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Case title: Turning the wheels at García Tuñón: a family business strategic dilemma

Track: Management Education and Teaching Cases

Abstract

The case focuses on García Tunón (GT), a family firm in the automotive sector in Venezuela. By 2013, the company, led by the 2nd and 3rd generation of the family, was facing a hostile economic and business environment, which had brought a contraction of the domestic automotive market, jeopardizing the growth plans of the company and its survival in its traditional line of business.

Jorge García Tuñón, the founder's grandson, was considering strategic directions, leveraging on the company and family resources. His main dilemma focused on expanding the current family business through related or unrelated diversification or pursuing his entrepreneurial drive into a venture of his own.

Key words: Family business, growth and defense strategies, entrepreneurial orientation

Introduction

The scale model of Chacao's (Caracas) great car dealership, which occupied the place of honor in the office of George García Tuñón, President and son of the founder of García Tuñón C.A., showed his vision of what the family business was to become. More than an auto dealer, with a service center for vehicles, he envisioned it as an entertainment center for his clients, with shops, restaurant, coffee shop and even a gym. His children Jorge, General Manager and Trina, Commercial Manager, shared their father's enthusiasm for the family business, but they had a more pragmatic vision of the future. Even though Trina had achieved the leadership in sales in two subsequent years, they could not hide their concern for a market which did not grow in view of the strong limitation in the supply of vehicles.

On the one hand, Jorge, who had dedicated more than ten years of his life to the family firm, was thinking of other means of growth. *"Cars are in our blood"* they would always repeat in the family, but if they did not get to grow now, it would become difficult to maintaining the business and much less turning into a reality their father George's new concept. On the other hand, the entrepreneurial spirit which dominated every member of the family was an impulse which Jorge also felt fiercely, the possibility of exploring new options came naturally and though he felt deeply for his family and the enterprise, he also wanted to be a founder, to build a business which he could consider as his own creature.

The history of García Tuñón: A family on wheels

García Tuñón C.A. (GT) was founded on October 21, 1963 by José García Tuñón, who had accumulated his experience in the trade of automotive vehicles and the sale of spare parts and accessories. It all began with a Renault concessionaire's store, with a limited investment and in a leased site. According to George García Tuñón: *"At that time, the business model was one of a sales agent, that is, the manufacturer would deliver the vehicles to you, you in turn would sell them, the client signed the promissory notes, and you would send them to the brand. Finally Renault would liquidate the account and would give you the corresponding commission"*. The relationship of exclusiveness was replaced by an agreement with Nissan and Chrysler (1968-1979), to later become a long term relationship with General Motors (GM), manufacturer it still represented.

During his management, José had his son George accompany him every day to the company so that he would learn all he could about the business. Remembering his beginnings in the family firm, George further commented: *"Father made me*

start as an apprentice, at first I was the company's messenger, then I was placed in the auto repair shop, and after a year I was transferred to the spare parts' department (...) where I had to handle cables, thereafter in sales, which is what I really like the most". Even though he always showed a great entrepreneurial spirit, José was very conservative, and he assumed risks in a very controlled manner. He dedicated a great part of his daily functions to serve his clients in a very personalized manner.

Those were good times for Venezuela, when the per capita income was on the rise, as well as the demand for vehicles, which reached a top in 1978, to later start to drop during the 80s, and experience its worst moment during the economic crisis of 1989.

It was precisely in the eighties, that an illness forced José to spend less time in the organization, and in that time he decided to cede many of his functions to his twin brother Chicho, who took charge of the business until José passed away. Soon after, Chicho decided to leave the company, paving the way for his nephew George and his sisters. *"This happened in 1989. Chicho lived in Puerto Rico when father became ill, but he came down to help him during such times. I never had such hierarchy until father passed away"*- George commented.

Under George's management, the company centered on improving the quality of its vehicle maintenance and repair service, which was becoming ever more on demand by the clientele. By the year 2002, the repair shop was ready to burst, which made him look for a new place to meet the demand for mechanical services and expand at the same time the sale of vehicles. The choice of a new site fell on a 7.000 square meters property, which in the beginning seemed too big for the company's needs and which furthermore was beyond the financial possibilities of the time. When recalling that transaction, George would go on to recall: *"I took the risk when making an offer, thinking that it would not be accepted, but when it was, I had to think where I would get the money for it. Thanks to a good credit history and good relations with the banks, I was able to close the business. The bank paid for a good part of the site, and I paid the bank in two years, though I had credit for five"*.

The new property was located in an excellent place of the city of Caracas, quite visible and with very good access points. George was quick to plan with his architects, for a site which was beyond the concept of a plain concessionaire with technical service. The scale model for the project included a car showroom, as well as the administrative offices, garage and parking areas, but also a gym, a concept shop and a restaurant to render a value added service to the clientele.

It all looked very optimistic, however, General Motors unexpectedly refused to grant the second franchise to George, thus frustrating many of the growth projections. There followed five years of uncertainty in which at first the family considered selling the property, then resumed the project when they started to negotiate with Toyota, and finally obtained the most yearned for franchise from General Motors, thanks to the arrival of the company's new president for Venezuela. This represented a new stage in the relationship between García Tuñón and GM, as the manufacturer recognized the quality of the infrastructure and assigned three hundred vehicles per month for sale, which represented at the time 20% of the investment made at the site.

