**DRAFT DATED JULY 3, 2017**

**SUBJECT TO CHANGE**

**FAMILY ENTERPRISE AND WEALTH**

**B8528**

**COURSE OVERVIEW AND SYLLABUS**

**COLUMBIA BUSINESS SCHOOL**

**FALL 2017 - B TERM**

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**Teaching Assistant:**

**Day and Time:**

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**I. Course Objectives and Overview**

This course provides an introduction to the complex topics of family enterprise and family wealth. Wealth in the United States and globally has become increasingly concentrated in the hands of a small number of families, which is having a major impact on business, financial, and philanthropic sectors. These families often start with an entrepreneur who creates an operating business, which later evolves into trusts, holding companies, investment vehicles, a family office, and charitable foundations. This conglomeration of holdings is referred to as a "family enterprise" and all the assets of the family comprise its "wealth." Given the magnitude of this trend, it is almost inevitable that each MBA student will own, work for, invest in, or otherwise interact with family enterprises after graduation.

Students will be exposed to a variety of perspectives, including in-depth research, analysis, and insider's views on family dynamics, governance, business, investments, and philanthropy. The course will proceed from the perspective of family first and particular emphasis will be given the fact that the family’s “human capital” is its most important resource to foster a successful family enterprise and optimize its important role in society. Technical issues, including legal concepts and structures applicable to family enterprises, will also be examined. Guest lecturers from industry and family enterprises will provide real-life context to class discussions.

Students will leave the course prepared to more effectively own, manage, and interact with family enterprises, and with a more nuanced understanding of family wealth as it is now understood by leading global families. This will have a direct impact on future success, both personally and professionally. While the course will be especially relevant for students who come from family enterprises, it will also provide insights and tools for students who intend to work in private wealth management, privately held companies, management consulting, private equity/ venture capital, and social enterprises. This is not an investment, finance, or family business management course, as those subjects are covered in more detail elsewhere in the curriculum. It will nonetheless complement the content covered in those courses.

The course has the following objectives:

* Increase awareness of the role and importance of family enterprises globally.
* Expand understanding of “family wealth” as it is defined and developed by leading families.
* Develop the ability to identify critical factors that are essential to the success of a family enterprise.
* Learn to navigate complex issues in a student’s own family enterprise or those with whom the student interacts.
* Gain familiarity with key theories applying to family enterprise and wealth, and how to put them into practice.

**Required Prerequisites and Connection to the Core**

There are no required prerequisites for this course. The following core courses are most closely related to and helpful for the content of the course.

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| --- | --- |
| **Core Course** | **Connection with Core** |
| Leadership Development | 1. Decision making 2. Influence and Persuasion 3. Ethics |
| Strategy Formulation | 1. Trade-offs, value-added, efficiencies 2. Diversification and scope 3. Behavioral and evidence-based strategy |

**II. Teaching Methods and Course Materials**

This course is taught by an experienced professional who has worked with family enterprises for more than two decades as a lawyer, wealth advisor, and independent consultant. Lectures will draw from this experience, with a special emphasis on real-life examples of family enterprise and wealth in theory as well as practice. Readings will include excerpts from some of the seminal books and articles on family wealth, business, psychology, philanthropy, and related areas. Guest speakers will be invited to provide additional context and depth to discussions. Class participation will be required and open dialogue about the complexity of issues is expected. Students will apply their knowledge through class exercises and assignments.

All readings will be provided in the course packet and/ or on Canvas, and the following book is required:

Hughes, James E., Jr. Family Wealth: Keeping it in the Family. Bloomberg Press 2004.

A list of additional recommended resources will be provided to the class.

**III. Course Requirements and Assignments**

The class will be interactive and students are required to attend all sessions and actively participate in all discussions and exercises. Class sessions will vary among lecture, guest speakers, and group discussion. Grading will be weighted as follows:

1. **Class Participation: 30%.** Students will be expected to participate in class discussions and exercises in a manner that shows that they have done the assigned readings. Students should expect to be “cold called” in class.
2. **Individual Writing Assignments (Type “C”): 70%.**

i. Short Assignment. (10%). There will be a short writing assignment due one week after the first class. Several choices of assignment topics will be provided at the end of the first session.

ii. Family Genogram (5%). Students will prepare a "family genogram" for their own families, due at the beginning of the fourth session.

iii. Term Paper. (55%). A 10-15 page term paper will be due after the end of term. In the term paper, each student will be asked to apply the concepts learned in class to a family enterprise. Students may choose to focus on a family enterprise discussed in class or another family enterprise (including their own) chosen by the student with approval from the Professor. Students must obtain approval of the family enterprise by the beginning of the fourth session.

