

MNE3704

October/November 2017

Family Business Management

Duration 2 Hours

70 Marks

EXAMINERS :

FIRST

SECOND

EXTERNAL

MRS MS RADEBE

PROF NS RADIPERE

DR MN MOOS

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The paper consists of 22 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.

[TURN OVER]

SECTION A

Answer all the questions in this section.
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QUESTION 1

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

CASE STUDY: Our Town America

Plummer Sr. launched the company named Our Town America in 1972, and his dream was that his son, Plummer Jr., would one day take over. The company sends "welcome packages," with offers from local businesses, to people who have recently relocated. It has some 40 franchisees nationwide. Although Plummer Jr. loved his father dearly, he never shared his dad's enthusiasm for Our Town America.

Plummer Jr. had been groomed to follow in his father's footsteps as he began working at Our Town America at age 5, stuffing envelopes. But, by the time he graduated from high school, he had other ideas as he believed that everybody has his or her own dreams and such a person should follow his/her dreams. Initially, Plummer Jr. wanted to do medicine. However, he got enlisted in the Army at the age 20. He declined an offer to join the family business, with a salary of \$65,000, to join the army to which he recalls his father telling him that his decision was not a smart choice.

Plummer Jr.'s military service took him to South Korea, where he soon found himself running an urgent-care clinic. That made his father to change his tune as he often spoke about his pride in his son's achievements, especially his decision to turn down the easy money and seek his own path. In 2000, Plummer Jr. received an unexpected phone call that his dad had suffered a major heart attack.

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Plummer rushed back to Florida, where his wife and two daughters still lived, fearful that his father would be dead by the time he arrived. Fortunately, Plummer Sr had survived quintuple bypass surgery. In the days that followed, the two rekindled a close relationship. Plummer Jr soon returned to Korea, but he and his father talked on the phone a few times a week. Plummer Sr said he could use some help at the company, and his son decided it was time to come home. He started in sales and moved into IT, improving the company's databases and working on an on-demand printing operation. But the best part of the job was all the time he spent with his father. Plummer had been working alongside his father for the past nine years to an extent that he gave up his much-loved career as an Army medic to help out at Our Town America after his father suffered his first major heart attack in 2000.

One morning in October 2009, Plummer Jr. received a second fateful phone call where he learned that his father had a second heart attack. This time it was fatal. Plummer Sr was only 57 and had shown no signs of distress or ill health. A few days later, after his father's funeral, Plummer Jr walked into his father's office, sat down at the ornate wooden desk, and signed paychecks for the 30 employees of his father's Pinellas Park, Florida, company, Our Town America. As he did, he pondered his next move.

He missed the adrenaline rush of emergency medicine. In the back of his mind, he fantasized about returning to the military or enrolling in medical school. And then there was the outsize presence of his father to cope with. His father's sudden death, though sad and shocking, presented an opening for Plummer Jr to finally return to the career he loved although he was torn. He believed that Our Town America was his father's legacy, as well as the employer of his sister, aunt, and cousin. However, he was conflicted with thoughts of how can he really walk away from his family's business—and his father's dream? Plummer Sr. was something of a legend around Pinellas Park.

[TURN OVER]

Known for driving too fast and blaring classic rock and rap on the stereo, he didn't bother with protocol and business plans. "He shot from the hip," recalled Travis Morales, the company's national sales manager and Plummer Sr.'s closest friend.

"Plummer Sr.'s philosophy was that if he had a problem, he could sell his way out of it." His generosity was legendary for showering friends and employees with gifts and sometimes even paid for strangers' groceries at the market. Plummer Jr. was also impressed by his father's motivations as an entrepreneur as he believed he was building community by introducing new families to local businesses. Still, Plummer Jr. never considered Our Town America to be his calling; even after years of working there, it still felt more like a detour than a destination.

In an odd coincidence, a couple of days after his father died, Plummer had received a call from a business broker asking if he was interested in selling the business. A shell-shocked Plummer Jr. immediately refused, at the same time, he was beginning to wonder since everything was unstable. Family members, including his father's ex-wife, were fighting over the ownership and direction of the company. Franchisees worried about the fate of their investments. Longtime employees worried what would happen next. "A lot of knowledge was lost when Plummer Sr. passed," says Morales. "People wondered if we were going to make it."

