



Jon Pepper Books/Discussion Guide No. 1: Family Ownership

The Crowe Power Company has been under control of the founding family for five generations. Many great companies retained family control for through a variety of means with widely differing results, and others have stumbled because of infighting or pressure from outside shareholders.

Weigh the relative merits of family control:

Pros

- Families tend to take long-term view on company goals
- Families may have greater personal investment in the company's reputation, especially its willingness to "do the right thing"
- Family participation may include more focus on corporate citizenship
- Family members may take the vision of the founder more seriously
- Nobody will work harder than the people whose names are associated with the company

Cons

- Undeserved special treatment for descendants who work at the company, move up the ranks quickly and enjoy outsized clout
- Keeping family control may limit the talent pool for top jobs
- Through special shares, families can sometimes control the company with a relatively small ownership. Is that fair to other shareholders or is that the bargain they struck by buying stock?
- Company resources may be directed toward vanity projects that create little value for the enterprise
- The company may cling to past practices established by members of the founding family and regard them as sacrosanct

Questions:

- Do you know examples of companies that improved performance when power was handed to the next generation?
- Do you know of companies where family involvement has hindered performance?
- What examples can you think of where a family asserted itself to push the company to do "the right thing"?
- What has been the breaking point for family control in prominent companies?
- On balance, is sustained family interest better or worse in the long term for company performance?