

Register No.: ..... Name: .....

**SAINTGITS COLLEGE OF ENGINEERING (AUTONOMOUS)**

(AFFILIATED TO APJ ABDUL KALAM TECHNOLOGICAL UNIVERSITY, THIRUVANANTHAPURAM)

**FOURTH SEMESTER MBA DEGREE EXAMINATION (Regular), JULY 2022****(2020 Scheme)****Course Code :** 20MBA516**Course Name:** Family Business**Max. Marks :** 60**Duration: 3 Hours****PART A***(Answer all questions. Each question carries 2 marks)*

1. Define Genogram
2. Why are Prenuptial Agreements important
3. Define Owner Strategy Triangle
4. Define Family Assembly
5. Define Family Office

**PART B***(Answer any 3 questions. Each question carries 10 marks)*

6. Explain the system dynamics at play in a family business
7. Elaborate the benefits and challenges of different family ownership types
8. Explain the four-room model to organize decision making in family business
9. Elaborate on the pitfalls to be avoided in estate and ownership transfer planning
10. Elaborate on any four of the six common CEO exit types

**PART C***(Compulsory question, the question carries 20 marks)*

11. Thomas Sages was a very successful entrepreneur who had transformed his first grocery store into a large supermarket chain over the past decades. He was in his late 80s now and had initiated a conversation with his four children about the future of the family business. David had been Thomas' closest friend since they were young; he also was his business associate – contributing 10% of the business equity when Thomas started the expansion of his supermarket chain. And the ties were further strengthened when David and Laura's son married Thomas' daughter Caroline. While his son Louis, born from a first marriage, had never been included in the business, the three children from his second marriage had all worked there. The two youngest, Caroline and Timothy, had made their way up: Caroline oversaw the consumer credit division and Timothy of the supermarket operations. Their older brother Charles, however, had left the business after some tension. When his children joined the business, Thomas gave each of them 5% equity, to link the responsibility of ownership to that of management. His wife Martina, his friend David, and a fund for the managers, each owned 10% of the capital.

Contrary to what he had expected, each of them had expressed the wish to become, or

remain, a shareholder in the business as they wished to be able to pass on some shares to the next generation. The Sages family circumstances (Thomas' two marriages and prior distribution of shares to his second wife and their children; Caroline's husband David's ownership; and a transaction between David and Timothy), would result in an uneven distribution of the shares between the four children upon the demise of Thomas and his second wife Martina.

Thomas wondered how he should transfer his own shares, which represented 55% of capital. He also needed to think about Louis, his elder son, who never received shares from the business but was entitled to a share of the inheritance. Their relationship had been distant for many years, but they had grown closer recently and Thomas wanted Louis to be part of the plan. The four siblings were aware that there may be a requirement for them, or their children, to sell part or all of their shares in the future. It was therefore important to plan ahead, while at the same time trying to avoid the entry of an external investor.

- a) What options should Thomas consider when planning for ownership succession?  
Marks (5)
- b) What would be the process if someone wanted to sell his/her shares? How would the transaction price be established? Marks (10)
- c) What would happen if there were fewer buyers than sellers? Would the company buy the shares? Marks (5)

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