Plummer Jr. shared the same concerns as everyone else. The company, he soon learned, faced some big challenges. As if that wasn't enough, sales were down 24 percent due to recession and unrestricted expenses began to emerge. It turned out that his father was more generous than Plummer Jr. imagined. He was paying for car washes and massages for employees and paying the rent for several cash-strapped friends. "Michael Sr. gave a lot of money away," says Larry Neal, an Our Town America franchisee in Detroit. What's more, the payroll was bloated.

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"He was paying people who didn't actually do anything," says Cliff Hallmark, the company's chief financial officer since 2009. "Instead of hiring the right person for the job, he hired friends." All these, made Plummer Jr. want to reconsider his decision to run the family business

As the executor of his father's estate and next in the company's succession plan, he knew he could sell the business and share the proceeds with his two sisters. Or he could retain his equity and hire someone else to run the business. He recalled a conversation with his father about the future of Our Town America. "He knew I would feel obligated to take over the business," Plummer Jr. said "He said he understood if I wanted to sell it."

But could he really leave the company in such a state of disarray? He asked Hallmark for advice. His response: "If you wrote your obituary, what would you want it to say?" Plummer Jr. thought a lot about his father and concluded that changing careers at this stage won't be realistic, especially with two young daughters to support. (He and wife divorced shortly after he returned to Korea) For Plummer Jr., saving the company, outmaneuvered everything.

After years of playing wingman to his father, he threw himself into the role of pilot. He emphasised productivity, eliminated excess inventory, canceled unused subscriptions for sales lead services, and cut perks. He launched several marketing drives He began renegotiating agreements with franchisees and grew adept at handling corporate IRS filings and drafting business plans. He hit the road, representing the company at trade shows, and worked long hours when back in Florida.

Plummer Jr 's actions appeared to have paid off. The company slowed its sales slide as the revenue went down 3.25 percent that year and he did it without any layoffs. "He's done a remarkable job in solidifying the company," says Neal.

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Plummer Jr admits that he sometimes feels bitter that he gave up his dream for his father's. He laments the fact that the long hours spent getting Our Town America on track cut deeply into his time with his daughters "I've had to bottle it up," he says "I need to be strong for my kids. I need to be confident for employees and franchisees

Sometimes I thought, why am I doing this? I almost felt like I was doing it out of imprudent pride " At the same time, however, he sees the number of families who depend on the company's success.

Still, Plummer Jr has no intention of leaving. "It was the right decision," he says "It's not something I ever wanted, but sometimes fate chooses you." As for his daughters, Plummer Jr. says he will encourage them to pursue their own passions And if the girls express interest in the family business, he will be honored

Adapted from November 2011 Issue of INC Magazine Available at [https://www inc.com/magazine/201111/case-study-family-business-succession.html](https://www.inc.com/magazine/201111/case-study-family-business-succession.html)
Accessed – (03 May 2017)

[TURN OVER]

1.4 Incongruent hierarchies have made succession a more difficult process for many deserving next-generation leaders

How can Plummer Jr. avoid such incongruences as a next-generation leader? (3)

1 5 Discuss the three (3) aspects that next generation leaders should be aware of if the wish to be involved in the family business (3)

[TURN OVER]

[30]

SECTION B

Answer any **two** of the following three questions in this section

QUESTION 2

2.1 When developing family-business interaction policies, certain guidelines can assist families

Discuss the set of guidelines that can help families that are developing family-business interaction policies (5)

[TURN OVER]

3 2 Effective governance empowers leaders of families in business to make the most of the unique strengths of a family enterprise

Briefly describe any ten (10) challenges to family governance. (10)

[TURN OVER]

4.3 Briefly outline six (6) possible reasons why a family enterprise should consider a non-family CEO (6)

[20]

TOTAL: 70

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ROUGH WORK PAGE 2

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