At the end of 2001, George invited his son Jorge to spend a few days in the company to become familiar with the operation. Upon recalling such days, Jorge commented: *"I graduated in the USA in July of 2001 and I made my trainings in Kraft, and shortly thereafter, I had an offer from Citibank. I took advantage of my vacations to return to Venezuela, and my father offered me the opportunity to become more familiar with the family firm. I came with the best of studies from abroad, with the knowledge of best practices of multinational companies, and when I was able to see the operation of the Los Palos Grandes branch, I began to like the setup, as I was aware there were many areas in which we could grow."*

As of that moment, Jorge decided to remain in the firm, becoming the first family's third generation member to join the company (Exhibit 1). He followed his father's steps, and worked up holding several posts, from sales representative, to repair services, growing professionally and becoming imbued with all the details of each department. In 2004, he assumed the company's general management, from where he backed a substantial growth, both in sales and in the number of employees

The business environment in Venezuela

In the year 2012, Venezuela was living a process of economic instability, with one of the highest inflation rates in the world (over 20%) and a growing state centered system, which was a part of what the Government led by Hugo Chávez since 1998, had defined as the Socialism of the XXIst Century. The GDP had grown by 5.5%, essentially due to the oil production and its international prices that remained high. Oil represented 97% of exports income, and assured a flow of foreign currencies, which was rigidly controlled by the State, by means of an assignment system to the importers, which established quotas and registered heavy delays in the payments.

The national productive system suffered a strong contraction, which among other things was due to a policy of expropriations which, according to the Chamber of Industries (Conindustria), in ten years had driven more than 1.200 companies to become state-owned, and which in turn discouraged investors. The national production continued to lose its competitiveness and gave way to ever growing volumes of imports in all the sectors.

In this panorama, the automotive industry had been affected by different forces of the macro-environment which modified its dynamics, decreasing the supply of vehicles, and damaging the competitiveness of all the actors of the sector. Among these barriers, one could find: the control of foreign exchange, which delayed or stopped the import of cars and assembly parts; the new labor laws which prompted the confrontation between workers and assembly plants, with the resulting interruption of production; and the pressure of the regulating organisms concerning the distributors and dealers frequently accused of speculation with the prices of the vehicles. This business environment entailed a decrease in the investment on the part of car dealers, and the resulting effect on their service quality and competitiveness.

According to George García Tuñón: "*Politics has been the main threat in these last years. All these new laws have caused that many business men and entrepreneurs keep a low profile, given the retaliation on whoever should stand out the most. One would sincerely want to undertake much more and be more aggressive with the marketing and growth opportunities, but the reality of the environment forced us to be more conservative.*"

The ups and downs of the market

The automotive industry in Venezuela was always very volatile, and its changes were directly related to the country's economic performance, which in turn depended strongly on the oil industry. In the seventies, the national production of vehicles exceeded the demand, with a competition based on prices and unattractive sales margins for the dealers. "*We practically sold at cost - George would comment - because the brands forced us to purchase a high level of units, and to achieve a fast inventory rotation, we had to sell very cheap, with promotional sales and zero interest loans.*"

After achieving a historical high of 189.180 units in 1978, the national car sales began to drop. This was related to the drop in the *per capita income* which also had its peak between 1977-1978. The eighties, recorded a downward market, until touching bottom in 1989, year of a strong economic crisis, in which sales touched a bottom number of 25.962 units.

By 1991, imported vehicles began to enter the market and in a couple of years reached a market share of 23%. In the meantime, the sales of domestic manufactured vehicles remained below the 100.000 units per year. During this decade the so called "Agreement of Industrial Complementing within the Automotive Sector" among Venezuela, Colombia and Ecuador, was signed, establishing a raise of customs duties up to 35% towards third parties, with the purpose of protecting national manufacturing. This changed the industry trend for some years, with a recovery which reached its top in 1997 when the amount of 100.000 units sold was again exceeded. Meanwhile, car imports which had reversed to 3% in 1995, advanced more rapidly until reaching a level of 42% of the total sales in 2001.

In 2007, the Venezuelan automotive market generated a *boom* (Exhibit 3). In that year, 491.000 units were sold, of which 336.000 were imported, taking the market to the fourth place in Latin America. At that time, the industry represented close to 7% of the GNP. However, as of the year 2008, sales began to drop again on account of a decrease in the supply. By 2011, the market had dropped again to a level of 108.000 units, and 2012 registered an increase of 12.5% in sales, of which 100.609 were national and 21.751 were imported. The dearth in the supply, led to a substantial increase in the price of the vehicles, both new and used, causing an enormous distortion in the market of second hand cars, where some operators who had access to vehicles directly from the plant, would resell them with up to an 80% increase in the manufacturer's suggested price.

The assembly plants set up in Venezuela were: General Motors, Ford Motors, Daimler Chrysler, Toyota, Mitsubishi, Iveco and Mack. The transnationals Fiat and Honda had moved their operations since the year 2000 to Colombia, but they continued to offer their brands through some dealers. The assembly plants kept their production levels much below their installed capacity, which ultimately increased the production costs per unit. Important manufacturers of spare parts were forced to close between the years 2008 and 2009, on account of labor problems and of the supply of foreign currencies, which forced the whole industry to become all the more dependent on imports. The General Motors plant, which was the largest in the country, with a capacity of 120.000 units, was unable to produce more than 50.000. Its market share was in a range of 44%.

