Who Should Manage the Family Company?

It is November 8. The AB Mason company soon begins the annual update of its strategic plan. Bill Smith is the company CEO and the senior member of the Smith family. The Smith family owns a majority interest in the company and has been a major force in setting corporate policy for the company since it was formed 38 years ago. Despite the voting power of the Smith family, several of the senior management who are not in the family but are on the board of directors have openly disagreed with the recent direction that the company is following. Bill is worried that a controversy will develop in the planning meeting that could cause a major rift between family and non-family managers.

This is not a time for such division. AB Mason is a moderate sized machine tool company. The machine tool industry is in a desperate situation. Orders for new machine tools have almost virtually dried up. Sales would have been even worse if it was not for the used/rebuilt machinery market. Total monthly sales have dropped over 70% from the same month in the previous year. As one competing company manager said, “The evaporation of orders is the last straw for many people in this industry.” It was apparent that those companies that expect to survive this market downturn must be in some form of a retrenchment mode. Actions include rotating layoffs, worker furloughs, reduced management salaries and stretching of all accounts payable.

The strategic plan long advocated by the Smith family has been a limited product line and, when faced with an economic slowdown, a retrenchment plan. Following this approach, the company appeared to be handling this recession quite well. After the last downturn, the Smith family managers decided to employ the structured retrenchment strategy when it became obvious that sales had begun a sustained fall. As part of that retrenchment, the company would focus on maintaining its core business. The goal would be to reduce the range or the overall size of the operations of the company and thus permit management to cut expenses and maintain company financial stability. As an extension of this strategy AB Mason had the option of withdrawing from certain markets or the discontinued selling of certain products or services in order to make a beneficial turnaround.

Interestingly, it was the early success of the limited product line and retrenchment strategy that was the cause of the current disagreement between family and non-family managers. At this stage in the downturn, the company was considerably better off than its competitors. The company cash flow was ahead of management predictions. In fact, several banks have approached the company with lines of credit that could be used for a variety of actions. The non-family managers have been advocating that the company take advantage of this position and change its strategy and diversify its product line by acquiring companies that provide such
diversification. Only well managed companies would be considered. Several companies that would fit this description are now available to buy at very attractive prices. However, the Smith family managers are hesitant to adopt such a strategy. Beyond the fact that this would be a radical change from current policy, a much broader product line would significantly dilute their decision-making role. Finally, the management would have to recognize the influx of new managers from the acquired firms.

Bill wants this upcoming strategy meeting to be one in which not only are the company plans laid out but also that a cooperative attitude among both family and non-family members is fostered.

You are the company’s legal counsel and a longtime friend of Bill. The two of you have also been members of a men’s Bible study for several years. At tonight’s session, it is obvious that he is distressed. Immediately after the meeting, he approaches you with the following,

“I need advice. You alone are in a great position to help me in that you are aware of the pressures at the company but you are also a believer and a friend. As you know, we face a real dilemma in how the company moves ahead from here. I have an obvious commitment to my family in the company but I also realize that our future success depends heavily on the non-family staff we have brought in. We can get all forms of management consulting to address this but I have seen the role scripture can play out in various situations we have looked at in the Bible study group. I would really appreciate your insight.”

You obviously say yes to meeting later in the week. As you drive home, you are intrigued with the idea of searching the Bible for answers to this complex management issue.

**ASSIGNMENT**

Much is written about the applicability of Biblical insight for company management decisions. What Biblically based advice would you give to Bill in bringing the two parties together so that the company planning process would be productive?