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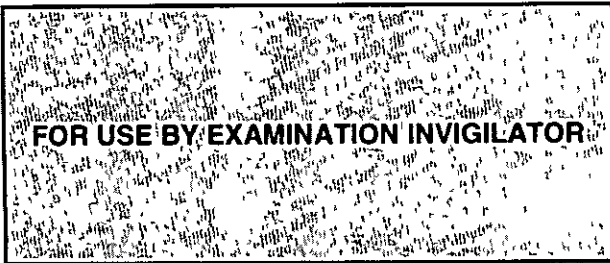
MNE3704

MAY/JUNE 2017

FAMILY BUSINESS MANAGEMENT

STUDENT NUMBER									

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Question No	Marks					
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MNE3704

May/June 2017

FAMILY BUSINESS MANAGEMENT

Duration 2 Hours

70 Marks

EXAMINERS
FIRST
SECOND
EXTERNAL

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Closed book examination

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The paper consists of 20 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

[TURN OVER]

SECTION A

Answer all the questions in this section.

QUESTION 1

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

CASE STUDY The Murdoch Dynasty

Rupert Murdoch inherited a modest media business from his father, Keith, but the impact of death duties and taxes left him nothing but a loss-making newspaper in Adelaide, Australia. He has transformed this into the world's largest media empire. His primary interest, News Corporation, has assets of \$56 billion and sales \$23 billion in films, newspaper and publishing around the world. But according to some reports, the problem of succession is threatening to destabilize his business. Rupert's public favour of his children over professional management has sent a clear signal to ambitious employees and investors alike. This is a family company, family gets priority, and everyone else's interests will always be second.

Rupert Murdoch has six children from three marriages, including Elizabeth, Lachlan and James from his marriage to Ann, which ended in divorce in 1999. Lachlan, who managed the New York Post and the Fox television service, was initially the favourite to head the family business. But in recent years, first Elizabeth and then James have emerged as contenders for the succession. Lachlan, a London-born American citizen was sent to Australia in 1994, where he was chairman and chief executive of News Ltd, the Australian arm of News Corp. He was deputy chief executive officer on the main board of News Corporation, a role that extended his reach well outside of Australia and into the company's worldwide interests, but he abruptly resigned this post in August 2005.

[TURN OVER]

The family denied that he quit because of a rift with his father. Lachlan's elder sister, Elizabeth, came into reckoning when she was given a senior job at BskyB, Murdoch's UK satellite television company. This was a controversial appointment as she had less than two years' management experience and was described as a 'trainee' by the chief executive (who left soon after making the comment). Elizabeth now seems intent on making own way as she left Sky to set her own film production business, Shine Entertainment. James worked his way up through the company's new media and newspaper interests in New York, before moving to Hong Kong to take charge of News Corporation's ailing Asian satellite service StarTV. Having turned this around, he was given the executive's role at BskyB in 2003. Promoted to take charge of the NewsCorp business in Europe and Asia in 2007, he is now the bookies' favourite to take over when Rupert goes.

But one should not forget Murdoch's elder daughter, Prudence MacLeod, who does not have job in News Corp herself but she has declared that her oldest son, teenager James MacLeod, is a lot like his famous grandfather and may also want to take over the world one day. Fortunately, News Corp is large enough to give them all interesting employment should they need it. It had been thought that James Murdoch, the third child born to Rupert's second wife, was most likely to inherit the empire. That was before he became embroiled in the phone-hacking scandal at the News of the World. In a concession to shareholders, parliamentary inquisitors and anyone else troubled by the behaviour of Murdoch's British newspapers, it was revealed that James has resigned from the boards of The Times of London and The Sun.

Although he remains executive chairman of News International, the News Corp subsidiary that publishes the company's British newspapers, the decision to distance himself from the papers, however marginally, is the latest blow to James's prospects of ever running News Corp. The heir's future looks bleaker than seemed possible just six months ago. Shareholders have already turned against James. If it weren't for the family vote, he would have been removed from the News Corp board.

