

**Course Materials
MGMT 302.01
Family Business
Fall, 2009**

**Dr. Scott W. Kunkel
University of San Diego**

(Fall 2009 edition)

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Instructor Information

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Required Books and Supplies

1. Poza, E. J. (2010). *Family business, 3rd edition*. (Paperback). Mason, OH: South-Western Educational Publishing.
2. McCann, G. (2007). *When Your Parents Sign the Paychecks*. (Paperback). Indianapolis, IN: Jist Publishing.
3. Shrink wrapped packet entitled *Course materials: MGMT 302*, which includes:
 - Kunkel, S. W. (2007). *Syllabus for MGMT 302.01, Fall 2009 edition*. San Diego, CA: USD Bookstore. (Copied booklet).
 - Kunkel, S. W. (2007). *The Great Game of Learning Rulebook, Fall 2009 edition*. San Diego, CA: USD Bookstore. (Copied booklet).
 - Kunkel, S. W. (2007). *Suggested projects for MGMT 302.01, Fall 2009 edition*. San Diego, CA: USD Bookstore. (Copied booklet).
4. Kunkel, S. W. (2009). *The 80/20 guide™ to business writing*. (Paperback). San Diego, CA: Kunkel Publishing.
5. One three-ring binder (hard shell, 1 inch rings or larger). This will be used to fulfill the required assignment to keep a portfolio of your work that will be submitted near the end of the semester.

Course Description

Contrary to popular misconception, “family-owned businesses” are not all “mom ‘n’ pop” small businesses. Of the *Fortune* 500, over 175 are owned or controlled by one or a few families. Cargill, Ford, Anheuser-Busch, Coors, DuPont, and many other large firms are family owned or family dominated. A large portion of businesses in San Diego are family-controlled, including giants Qualcomm, Motorola, the San Diego Padres, etc.

What makes family firms, both large and small, unique is that the relationships within the ruling family(ies) directly influence the strategic decisions of the firm. *The Wall Street Journal* reports on almost a daily basis on family members suing each other over the family-owned business and the devastating effect such dissension has on both the family relationships and the business. Some of the special issues for family businesses include:

Management Succession: Unlike the typical publicly traded firm, management succession in a family firm is not merely a matter of selecting the best candidate through a process of “survival of the fittest.” Instead, management succession is often a designed training and grooming process for preparing a preselected heir which may last several decades. This process can be difficult, however, when family members are hesitant to evaluate younger family members but non-family managers face the conflict that the junior family member may ultimately be their boss. In addition, it is often difficult to get the incumbent president to retire and step down from running the company when his/her self identity is too closely aligned with the business.

Compensation: Achieving fair compensation of family managers is complicated by the conflict of fairness in the family system (everyone gets equal shares) versus fairness in the business system (higher performance and responsibility deserve higher compensation). The family system tends to allocate resources to the weakest member of the family (he needs our help) whereas the business system tends to allocate resources to the strongest, best performing member (she can do more with those resources, so she deserves the resources).

Ownership Succession: Ownership succession in a family firm is a complicated process of estate planning including wills, trusts, gifts, and legal maneuvers to avoid paying the excessively punitive inheritance taxes while making sure that ownership passes into the right hands to insure survival of the firm and accomplishment of the firm’s, the family’s, and the controlling owners’ goals.

Employee Motivation: Recruiting top talent and motivating them to peak performance is often complicated by the knowledge among non-family managers that they will never rise to “the top” and designing motivating financial rewards is made more complicated when sharing equity is not an option because maintaining family ownership is one of the primary goals of the owning family.

These are the kinds of issues that offer unique situations in the study of Family Business, a cross-functional, multi-disciplinary study which includes aspects of management, communications and conflict resolution, law, estate planning, accounting and taxation, and family counseling.

Many of you come from families that own businesses, and you are not alone. An informal poll of my students indicates that a significant number of the students in our student population come from families that own family businesses, perhaps as many as 40% to 50%. In addition, many more of you will work for such firms during your careers, particularly

early in your careers, since family-owned and closely-held businesses tend to be excellent starting places for young people's careers.

Current research indicates that approximately 50% of the working population in America currently work for a family-owned business and the majority of people will work for a family-owned business at some point in their work lives. Still others of you will provide services to family-owned businesses as accountants, attorneys, consultants, estate planners, or other advisors and understanding the unique characteristics of family-owned firms can make you a far better advisor.

Although this is true of our American students, it is even MORE true of our international students. In some societies, such as Mexico and much of Asia and the Middle East, virtually every business, large or small, is owned or dominated by a family or a small group of families, who select their successors from among family members.