Prior to the year 2008, there were 546 car dealers in Venezuela that distributed different brands in the country. This number began to drop until reaching 440 by the year 2012. Many of these channels were in the hands of families with a long tradition in the country. Some of the car dealers were multi-brand, while others had an exclusivity agreement, as was the

case of García Tuñón. In 2007, according to "The Motor's Guide", a specialized publication of the industry, 273 models of 45 brands were marketed, while in 2012, barely 22 brands were surviving by offering 75 models.

Starting in 2009, the Venezuelan Government launched a media campaign accusing auto dealerships of speculating with prices, and started working on a new law to regulate profit margins. It argued that car dealers should count on a just profit margin, that should vary between 10 and 15%. Official spokesmen reinforced this perspective by comparing the sale prices in Venezuela with those of other countries in the region. They used as an example, the cost of a mid range automobile, such as the Toyota Corolla, a very popular model in Venezuela, which ranged from 28 thousand dollars in Argentina, 32 thousand in Brazil, to 76 thousand in Venezuela.

General Motors relied on more than 70 exclusive dealers at a national level, and was forced to assign the vehicles for sale on the basis of a rotation system, which needed to be updated on a weekly basis. To achieve a greater number of vehicles assigned, a car dealer had to speed up the sale processing, and maintain a zero level inventory in order to receive new units. The competition among GM dealers, represented in the Association of General Motors' Dealers (Asocon), was focused at achieving a sufficient number of vehicles to upkeep the business, while customers were forced to register their names in long waiting lists for their cars. Close to 50% of the buyers relied on bank loans, which covered up to 70% of the acquired vehicle's value, with yearly interest rates of 16%.

Diversification and efficiency

In view of an automotive market which did not recover its dynamism, Jorge, with the support of the Board of Directors¹, was able to make decisions which aimed at reinforcing the firm's performance. From the beginning, Jorge contemplated two important challenges: the first dealt with making the operation more efficient; while the second, consisted in searching for opportunities to diversify the business, thus giving rise to a third phase in the life of the company (Exhibit 2).

Before making any decisions, Jorge began with a diagnostic process in each of the areas. He found that the firm's employees appreciated the organizational climate, where they felt they were being taken into account within a family and harmonious environment. However, he also found that there was plenty to be done. In his own words: "*Many processes*

¹ The Board was presided by his father George and further constituted by four family member and two external directors that were financial and legal experts.

were not documented, there were overlaps in functions and we had an obsolete information system, which hindered the decentralization in decision making and management control”.

Between the years 2007 and 2009, García Tuñón entered into further businesses related to the automotive sector (Exhibit 4). The first one was an insurance brokerage office, which first focused on selling car insurance to their very customers, and soon after started to enlarge its business by serving others. “*We had relied on an intermediary for over 15 years who helped us in this matters.- Jorge remembered- we sold the car, and we offered the insurance policy, which this intermediary would sell. I realized we had the infrastructure to carry out this business, and the know-how was not difficult to acquire.*” Thanks to the support of three insurance companies, who had been clients of the company's repair service for over 15 years, it became feasible to consolidate this business unit, and further take it into other insurance branches such as hospitalization, surgery and maternity.

At the same time, the spare parts business was developed, as a complement to the rendering of maintenance and repair service, which continued to grow to the point of servicing more than 1500 customers per month. In 2012, a brass and painting shop, was inaugurated to render additional service to the insurance companies.

By the year 2009, Jorge sponsored an organizational change in line with the growth that the firm was attaining. The organization had passed from 90 to 150 employees, and it required a different structure. As Mayra Mejías, Human Resources Manager, commented: “*When I arrived at García Tuñón, the structure was a conventional one. Each store had a repair service manager, another for human resources, and a third for general services. While we grew each area acquired a greater importance: the coordinators turned into managers and the whole company became more diversified. When I started, we were 150 workers, but after a few years we became 245.*”

While caring for the company's growth, Jorge also recognized the need to consolidate the family ties with other agents in the industry, participating in the board of Asocon, like his father had done in the previous decade. The good relations with service providers, such as banks, and GM headquarters, based on mutual respect and confidence, had allowed GT to achieve specific benefits when closing deals or requiring support. When referring to these aspects, Jorge commented: “*The most important contacts came down from my father's time. The business has held up on account of the reputation that García Tuñón had and that helped in opening many doors, especially in the banks, which were one of the prime players in a business requiring large amounts of capital*”.

By 2012, the pie chart for incomes had moved from 80% in car sales and 20% for service, to 60% of income from car sales and insurances policies, 20% from services and 20% from spare parts sales.

Refocusing on customer service

Customer service was considered as paramount by the founder, José García Tuñón, and his view was inherited by his son George. However, those times when the owner personally knew each client and could meet his requirements directly were in the past. Each salesman worked in a quite autonomous manner, which generated a certain variability in service quality. The company followed GM corporate guidelines on customer service and satisfaction, but little by little the particular values of García Tuñón and family were added thereto.

