

**CHUKA**



**UNIVERSITY**

**UNIVERSITY EXAMINATIONS**

**EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF  
ENTREPRENEURSHIP AND ENTERPRISE MANAGEMENT**

**BEEM 427: FAMILY BUSINESS MANAGEMENT**

**STREAMS: BEEM**

**TIME: 2 HOURS**

**DAY/DATE: FRIDAY 06/12/2019**

**2.30 P.M. – 4.30 P.M.**

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**INSTRUCTIONS:**

- **Answer question ONE and any other TWO questions.**
- **Do not write on the question paper.**

**CASE: THE ULTIMATE FAMILY BUSINESS MANAGEMENT CHALLENGE**

Family business stand at a critical threshold. If you are a member of a business-owning family, you and your family's company may be very directly involved in some extraordinary changes that are going on in the economy and within family business community. For example, businesses in North America and Western Europe- Large or small, public or private- $\frac{2}{5}$  have two generations of family members working in them. For South America, South Asia and the Middle East, proportion of family business with two generations in them is much higher. This means that more than 40% of all companies in the world are going through or anticipating a succession process - the passing of a business from an incumbent senior generation to the next generation of leadership and ownership.

Historically, however, about half of all family firms fail to make it through the next generation. Just imagine then, the number of businesses that have the potential for being in turmoil, businesses that will underperform because of unsolved succession issues, and you will see that they make up a very substantial part of any economy. If you consider also the unhappiness and pain of the family members involved in those troubled businesses, the impact of the inability to master succession becomes a personal anguish repeated millions of times over.

A second trend possess equal potential for distress and disappointment. We have business run and owned by teams of siblings and single leadership have succeeded single leaders. In the US 40 – 50% of family firms are owned and led by groups of siblings, yet there is little experience in sibling

co-owners leadership as a businesses are undergoing massive transformation in terms of moving from are generation to the next in leadership and ownership as well as adopting a still unproven approach to leadership. These shifts suggest that family businesses must handle succession and leadership issues before they pass into the hands of professionals outside the family.

**Required:**

- (a) What is success planning in a family business? (3 marks)
- (b) Identify and explain the succession planning process in family owned and managed enterprises. (10 marks)
- (c) Briefly describe the short comings of sibling co-owners leadership in a family business model. (7 marks)
- (d) Identify and explain the primary causes of family business failure and suggest strategies to minimize the high rate of failure. (10 marks)

**QUESTION TWO**

The environment created by one generation results in difficulties for the next generation to solve problems and sibling conflict. Explain the corporate governance challenges faced by the family business management and ownership during the three transition phases from one generation of leader to other. (20 marks)

**QUESTION THREE**

- (a) The most critical issues facing business owning families are family based issues more than business related issues. Briefly discuss this statement using the sub-system theory of family business. (10 marks)
- (b) Briefly explain the content and relevance of the family constitution. (10 marks)

**QUESTION FOUR**

SCI family business is in the process of developing its governance structure. They have approached you for advise as a professional in family business management. Briefly explain to the SCI management the functions of the following:

- (a) Board of directors. (10 marks)
  - (b) Family assembly. (10 marks)
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