**IV. Course Syllabus**

**Session 1 - What is “Family Enterprise”? What is “Family Wealth"?**

* 1. This session will start with the questions: what is “family enterprise”? and what is “family wealth”? and explore why these topics matter to MBA students. It will focus on general demographics and some specific characteristics of family enterprises, including developmental phases over time and statistics about the rise of family enterprises globally. The implications of family enterprises on the business, financial, and philanthropic sectors will be highlighted. The topic of “wealth,” including the way in which the definition has been expanding over the past decades, will be explored.
  2. Readings:
     1. Required: Mount, Ian. "A Family Feud, Uncorked in Spain." *New York Times*. July 20, 2014. Pages B1, B5.
     2. Required: UNU - Wider, United Nations University, "Pioneering Study Shows Richest Two Percent Own Half World Wealth." Press Release, December 5, 2006.
     3. Required: Carnegie, Andrew. "Gospel of Wealth." *North American Review*. June 1889.
     4. Required: "To Have and to Hold." *The Economist* Special Report on Family Companies, April 18, 2014.
  3. Guest speaker: Family enterprise family member or consultant
  4. Possible discussion topics: What is family enterprise? Why does it matter? How do you define wealth? How do the readings relate to your understanding of families and their place in the world? Do the issues raised resonate with your personal/ professional experiences?

**Session 2 – What is “Family"? What is "Systems Thinking"?**

1. In order to understand what makes a family enterprise tick, it is essential to understand families. This session will explore families in diverse cultures, and focus on how it is difficult but important to define “family” for several different aspects of a family enterprise. Among professionals studying and working with family enterprises, it is commonly understood that most family enterprises that do not succeed across generations fail due to family, not business or financial, reasons. Students will be introduced to “family systems” theory as a way of understanding how to identify and address these family challenges. The "family genogram" will be introduced.
2. Readings:
   * 1. Required: The Family Firm Institute. "Concepts in Family Enterprise Study." Family Enterprise: Understanding Families in Business and Families of Wealth. Wiley 2014. Pages 59-65
     2. Required: Gilbert, Roberta M., M.D. The Eight Concepts of Bowen Theory. Leading Systems Press 2006. Chapters 1 and 3.
     3. Required: Jaffe, Dennis T. and James A. Grubman, "Acquirer’s and Inheritor’s Dilemma: Discovering Life Purpose and Building Personal Identity in the Presence of Wealth." *The Journal of Wealth Management*. Fall 2007. Pages 1 – 26.
     4. Recommended: Hughes, Jr., James E. "A Family of Affinity." Family: The Compact Among Generations. Bloomberg Press 2007. Chapter 1.
     5. Recommended: Hughes, Jr., James E. "Ritual." Family Wealth: Keeping it in the Family. Bloomberg Press 2004. Chapter 3.
3. Discussion topics: Students should be prepared to answer: How do you/ your culture/ community define “family?” For what purpose(s)? What are some of the advantages/ disadvantages of various definitions of family? Describe your family's culture and rituals. How does your family function as a "system"?