An important step consisted in reinforcing the family leadership in the marketing department, for which Jorge insisted in incorporating his sister Trina to the organization. In those times, Trina, worked in the advertising industry and had not shown interest for a job in GT, but with Jorge's insistence, she accepted to get to know and evaluate the commercial operation. She was quickly won over by the business' growth potential and the great possibilities for development. *"I saw the possibility of becoming part of the marketing department - Trina would commented - because it was a challenge. It was then all quite small, and there were no defined strategies."* After developing this sector and assigning a professional manager to the post, Trina then transferred to the sales department, developing further in different posts until she became the Commercial Manager of the whole organization.

One of her most important contributions consisted in standardizing the customer service processes, through a sophisticated Customer Relationship Management (CRM) system, to reinforce customers loyalty, while developing a service culture that would differentiate them throughout the industry. This effort led García Tuñón to reach higher places in GM dealers service ranking which, through a "5 points" program evaluation, focused on measuring customer satisfaction and overall performance of each dealer within the network. For the year 2012, GT had achieved 76% of service customers within the "5 points" rank and 95% in sales. In 2011 GT was distinguished with the membership of the General Motors President's Club, an instance of rightful privileged treatment for those dealers with the best financial, operational and customer satisfaction performance.

Sales outcomes were equally outstanding², and in 2012 García Tuñón achieved the first place among dealer of the GM network. Given the conditions of the market and the restriction in the assignment of vehicles, this achievement had required the upgrading of the sales and delivery process of each unit. The times had been reduced to a minimum to achieve the greatest rotation of inventories and assuring the replacement on the part of the assembly plant. Trina commented: “*The main competition layed with the other GM dealers, where the one reporting less units sold, would be given less on the following month, thus being left without cars to work with. It was like a machine, where a full cup would not be filled.*”

Coming out of the kitchen...

While pacing through the enormous space of the Chacao dealership's site, Jorge had to further ask himself what to do with it. Especially in matters pertaining to the area destined for the restaurant, which included a wide internal terrace looking upon the showroom where only a few cars were displayed.

The growth within the Venezuelan automotive market, had been an important challenge for García Tuñón C.A. and the family, where however they had persisted in remaining faithful to their mission by imbuing the family values within the organization (Exhibit 5). In remembering these last years, Jorge thought that “*they had always kept their optimism, and the company had grown by almost 100%, both in profitability and labor force. They had opened new business units, without sacrificing the requirements of the franchise, and had also tried to look for new opportunities*”. He felt however, that the family's entrepreneurial spirit needed to look beyond the auto's frontiers. His father George's words resonated in his ears when he looked at and commented on the scale model he had in his office: “*When I inaugurated this site, I had the idea of having a gym, a shop and a restaurant. The restaurant would function for our clients and other individuals, including after 6:30 pm. I built it all with such an intention, this project is still absolutely a knock-out, but I do not know if the present environmental conditions will allow us to carry it out.*”

At the end of 2012, they had decided to open the store, under the GT brand. It would focus on the design and sale of merchandising pertaining to the automotive world, including accessories, sound equipment and a casual fashion line. Had the concept been successful, they would have thought of converting it into the beginning of a franchise-able chain, in independent spaces.

² By the moment we were writing this draft GT had not yet handed its financial information.

As far as the restaurant went, the only space used was that of the kitchen. There, since 2011, Jorge was incubating www.vubai.com an Internet start-up, which he had started on his own with an expert partner in the technological sector. The concept of Vubai was one of online classified ads, which sought differentiation from Mercado Libre (www.mercadolibre.com) and other similar competitors, based upon a product and delivery certification service. The business was barely starting, but Jorge trusted that he could give life to a successful venture, with the potential of growing outside the scope of García Tuñón and of the family's participation. Even though all had manifested their support to his undertaking, his mother's comment - "To each, his own"- had set the grain of doubt as to the logic of exploring outside the automotive industry.

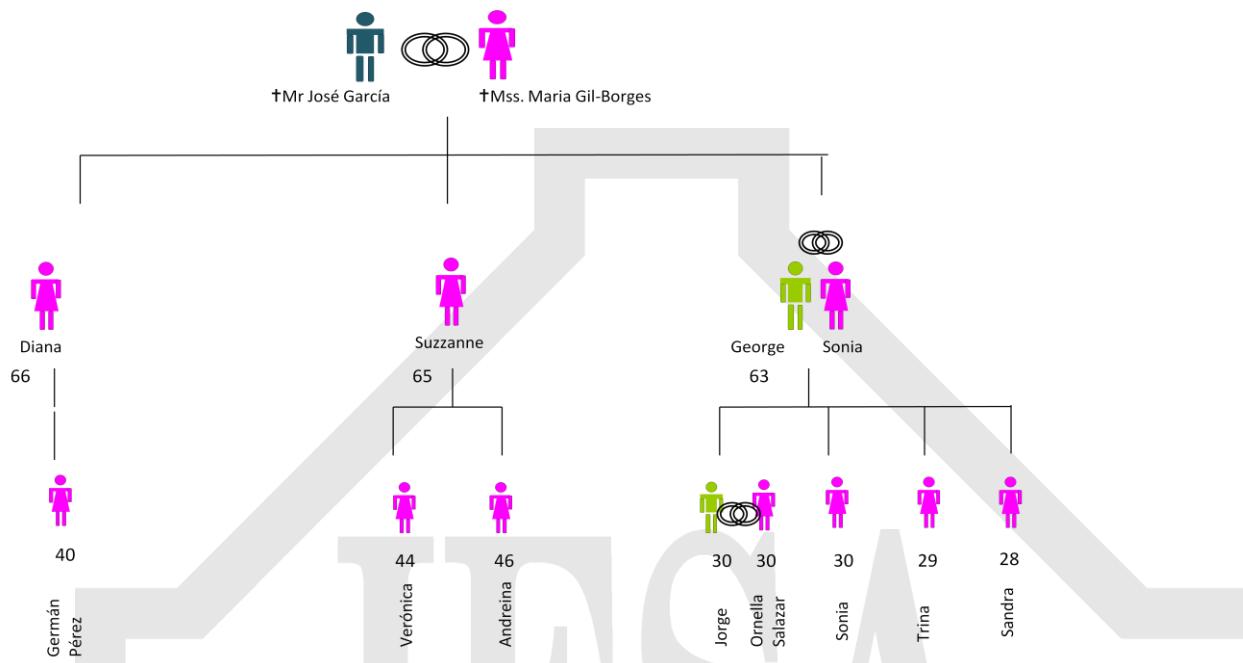
In family meetings where it became inevitable to talk shop, they had also pondered on the options of moving the business abroad. In fact, they had evaluated opportunities of entering as dealers in Colombia, country which was growing in a stable business environment, and even in the United States. However, this decision would entail the moving of the family for which they did not feel ready to confront.

