

MNE3704

October/November 2016

FAMILY BUSINESS MANAGEMENT

Duration 2 Hours

70 Marks

EXAMINERS

FIRST

SECOND

EXTERNAL

MRS MS RADEBE

PROF NS RADIPERE

DR MN MOOS

Closed book examination.

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The paper consists of 15 pages including this page

Make sure that the following information appears on the cover of your answer book:

- Your **student number**
- The **module code (MNE3704)**
- The **sections and the numbers** of the questions you have answered

Section A is a compulsory section which you have to answer. In Section B you must answer any two of the three questions.

Answer the questions in this answer book provided to you

Please indicate the section and number of the question clearly when answering.

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SECTION A

Answer all the questions in this section.

QUESTION 1

Read the case study and then answer the questions that follow.

CASE STUDY: REARDON SUPPLY

Bob is fed up with his seven brothers and sisters. Their business had accumulated cash for an acquisition that Bob believed could 'make' the company, but his siblings voted dividends for themselves instead. Reardon Supply is a \$100-million-a-year manufacturer owned equally by the Reardon siblings. President since his dad retired nine years ago, Bob, 49, has done a superlative job, increasing revenues sevenfold, organising an outside board of directors, and installing strategic planning companywide.

Although Reardon Supply is very efficient, has no debt, and is very liquid, its growth rate is slowing. Its competition (no longer local companies but national and international conglomerates) is squeezing margins, and more of its customers are going overseas. Running at capacity, it needs extensive capital expenditures to stay competitive.

All of Bob's siblings are settled in careers and lives outside Reardon Supply. Lately, some have become concerned about their general lack of liquidity and diversification, and have expressed an interest in cashing out. Bob's sister, Nancy, seems to resent Bob's salary even though it is industry matched. The siblings are very glad to have "one of their own" in charge.

A family council meeting is coming up soon. Once again Bob is faced with siblings who do not want to hear that Reardon Supply's world is changing. He knows he has to do something, but what?

(Source: Poza, E.J. 2010. Family Business. 3rd edition. South-Western: Ohio)

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Question 1

1 1 According to the systems-theory perspective, the individual perspectives of family members and the firm will understandably be different, because of their positions in the system.

1 1 1 Illustrate, on a graphic representation of the Systems Theory Model, in which segments Bob and his siblings fall. (3)

1.1.2 Give reasons for your selection (in question 1.1.1), using phrases from the case study. (2)

1.2 Discuss whether joint-optimisation or blurred system boundaries occur in Reardon Supply (4)

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ROUGH WORK PAGE 2
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