[TURN OVER]

At one point or another, each of Murdoch's children has appeared to be the chosen one. Each has known favour, being sent off to distant corners of the empire to govern far-off provinces with a view to preparing them for life back at the centre of the imperial court. Each has endured spells in the wilderness, shunned by their father and forced into exile. James helped found a record label, later bought by News Corp, before running Star TV in Asia and then BSkyB, Murdoch's lucrative British satellite TV operation. Four years ago he became viceroy of News Corp's holdings in Europe, the Middle East, and Asia. That seemed to make him favourite to inherit, but that was before the meltdown at the News of the World. As James's prospects dimmed, so the price of Elisabeth Murdoch's future began to rise. Earlier this year, Rupert signalled it was time for Elisabeth, age 42, to come in from the cold. Purchasing her television company, Shine, for \$675 million was an expensive way of signalling parental approval, but it marked her return to favour after a decade in exile. Previously she had run BSkyB until she resigned in 2000. To add spice to the melodrama, she reportedly blames James for his failure to get a grip on the London papers. Her little brother has embarrassed the family and must pay.

Meanwhile, on the far side of the world in Australia, Lachlan Murdoch is also facing difficulties, amid allegations that one of News Corp's subsidiaries once tried to bribe an Australian politician. Like his brother James, Lachlan's presence on the News Corp board was rejected by nearly 70 percent of independent shareholders. Lachlan had long considered the likeliest to succeed his father, but he left in 2005 after a series of clashes with Roger Ailes and other senior executives at Fox TV. Lachlan retreated to Australia, where the Murdoch adventure first began. He is currently acting CEO of TV Company Ten Network Holdings, he has seen the company share price drop 40 percent since he took over.

Adapted from Massie A. *The Murdoch Family Succession Psychodrama* 2011. The Daily Beast
Available from < <http://www.thedailybeast.com/articles/2011/11/24/the-murdoch-family-successionpsychodrama.html> > [Accessed 08 November 2016]

[TURN OVER]

QUESTION 1

1 1 According to the systems-theory perspective of family-owned businesses, suboptimisation of the family-ownership-management system occurs when family members have a propensity to adopt a family-first, ownership-first, or management-first perspective on issues

1 1 1 Which family-ownership-management system the Murdoch dynasty falls under? (1)

1 1 2 Discuss the family-ownership-management system that you have identified in 1 1 1 (11)

[TURN OVER]

1 1 3 Give examples from the case study that illustrate the family-ownership-
management system that you have identified in 1 1 1 (8)

[TURN OVER]

12 Family-controlled businesses have turned a number of competencies into value creators for their customers, and, thus, into competitive advantages for their businesses

Describe the different competencies (10)

- 2.2 Both scholars and advisors to many family-owned businesses had substantiated what business owners often perceive as possible unique competitive challenges to their businesses

As highlighted by Poza & Daugherty (2014), describe what business owners often perceive as posing unique challenges to their businesses? (8)

[TURN OVER]

2 3 The family systems theory is a theory of human behaviour that considers the family to be the building block of emotional life and uses systems thinking

Define what the Family Systems Perspective is, and summarise Bowen's (1978) theory of family systems (8)

Lined writing area for student response

[20]
[TURN OVER]

3 2 Owner-managers and active owners who hold management accountable are in a unique position to help their companies remain successful over the long haul

Identify the type of features required by a leader in order to build a company that lasts (4)

[20]

QUESTION 4

4 1 Many owners consider their estate planning completed when they have selected some transfer of wealth approach with their accountant or tax attorney. They sometimes fail to address other important aspects of generational transfers.

Outline ten (10) aspects of generational transfers that owners fail to address during estate planning (10)

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[20]

TOTAL: 70

[TURN OVER]

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ROUGH WORK PAGE 2
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