Thus, coming out of the kitchen in which Vubai was operating, Jorge could see the whole of the structure in all its magnitude: the huge cylindrical columns around which his father had imagined the restaurant tables, and the beautiful and modern staircase which led to the exhibition area, where the sales personnel cared for customers who entered to ask about vehicles which were becoming all the more scarce.

He had always felt free to choose his path. His father had never forced him to work in the family business, because he believed that "*feeling forced would constrain anybody's future*". He had known García Tuñón C.A. since childhood and he felt very close to the family, in "*a household where automobiles were the main item in the menu*".

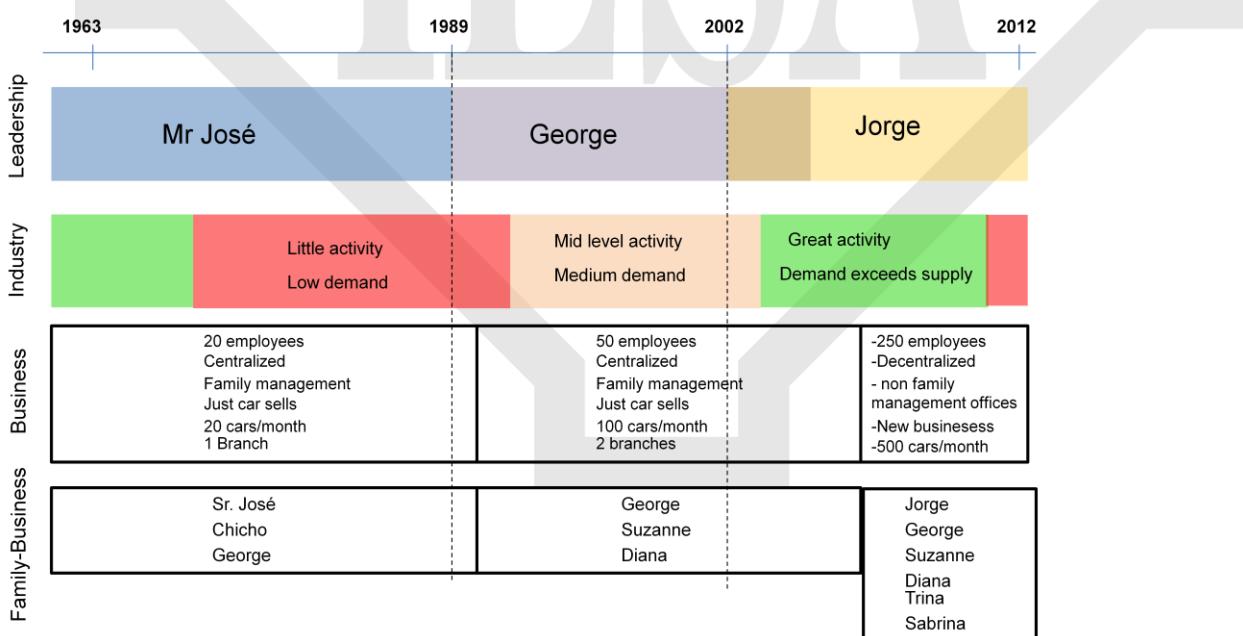
Exhibits

Exhibit 1. García Tuñón Family

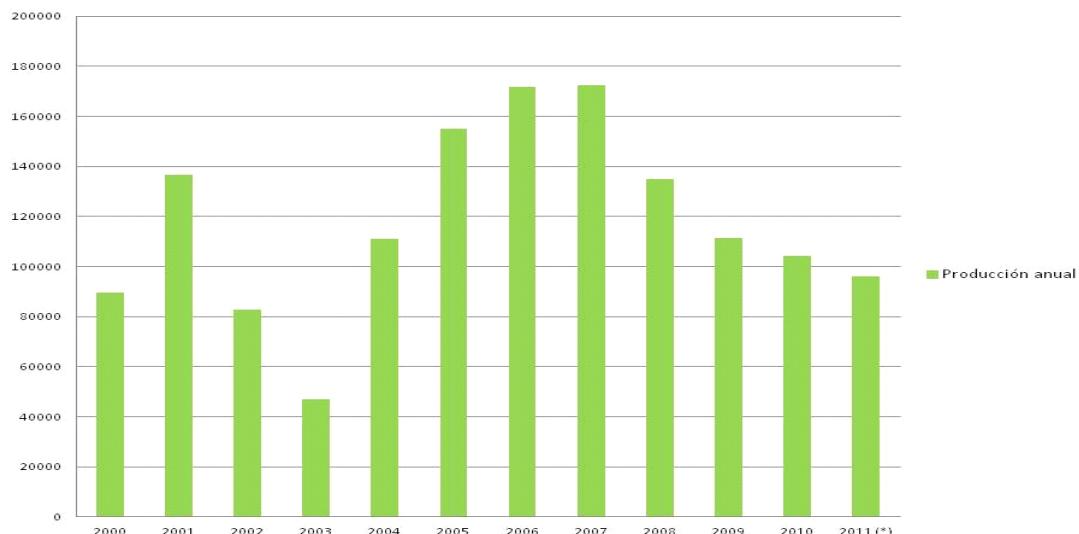


Source: Authors' elaboration

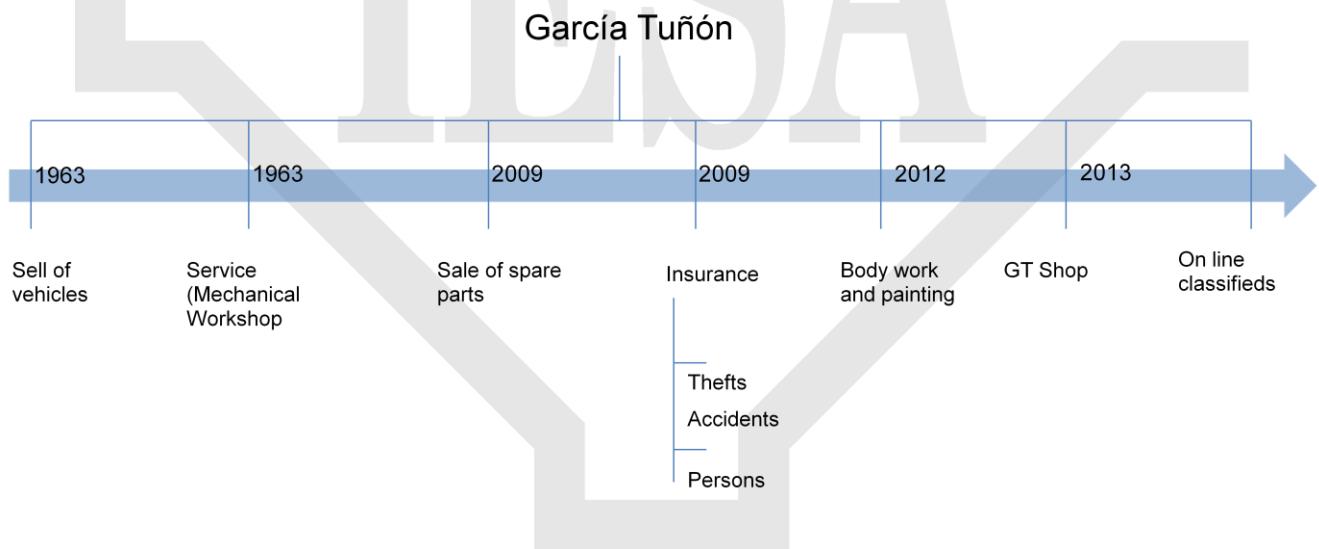
Exhibit 2: Family firm evolution



Source: Authors' elaboration

Exhibit 3**Total production of automobiles in Venezuela (2000-2011) (Units sold)**

Source: Cavenez, 2011. Annual production. www.cavenez.com

Exhibit 4. García Tuñón time line

Source: Authors' elaboration

Exhibit 5: García Tuñón Mission, Vision and Values

Customer focused Mission "Building trust and satisfaction in advising our customers on any needs they may have regarding their vehicle."	Vision "Being a leading dealership dedicated to take care of every detail in customer service with a commitment to make a unique emotional and memorable experience, in the purchase and service of a Chevrolet vehicle."
Employee focused Mission "To promote through our values an inclusive environment among all our departments so that every employee feels part of our family."	Our Values <ul style="list-style-type: none"> • Honesty • Passion for customer service • Communication • Initiative • Result orientation • Responsibility towards the community

Source: <http://www.garciatunon.com/>

Teaching Note

Case Synopsis

The case focuses on García Tunón C.A. (GT) a family firm that, in 2013, was about to celebrate 50 years in the automotive sector in Venezuela. The company, led by the 2nd and 3rd generation of the family, was recognized as one of the most successful General Motors dealers in the country, with a related diversification in automobile services and accessories.

Since his entrance in the company in 2002, Jorge García Tuñón, had promoted a growth strategy through related businesses such as sale of spare parts and insurance, intended to serve the company's current target.

The company was facing a hostile environment, since the business environment in Venezuela was deteriorating due to heavy state controls over the economy. This had brought the decline in domestic production of vehicles and import opportunities, which led to a contraction of the domestic market by the supply-side, jeopardizing the growth plans of the company and to some extent its survival in its traditional line of business.

