

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

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

BEEM 427: FAMILY BUSINESS MANAGEMENT

STREAMS: BEEM Y4S1

TIME:2 HOURS

DAY/DATE: TUESDAY 17/12/2024

2.30 P.M. –4.30 P.M.

INSTRUCTIONS: ANSWER QUESTION AND ANY OTHER TWO QUESTIONS

QUESTIONONE

Read the case below and answer the questions that follow;

SHE WILL ALWAYS BE MY LITTLE SISTER

Martin Schmidt is the second-generation owner and manager of a construction company that builds office towers. He is in his late 50s and recently became concerned about his daughter,

Dorothy, and her increasing desire to join the family business. Marty's middle child, Robert, has been with Schmidt Works for four years and is widely viewed as Marty's likely successor. Marty's other child, his oldest son, moved far from home after a falling-out with his father. Marty's wife is not involved in the business. Marty admits that Dorothy is well prepared for a career with Schmidt Works. She has studied at Ivy League schools, has worked successfully in a multinational conglomerate, and holds an MBA. When Marty was asked about his reservations about Dorothy's joining the firm, he replied: "I'm scared to bring her into the company. I know she's qualified, but I just can't see my Dotty leading and giving orders. She's a good girl, and I know that no one in this business will listen to her." Bobby shares his father's opinion that Schmidt Works is not "the right place for Dotty." He says: "I don't see her working in this industry—it's physically exhausting work. I'm afraid she'll fail, and she isn't able to handle failure. She'll always be my little sister—I'll never get over that. I just want to protect her, and I don't have time to hold her hand. Her insistence on joining the business is beginning to irritate me." Dorothy says: "I've always wanted to be in the business, and as a family member, I should be allowed to join. My only problem is getting my father and brother to take me seriously. If I present some expert's idea, they listen, but my opinion is usually overlooked and not discussed. I feel frustrated and a little hopeless about even things I'm confident about."

- a) What should Dorothy do in this situation? (7Marks)
- b) Advise Martin' why he should prepare the next generations of leaders (8 Marks)
- c) Assuming you are Martin how would you address this family-business dilemma (8Marks)
- d) Do you think Bobby and his father's arguments about Dorothy have a bases or not? Justify your arguments (7Marks)

QUESTION TWO

Fanaka family business is in the third generation of family cycle. The first and second generation did not develop an elaborate governance structure and several family and nonfamily members work in the business to ensure professionalism in management. The family has sought your expert opinion in the the specified areas. Discuss your input under the following critical areas in family business management.

- a) Discuss the content of Fanaka's family business governance structure (12Marks)

- b) Why should Fanaka maintain professionalism in their business? (8Marks)

QUESTION THREE

- (a) Assuming you are the CEO of a family business and the Board of Directors has requested you to facilitate a seminar on “financial management” for all the company employees. Briefly explain the content you would include in your presentation (10Marks)
- (b) Assume you are a human resource manager in a family business, outline and explain what you would include in a family business employment policy (10Marks).

QUESTION FOUR

- (a) Briefly explain how you can effectively carry out succession planning for management and ownership of a family business. (12Marks).
- (b) Suggest ways in which conflicts can be resolved in family-owned businesses in the cousin’s confederation stage. (8Marks).
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