

Leadership and Management in a Family Business Setting

Summary of the Case Study

This case study presents an interesting scenario about Andrew Giuliani, an entrepreneur and restaurant owner in London, Canada for 44 years. He has two businesses. The first one is Andrew's Food Limited (a partnership). The second business is Andrew Giuliani & Sons. He needed to make a significant business decision regarding the future of his successful and well-known Italian casual dining restaurants, known as Andy's and Giuliani's. Andrew and his sister, Veronica Bruno, owned Andrew's Food Limited, which was the parent company for Andy's Pizza, Andy's Take-Out and Andy's Banquet Hall. Andy's was also the sole proprietorship of Andrew Giuliani & Sons, which was the parent company for Giuliani's Italian Restaurant. When Veronica decided to sell her share of Andrew's Food Limited to her brother, Andrew decided that in addition to buying his sister's share of one company (Andrew's Foods Limited), he would take a look at his entire business and make decisions about the future direction of the company. Andrew identified three possible outcomes:

1. To sell the businesses and retire very well
2. To buy her sister's share and continue the two businesses
3. To consolidate the businesses under the Andy's Pizza name.

This case study provides an opportunity for undergraduate juniors, undergraduate seniors, or postgraduate students in business and hospitality management programs to discuss several management and leadership issues including management styles, decision-making, succession planning and employee morale, and the implications of partnership and family business.

Learning Objectives

By the end of this case study, junior and senior undergraduate/postgraduate students in business and hospitality management programs should be able to:

- Describe the importance of the following concepts in regard to successful change in management: participative leadership (management), decision-making, succession planning, employee morale, and effective communication.
 - Discuss challenges to the partnership and the ability of a leader to create an environment of trust and openness when the employees are the leader's sons.
 - Describe the benefits of participative leadership (management) style.
 - Discuss how managers can improve morale during a time of uncertainty.
 - Evaluate and recommend most effective communication plan during a time of uncertainty.
- Propose elements of an effective succession plan.
 - Discuss a case study related to leadership/management decision-making.

Prior to Class

Prior to class, students will be asked to read the case study and the conceptual framework regarding the case including: element of succession plan, leadership styles, management decision-making, and effective communication. They will be urged to prepare to answer the questions following the case and discuss the following concepts:

- Participative leadership (management)
- Element of succession plan
- Concerns for employee morale during a time of uncertainty
- The need for effective communication during a time of uncertainty

Class Instruction: The class instruction for this case can take either of the two approaches listed below:

Approach 1 (50 minutes)

1. Start the class by asking if the students have done the case assignment. Continue with a brief summary of the case and ask whether any of the student's family have a business that could be faced with any of the situations in this case (5 minutes).
2. Present a power point presentation about the theoretical concepts that comes with the case. Describe the following concepts: participative leadership (management), element of succession plan, concerns for employee morale during a time of uncertainty, and the need for effective communication during a time of uncertainty (10 minutes).
3. Divide students into small groups (with at least 4 groups) and urge each group to answer at least one of the four groups of questions following the case (10 minutes)
4. Let each group present their answers (10 minutes)
5. Reinforce the answers of each group (5 minutes)
6. Class discussion on the implications of partnership and family business (5 minutes)
7. Summary of the case key points (5 minutes)

Approach 2 (75 minutes)

1. Start the class by asking if the students have done the case assignment. Continue with a brief summary of the case and ask whether any of the student's family have a business that

could be faced with any of the situations in this case. Then, ask students to form small groups (with at least 4 groups) (10 minutes).

2. Ask each group to debrief the case study by discussing the following topics and answer at least one of the four groups of questions following the case (15 minutes)
 - a. What is the case study about?
 - b. Background information about Andrew Giuliani
 - c. General industry and city's information
 - d. Company background information
 - e. Theoretical concepts regarding the case
 - f. What are Andrew Giuliani's concerns?
3. Probe the class about the theoretical concepts regarding the case (10 minutes)
4. Let each group present their answers (20 minutes)
5. Reinforce the answers of each group (10 minutes)
6. Class discussion on the implications of partnership and family business (5 minutes)
7. Summary of the case key points (5 minutes)

Discussion Questions for Use in Class:

1.
 - a. Should Andrew Giuliani consolidate the business?
 - b. If so, what factors should be considered?
 - c. At which level do you consolidate ('in name only' versus 'complete consolidation')?
 - d. Which areas of the business would benefit the most by greater centralization?
 - e. How could you get greater economies of scale (advantages obtained due to expansion) by reducing duplication of activities? What impact would consolidation have on brand equity?
 - f. See appendix 1 for financials.
2.
 - a. Is the role of participative management within a family business the most appropriate form of management; if not, which one would be better?
 - b. How will equal involvement by all partners be ensured and "groupthink" be minimized?
 - c. Which leadership style(s) is/are required to optimize this form of management?
3.
 - a. During the process for succession planning within a family, how does the leader create an environment of trust and openness when the employees are the leader's sons?
 - b. What is/are the most important consideration(s) regarding

succession planning in this case?