This course in Family Business deals with the unique challenges of owning, managing, and passing down a family-owned business. In addition to those listed above, some other issues that we will examine include:

1. Understanding the three domains of family business – owners, managers/employees, and family members – and how these domains overlap to create unique challenges for the ongoing management of family-owned businesses, including evaluation and rewarding of family and non-family managers, training and developing managers, and motivating non-family managers in the face of family member successors.
2. Understanding some of the most effective techniques for evaluating and dealing with family conflict and role conflict in families with family-owned businesses.
3. Examining the processes of management succession and training in a family-owned business, both developing the successor to take over and preparing the incumbent to step down, and planning the management succession process.
4. Examining the special challenges of inheritance and passing the business down to the next generation in the face of punitive tax laws, complicated estate planning options, and difficult personal issues for heirs and donors. For example, should all the heirs, both those who continue to run the business and those outside the business, inherit equal shares in the business? How can we deal with conflict between what is best for the business and what is perceived as “fair” in the family?
5. Looking at some of the cultural issues which make working in and passing down a family-owned business different in different countries and in American families from different cultural heritages.

6. Looking at how you, as an individual, can find career success inside or outside the family business.

In addition, this course will give you the opportunity to develop and practice your skills in written and oral communication. This writing development will be undertaken in a supportive, non-threatening environment in which you will develop your writing skills by editing and rewriting your projects so that you can learn from your mistakes rather than being punished for them.

Course Objectives

The objectives of this course coincide with the Mission Statement of the School of Business Administration at the University of San Diego, which is:

The School of Business is committed to developing socially responsible leaders and improving global business practice through innovative, personalized education and applied research

1. To examine the unique challenges of owning, managing, and passing down a family-owned business.
2. To practice analyzing complex material and discussing it in a group environment both through performing independent projects, by reading and discussing text and other reading materials, and by analyzing and discussing real-world cases.
3. To allow you to customize the course by designing projects that most closely align with your personal goals and needs.
4. To discuss ethical and emotional issues that affect family-owned businesses in different ways than they affect publically-traded businesses.
5. To practice and develop your writing skills and your skills at oral presentations in a nurturing, non-threatening, supportive environment that encourages you to edit, rewrite, practice, and learn from mistakes.
6. To learn while having some fun!

Teaching Methodology

This course uses a unique teaching methodology devised by Dr. Kunkel called “The Great Game of Learning” (formerly known as “Consultant Learning”). The Great Game of Learning is a new method of structuring courses in a way that is designed to empower you and place you in control of your own learning process. The Great Game of Learning approach turns the classroom into a laboratory for the free enterprise system, using price as the allocation mechanism for grades earned.

You determine your own grades by completing projects which earn “consulting fees.” The amount of consulting fees you choose to earn determines your grade. The Great Game of Learning is built upon a significantly different paradigm from the traditional college course. Traditional courses operate on a system in which all students are required to do the same *quantity* of work and the *quality* of the work performed is judged and graded. Accepting low quality work and simply lowering a student’s grade for poor quality is the predominant assessment paradigm used in universities.

In the Great Game of Learning, the required *quality* of the work you must perform is held constant at a very high level – “professionalism” – and low quality work must be redone and resubmitted until it meets that professionalism standard. Then the *quantity* of professional quality work you perform during the semester becomes the basis for your grade.

You will earn consulting fees for projects which you select from a menu of project choices or that you design yourself on topics that are of interest to you. For each project that you intend to complete you will submit a proposal to be approved by your professor before you begin work on the project.

Once the proposal is approved you may complete the project. Completed projects will be submitted to your professor electronically. Projects which are not of professional quality will be returned to you electronically along with notes on what needs to be done to the project to make it professional quality. You must rework and resubmit the project in order to get “paid” for it. Once a project is professional quality, it will be returned to you with “Paid \$2,000” (or whatever amount was agreed upon in the proposal) on the cover page.

You will also receive consulting fees for in-class work, such as attendance and being prepared for class. Near the end of the semester you will compile all your paid projects into a portfolio that will be submitted to your professor. In your portfolio will be two accounting sheets showing what you’ve earned, both from in-class fees and project fees, and the grade for which that amount of fees qualifies you.

Exactly how projects are designed, and how you earn fees are described in the required booklet entitled *The Great Game of Learning Rulebook*. That booklet tells you everything you need to know to be successful in a Great Game of Learning course.

A second required booklet, *Suggested Projects for MGMT 302.01*, will provide you with a list of projects which you can customize along with a detailed description of what success looks like for each project. The booklet will also describe the process by which you can design your own projects.

A spiral-bound book in your required materials for the course entitled *The 80/20 Guide™ to Business Writing* will help you to produce professional quality business reports, letters and memos that are in the designated form for this course.