Jorge was considering possible strategic directions for the family business, leveraging on GT resources and capabilities. His main dilemma focused on expanding the current family business through related or unrelated diversification or pursuing his entrepreneurial drive into a venture of his own.

Learning Objectives

This case is appropriate for MBA level Family Business Management or Strategic Management courses.

The key issue in the case is how to develop strategic paths, in order to sustain growth and preserve the legacy of a family business, considering the firm competitive advantages and the hostile environment it was facing.

Upon completion of the case discussion students should be able to:

- Understand the evolution and characteristics of a family firm.
- Examine and evaluate patterns of growth.
- Analyze a hostile business environment and recognize opportunities and threats.
- Understand the sources of sustainable competitive advantage and the role of “familiness”ⁱ in a family firm.
- Recognize different strategic directions and evaluate their possible outcomes in terms of wealth creation.
- Grapple with the decision as to what kind of strategy should a family business embrace in order to make the most out of the family firm’s resources and capabilities.

Suggested assignment questions

Students should be asked to prepare for class discussion by answering the following questions:

- What are the relevant facts of García Tuñón family business evolution?
- What are the opportunities and threats posed by a Venezuelan business environment?

Teaching Plan

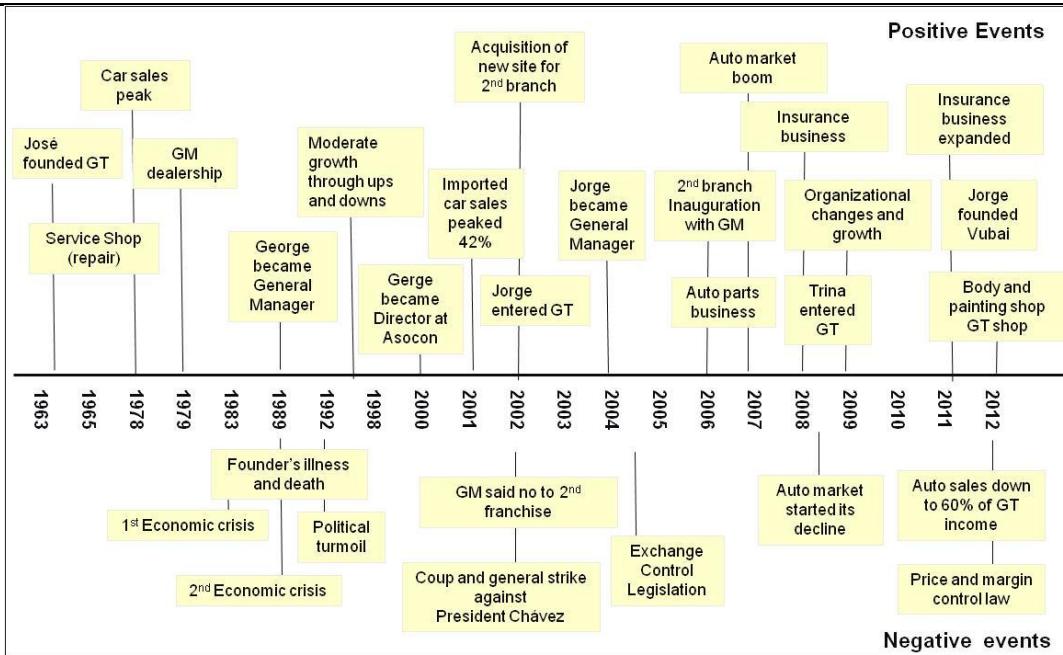
The case have been used in a 90-minute class session, arranged as follows:

- Timeline: milestones and relevant facts (10 minutes)
- SWOT analysis (including Familiness) (30 minutes)
- Strategic options: Role playing (30 minutes)
 - Company's management vision
 - Family's vision
 - Jorge's vision
- Options evaluation and vote (10 minutes)
- Conclusions (take aways) (10 minutes)

Board 1. García Tuñón Evolution and current dilemma

Q. What were the main milestones in the García Tuñón business evolution? Which ones can be considered as positive facts? Which ones can be considered as negative facts?

Figure 1. Timeline



The discussion focuses on the firm evolution, pointing out positive and negative events. Almost all positive events are related to the firm growth strategy and with the successful succession that brought the 2nd generation (George) to take managerial control and then to share it with the 3rd generation (his son Jorge and his sisters). Negative events are mostly related to the characteristics of the automotive industry business environment in Venezuela, in which State policies of production, price, and exchange rate controls can be evaluated as an overall hostile environment that is threatening not only the firm grow but its survival.

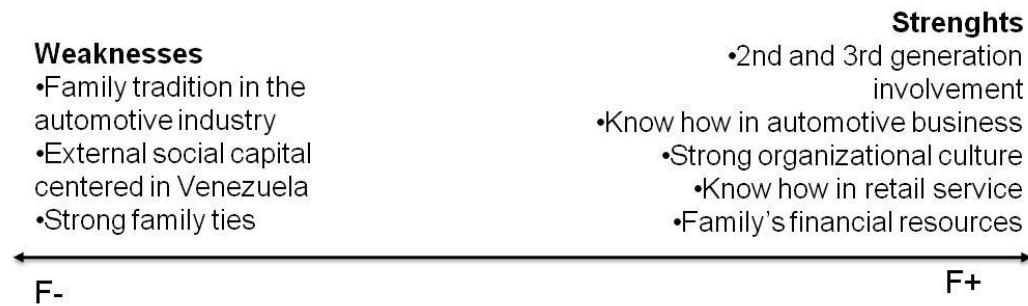
The students can be brought to reflect on the dilemmas that Jorge is facing which can be posed as:

Expanding the current family business through related or unrelated diversification or pursuing his entrepreneurial drive into a venture of his own.

