longtime employees worried what would happen next. "A lot of knowledge was lost when Michael Sr. passed," says Morales. "People wondered if we were going to make it."

Frankly, Plummer was wondering the same thing. The company, he soon learned, faced some big challenges. Thanks to the recession, sales were down 24 percent. And unchecked expenses began to emerge. It turned out that his father was more generous than Plummer imagined. He was paying for car washes and massages for employees and paying the rent for several cash-strapped friends. "Michael Sr. gave a lot of money away," says Larry Neal, an Our Town America franchisee in Detroit. What's more, the payroll was bloated. "He was paying people who didn't actually do anything," says Cliff Hallmark, the company's chief financial officer since 2009. "Instead of hiring the right person for the job, he hired friends."

"I thought, Why am I doing this? It almost felt like I was doing it out of stupid pride."

The chaos at the company made Plummer's decision even more difficult. As the executor of his father's estate and next in the company's succession plan, he knew he could sell the business and share the proceeds with his two sisters. Or he could retain his equity and hire someone else to run the business. He recalled a conversation with his father about the future of Our Town America. "He knew I would feel obligated to take over the business," Plummer says. "He said he understood if I wanted to sell it."

But could he really leave the company in such a state of disarray? He asked Hallmark for advice. His response: "If you wrote your obituary, what would you want it to say?"

4. **I have heard you are a family entrepreneurship expert.** You meet a friend who you have not seen for many years. You exchange up-dates about your lives and you tell your friend that you have attended a family entrepreneurship course. Your friend says: Family entrepreneurship? Well, I have a friend who says he is a family entrepreneurship expert, but I have never understood what kind of expert that is. So in your opinion, what should a person know about family businesses and business families in order to be able to say that (s)he is a family business expert? (12 points)

Good luck!