**Session 3 - How is family wealth "owned" and "governed"?**

1. Families create and live with a variety of entities that own and manage their wealth, including trusts, holding companies, and partnerships. Further, family enterprises must “govern” themselves and the entities they own, whether they realize it or not. Governance is one of the key ways for a family enterprise to survive and excel over time. This session will introduce governance mechanisms as well as a framework and process for effective governance.
2. Readings:
   * 1. Required: Hughes, Family Wealth. Chapter 1.
     2. Required: Angus, Patricia M. “The Family Governance Pyramid: from Principles to Practice.” Institutional Investor, *Journal of Wealth Management*. Volume 8, Number 1. 2005.
     3. Required: Lansberg, Ivan. "Ruling vs. Governing: On the Dialectics of Governance." www.familybusinessmagazine.com. Autumn 2009. Pages 55-57.
     4. Recommended: Hughes, Family Wealth. Chapters 9, 10, 11 and 15.
     5. Recommended: Angus, Patricia M. “Beneficiaries of Family Trusts.” *Families in Business*. Campden: 2003. Pages 56-58.
3. Guest Speaker: International private client lawyer or family enterprise member
4. Possible discussion topics: What does it mean to be an “owner” in a family enterprise? How do multi-national families structure their holdings? Must a family govern itself? What happens if it does not?

**Session 4 – What makes a “Family Business" unique?**

1. Family businesses are often the core holdings of a family enterprise, yet rarely does a family enterprise only have one business within it. Further, the nature and complexity of family businesses are always changing, and there is a trend toward younger family members forging new businesses. This session will help students focus on the unique aspects of businesses within the family enterprise. Students will be introduced to the most important concepts, including the three-circle model, succession planning, and how governance applies to family business.
2. Readings:
   1. Required: Davis, John A., Kelin E. Gersick, Marion McCollom Hampton, and Ivan Lansberg. Generation to Generation: Life Cycles of the Family Business. Harvard Business School Press 1997. Introduction. Pages 1 - 25.
   2. Required: Stewart, Christian. “Preserving the Golden Goose.” London: STEP Journal, July 2013 Volume 21/ Issue 6, pages 60 – 61.
   3. Required: Hughes. Family Wealth. Chapter 6 pages 69-74.
3. Guest Speaker: Family business member
4. Possible discussion topics: How do family businesses differ from other businesses? What are the similarities and differences across family businesses in different cultures? What does it mean to be "business first" vs. "family first"? How do businesses in global family enterprises tend to evolve?

**Session 5 – How do families invest? How are they served by the private wealth management industry?**

1. The financial and investment issues for family enterprises are complex and intricate in ways that are not readily apparent. This session will provide an overview of some key issues including:
2. "Asset Location." Investment professionals generally focus on asset allocation in investment portfolios. However, a family enterprise has a wide variety of assets, and liquid investments often constitute only a minority of the family's assets. Consideration will be given to the entirety of a family enterprise's holdings.
3. Financial Skills. Younger members of family enterprise families need skills that are different from their peers. The skills needed, and ways to master them, will be explored.
4. Family enterprises are demanding new services, and the private wealth management industry is undergoing major changes in business models and service delivery. Both trends are creating tensions and new challenges, which will be explored.
5. Readings:
   1. Required: Brunel, Jean L.P. Integrated Wealth Management: The New Direction for Portfolio Managers. Euromoney 2006. Pages 3 - 13 and 219-243.
   2. Required: Budge, Scott G. The New Financial Advisor. John Wiley & Sons 2008. Chapter 2.
   3. Required: Hughes. Family Wealth. Chapters 4 and 5.
   4. Recommended: Budge, Chapter 4.
6. Guest Speaker: Private wealth management professional(s) or family enterprise member
7. Possible discussion topics: How do you develop an integrated investment management strategy for a family? What are some of the financial issues that are unique to members of a family enterprise?

What are families looking for from the private wealth management industry? Where do gaps exist? How can/ should the industry evolve to meet client needs?

**Session 6 – How does a family enterprise impact the community?**

1. This session will explore the role of family enterprises in the larger community. By focusing on a multi-generational case study, the class will apply the concepts learned in class to the story of a 100+ year family enterprise. Discussion will also cover questions of the definitions of success, for different groups within and outside the family. The critical role of family enterprises in philanthropy and social enterprise will be covered.
2. Discussion: What does the case study reveal about how family enterprises traditionally have operated? What can a family enterprise do to increase its chances of success? What is the role of a family enterprise in the community?
3. Readings:
   1. Required: Case study to be assigned.
   2. Required: Williams, Roy and Vic Preisser. Preparing Heirs. Robert D. Reed Publishers 2003. Pages 5 - 13.
4. Guest speaker: Family enterprise member