4.
 - a. Given the challenge of employee motivation during restructuring/change, how does the leader create vision and improve morale during a time of uncertainty?
 - b. What communication plan would be most effective?

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Appendix 1 – Financials

Comparison Income Statements

	Andy's Pizza	Giuliani's	Total both companies
Food Sales	\$1,167,856	\$382,648	\$1,550,504
Beverage Sales	\$152,388	\$53,765	\$206,153
Total	\$1,320,244	\$436,413	\$1,756,657
Cost of Sales Food	\$520,435	\$141,575	\$662,010
Cost of Beverages	\$56,747	\$17,565	\$74,312
Total	\$577,182	\$159,140	\$736,322
Gross Earnings	\$743,062	\$277,273	\$1,020,335
Admin Expenses			
Advertising	\$42,163	\$20,987	\$63,150
Bank and Credit Cards	\$36,736	\$9,576	\$46,312
Amortization	\$73,321	\$18,979	\$92,300
Employee Benefits	\$25,217	\$8,948	\$34,165
Insurance	\$15,646	\$2,654	\$18,300
Utilities	\$30,235	\$10,878	\$41,113
Laundry	\$24,630	\$9,876	\$34,506
Interest	\$14,833	\$13,467	\$28,300
Municipal Taxes	\$37,452	\$23,098	\$60,550
Repairs & Maintenance	\$11,940	\$12,213	\$24,153
Admin - other	\$21,611	\$5,689	\$27,300
Phone	\$3,067	\$336,851	\$3,456
	\$139,821	\$6,523	\$476,672
Wages	\$367,712	\$125,678	\$493,390
Earnings (before income taxes)	\$38,499	\$11,774	\$50,273
Income Taxes	\$7,700	\$2,355	\$10,055
Net Earnings	\$30,799	\$9,419	\$40,218

Answers to Discussion Questions

1. a. Should Andrew Giuliani consolidate the business?
Answer: YES for economies of scale.
- b. If so, what factors should be considered?
Answer: Financials, conflict resolution plans, participative leadership (management) style, succession planning, and employee morale.
- c. At which level do you consolidate ('in name only' versus 'complete consolidation')?
Answer: Complete consolidation
- d. Which areas of the business would benefit the most by greater centralization?
Answer: Purchasing, human resources management, food preparation, promotion and marketing activities.
- e. How could you get greater economies of scale (advantages obtained due to expansion) by reducing duplication of activities?
Answer: Centralization of operation and leadership coupled with the reduction of duplication of marketing and other promotional activities.
- f. What impact would consolidation have on brand equity?
Answer: Enhances the brand via increased visibility.
2. a. Is the role of participative management within a family business the most appropriate form of management; if not, which one would be better?
Answer: YES, to keep them all together without conflicts.
- b. How will equal involvement by all partners be ensured and "groupthink" be minimized?
Answer: Each of the sons should take turns becoming the 'leader' depending on their area of expertise. To minimize group think, the partners should focus on their goals and objectives, adopt constructive criticism, and avoid unnecessary criticism without objectivity. In addition, every member is should be encouraged to be open about their concerns.
- c. Which leadership style(s) is/are required to optimize this form of management?
Answer: Participative leadership (management): Participative leadership (management) is characterized as a management-style where managers empower subordinates to be involved in the decision-making process. Some of the benefits of participative leadership (management) style include its positive impact on employees' motivation/satisfaction, its ability to get the job done, and its likelihood to increase quality decision-making. In addition, participative management also enhances the financial and strategic implementation success of firms.
3. a. During the process for succession planning within a family, how does the leader create an environment of trust and openness when the employees are the leader's sons?
Answer: Open and on-going communication that includes the involvement of the employees in the communication process.
- b. What is/are the most important consideration(s) regarding succession planning in this case?
Answer: The most critical consideration would be #3, "the roles and competencies of the successors". Meaning that each son needs to have a very clear idea of his strengths and weaknesses as it relates to the competencies needed for the success of the business in the future. The second most important consideration is the "evolving leadership role of the founder". Andy needs to have an exit strategy that is good enough to help him relinquish the control of the company to one of his sons, and provide him with both financial and professional satisfaction.
4. a. Given the challenge of employee motivation during restructuring/change, how does the leader create vision and improve morale during a time of uncertainty?
Answer: Open and on-going communication that includes the involvement of the employees in the communication process.
- b. What communication plan would be most effective?
Answer: Open and on-going communication coupled with informal communication methods, such as newsletters, to inform the employees of the progress made during and following the change.