

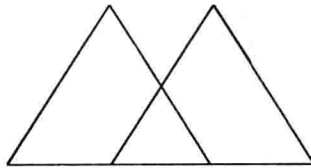


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# FAMILY BUSINESS MANAGEMENT

## Concepts and Practice



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To:

**Sarah & Eva Ibrahim**  
**Jean M. Ellis**

# PREFACE

Each year, thousands of new family businesses are created. The fate of these ventures is highly variable and in general is a chronology of the economic growth. Some of these family firms have evolved into corporate giants, others have failed. It is estimated that only 30 percent survive beyond the first generation. What is critical is not the percentage of family business failure, but the reason for such high failure. Studies have attributed failure in family business to lack of management skills and competence in general and inadequate planning in particular. This book addresses both of these issues. The underlying theme of Family Business Management is that successful family business is a result of effective application of modern concepts and techniques in management.

Family Business Management provides the reader with a thoroughly reviewed, state-of-the-art treatment of critical issues in family business management with incidents, tools, readings and selected cases to illustrate those issues. This book was written with two types of readers in mind: students of management in general and members of the family business in particular.

Family Business Management is divided into six parts. Each part consists of text, a selected reading and cases. The text portion contains a comprehensive review of research studies and practices in the management of the family business. A selected reading and a number of cases are provided at the end of each part to complement the text portion.

Part One of this book focuses on the family business and the founder—the entrepreneur. Chapter 1 discusses the importance of family businesses, the definition and the advantages and disadvantages of family business. Chapter 2 defines the entrepreneur, his/her role and the entrepreneurial process, with emphasis on different schools of thought: the traits, the environmental and the behavioral approach. The chapter also explores the characteristics of successful entrepreneurs with particular emphasis on the entrepreneurial and managerial factors.

Part Two deals with managing conflict in the family business. Chapter 3 discusses the dual relationship in both the social and business functions and the overlap between these two functions. The chapter explores a number of issues associated with the dual relationship, including the problem of carry-over, forming one's own identity, the path of self-validation, expectations and exploitations, the zone of comfort, nepotism, confusion of roles and supervising family members. The chapter offers some guidelines for decoupling the two functions. Chapter 4 deals with conflict management, including the traditional vs. the behavioral view on conflict, and causes of conflict. The chapter explores common types of conflict in the family firm, including father-son/daughter rivalry, rivalries between siblings—the favorite son syndrome, conflict between other

## XIV PREFACE

members of the family, and conflict between family and non-family members. The chapter provides a framework for managing conflict in the family business.

Part Three is devoted to the critical issue of succession in the family business. Chapter 5 discusses the decision to let go and related issues, including resistance to letting go, setting the price for letting go, and buying the CEO out. The chapter offers some planning guidelines for a smooth retirement of the founder/CEO. Chapter 6 discusses planning for succession and characteristics of succession in family business, including the dual relationship, the biological necessity and the non-market-based transfer of power. The chapter provides some guidelines for effective succession, including preparing the offspring and the pre-entry acculturation, role adjustment, decoupling the two systems, role of family members, the strength of relationships and the successor's ability. The chapter discusses a number of critical issues in succession, including the daughter as a potential successor, the founder as an advisor, criteria for selecting the successor, the hostile takeover and people involved in the succession process. Chapter 7 deals with the critical issue of managing the transition, including problems during the transition, successful management of the transition and restructuring the family business.

Part Four deals with the decision to go outside the family. Chapter 9 focuses on the decision to introduce professional management, including attracting and retaining professional management, outside directors and composition of the family board of directors. Chapter 9 deals with the decision to go public, including advantages and disadvantages, criteria for going public, the business plan, the prospectus and pricing the stock.

Part Five discusses strategic management in the family business. Chapter 10 deals with strategic planning, including the mission statement, objectives, the situation audit, strategy, planning, forecasting and monitoring. The chapter explores the concept of strategy in family businesses. Chapter 11 discusses strategic change in the family business and addresses issues, such as resistance to change, techniques to reduce resistance, the changing agent and organization change techniques.

Readings in Family Businesses. A selected reading is included at the end of each part to provide additional in-depth analysis of critical issues in family businesses. Some of these readings are classics.

Cases in Family Businesses. The cases presented at the end of each part represent a cross section of a number of family businesses, varying sizes, cases of varying length, complexity and issues. Some of these cases are classics.

## UNIQUE FEATURES

We should mention briefly a number of features that, we believe, make this book different.

1. **In-Depth Coverage.** The text materials cover a wide range of critical issues, concepts and techniques in family business management. The text portion contains an extensive review of research in family business.
2. **Family Business in Action.** Each chapter ends with details of a real case of a family business to highlight a critical issue in family business management. Some of these cases are classics and some are of well known family businesses in North America.
3. **Readings.** A selected reading is included at the end of each part to provide additional in-depth analysis of key concepts and techniques to complement the text portion of this book.
4. **Case Studies.** The case studies provided at the end of each part contain a rich diversity of cases from across the United States and Canada. We have tried to select cases which graduate and undergraduate students of management can suitably handle, and which will stimulate a lively discussion.
5. **Boxes.** The text part of this book includes a number of boxes. These boxes have been developed to highlight research in key areas or to illustrate the application of core concepts and techniques.
6. **Summaries.** Each chapter concludes with a concise summary of its content to remind the reader of key issues.

All in all, we are confident that you will find this book enjoyable to read and on the cutting edge of both theory and practice.

A. Bakr Ibrahim  
1994

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A.B. Ibrahim  
W. Ellis

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