The table below shows the amount of fees that you will need to earn to receive each specific grade.

Assigning Grades			
Fees Earned	Grade	Fees Earned	Grade
\$25,000 up	A	\$15,000 to \$16,999	C+
\$23,000 to \$24,999	A-	\$13,000 to \$14,999	C
\$21,000 to \$22,999	B+	\$11,000 to 12,999	C-
\$19,000 to \$20,999	B	Below \$11,000	F
\$17,000 to \$18,999	B-		

Copies of this booklet, *Syllabus for MGMT 302.01*, and the two other copied booklets, *Suggested Projects for MGMT 302.01*, *The Great Game of Learning Rulebook*, and the spiral bound book, *80/20 Guide™ to Business Writing*, are all available at the USD Bookstore as well as on Dr. Kunkel's website at <www.sandiego.edu/~kunkel>. All four of these books are required materials for this course.

Missed Class Policy

Some students, such as student athletes, may need to miss class. The way you earn fees for class attendance and for being prepared for class discussion as well as information on what happens if you need to miss class are described in detail in the *The Great Game of Learning Rulebook* in your course materials. As described in the University's Missed Class Policy, you will be allowed to replace fees lost for any classes missed for University activities. If you have to miss several classes for university activities, come see me and we will work out a system for you to show that you have completed the course materials covered in the missed classes.

Academic Integrity and Plagiarism

The use of information from published sources can create some confusion about proper use and referencing of material that you did not generate yourself. Here are some guidelines to help you use but not misuse information produced by others.

It is expected that you will read publications and incorporate into your projects some of the findings and ideas contained in those published works and/or web pages. When you refer to information generated by someone else, it is important to credit the source of that information, not only to give credit to the author but also to let the reader know the source so they can better judge the reliability of the information.

In APA report form, which we will be using in this course, you credit the original author in the form of parenthetical citation and a proper APA-format bibliographical reference in the “References” section of your report at the end of the report. For example, the following is a correctly formatted in-text citation:

“The simplest way to begin an analysis of a corporation’s value chain is by carefully examining its traditional functional areas for potential strengths and weaknesses” (Wheelen & Hunger, 2002, p. 87).

It could be appropriate for you to include a sentence like this in one of your papers, but since you didn't perform the research that led to this conclusion you need to cite the people who did. This sentence is directly quoted from a book published by Wheelen and Hunger in 2002. Since it is directly quoted, the citation gives the page number and it is in an appropriate quotation form for a short quotation – quotation marks.

However, if instead of quoting the book, I had simply used their conclusion in my own words (paraphrased), I would still use the citation of the book where I got the information but would omit the page number and would not put the information in quotation marks in the text. For example, I could have written in my report:

One of the best ways to begin a value chain analysis is with an analysis of the organization’s strengths and weaknesses (Wheelen & Hunger, 2002).

In this case, I did not quote Wheelen and Hunger, although I did use their conclusion. Therefore, I included a citation of the book as the source of this information.

Neglecting to properly cite another person's work is a form of *plagiarism*, the practice of reporting someone else's work as your own. There are other forms of plagiarism as well, including: copying portions of text verbatim from published sources (including the Internet)

without properly citing the source; drawing material from similar papers written by other students or by yourself for another course without citing the other works as sources; and receiving unauthorized assistance on papers. You can always get help from anyone to learn how to “do it,” but when you get someone else to “do it” for you so that you don’t have to learn how to “do it,” that is unauthorized help.

The simplest way to avoid plagiarism is to include a proper citation for any FACT that you obtained from any source, be it a published source or an interview. When someone else gave you the information, just tell the reader where you got the information.

Plagiarism constitutes a serious breach of professional ethics as well as being a violation of the University of San Diego's academic integrity policy. If an instructor has reason to believe that an act of plagiarism has occurred, an academic integrity report must be filed with dean of the college and an academic integrity hearing may be convened. If the academic integrity hearing committee determines that plagiarism has occurred, disciplinary action may range from loss of points toward a grade to expulsion from the university (University of San Diego Academic Integrity Policy).

Bottom line: do your own work and don't copy the work of others, and cite the sources of your information correctly. Plagiarism is unethical, it's way too easy to get caught, and being called before an academic integrity hearing committee is far more unpleasant than simply writing your own papers. You will find a lot of advice on how to cite sources in the text and how to construct a correctly formatted APA bibliography in the *80/20 Guide to Business Writing*, included in your course materials.

Any questions about what constitute acceptable procedures for sharing of data, exchange of ideas, citation of sources, or any other academic integrity issues should be addressed to your instructor. Better safe than sorry!

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