Board 2. Familiness evaluation

Q. What are key GT strengths and weaknesses? How do they rely on the resources and capabilities considered in the “Familiness” concept?

Table 1 : Familiness evaluation for Strengths s and Weaknesses



The discussion moves on the concept of familiness, defined as the set of resources that characterized a family business, and that can be considered as stocks, i.e. a given amount, or flows, i.e. increasing or decreasing as a result of exchange with other actors in the business environment. The analysis points out to some GT resources that can be evaluated as weaknesses -social capital centered in Venezuela and in the automotive industry- or strengths -business knowledge, family's financial resources, and transgenerational involvement-.

Board 3. SWOT analysis

Q. What are key GT opportunities and threats? What are the key strengths and weaknesses? How can they be combined to point out possible attack or defense strategies?

Table 2 : SWOT analysis and strategies identification

	Strengths <ul style="list-style-type: none"> • Automotive industry knowledge • First dealer of GM network • Customer centered organization • Strong social capital in the industry • Excellent performance in "5 points" • Good shop location 	Weaknesses <ul style="list-style-type: none"> • Auto Sales business is decreasing • Dependence on GM and local production • Family unwillingness to go international
Opportunities <ul style="list-style-type: none"> • Growing demand for auto services, spare parts and accessories • Growing demand for insurance • Latin American countries good economic performance 	SO "Max-Max" Strategy Strategies that use strengths to maximize opportunities. Develop shop franchising in accessories, service and spare parts	WO "Mini-Max" Strategy Strategies that minimize weaknesses by taking advantage of opportunities. Explore unrelated business Explore multibrand dealership
Threats <ul style="list-style-type: none"> • Automotive industry shrinking production • Exchange control and ban on auto imports • Price and margin control law • Socio-political uncertainty 	ST "Max-Mini" Strategy Strategies that use strengths to minimize threats. Move into used car market and reinforce service	WT "Mini-Mini" Strategy Strategies that minimize weaknesses and avoid threats. Explore internationalization opportunities

To deepen the situational analysis, students are asked to perform a SWOT analysis: list internal strengths and weaknesses, external opportunities and threats, and present four strategic directions that combine the key factors, as showed in the matrix.

The above table outlines at least four possible strategic courses of action: (1) developing shop franchising based on GT retail experience; (2) moving into used car market, to take advantage of the market position of GT and the current car dealership locations; (3) Explore unrelated business, which opens the path to a diversification strategy and; (4) explore internationalization strategy in the automotive business, leveraging on GT business specific knowledge.

Board 4. Strategic options: Role playing and vote

Q. Consider strategic options outlined above. What will be the pros and cons of each alternative?

Table 3 : Strategic options

	Strategic Option	Pros	Cons
Garcia Tuñon's managers	•Enter the used car market	•Growing market	•Can jeopardize GT brand
	•Reinforce diversification in related areas	•Build on GT and family social capital	•Continue to focus on Venezuelan automotive market
	•Explore multibrand dealership	•Allows to use installed capability	•Weakens GM support •Continue to focus on same industry
García Tuñon Family	•Wait until changes in the market occur	•Preserve family wealth avoiding risks	•Can debilitate de entrepreneurial legacy •Could miss opportunities for diversified business
Jorge García Tuñon	•Build up and independent venture	•Follows his entrepreneurial drive	•Disperse family legacy •Has to build on new know how
	•Set up a dealership abroad	•Uses GT resources and capabilities	•Forces family to move abroad

Students are requested to elaborate on the strategic options and evaluate them putting themselves in the shoes of three different actors within GT: (1) GT managers, whose main concern centers in the business survival ; the García Tuñon family, focused in the preservation of the business legacy as well as the family interests; and Jorge García Tuñon, seen also as a potential independent entrepreneur. Students will be required to vote on the options, both before and after analyzing the positive and negative aspects of each choice.

Conclusions

To wrap up the case discussion and identify the main takeaways students are asked to reflect on the peculiarities of family business and how they can influence the strategic decision making. Concepts such as familiness, social capital, family business legacy preservation, as well as the differences between family and business resources and interests can be reviewed and discussed upon.

Other conclusions can be drawn from strategic decision making while facing hostile environment, pinpointing the emergence of defensive strategies as a mean to business preservation.

Finally, some discussion can be set on the pros and cons of the entrepreneurial orientation in family business and how it is passed upon next generations. A positive argument can be made for its influence on business innovations and risk taking, but also some warning can be raised on the entrepreneurial drive which can bring the designated successor to pursue an independent venture, with the negative downfall on the family business.

ⁱ To further understand the concept of “Familiness” in family business literature, refer to (1) Pramodita Sharma (2008), *Familiness: Capital Stocks and Flows Between Family and Business*. Entrepreneurship Theory and Practice Volume 32, Issue 6, pages 971–977, November 2008 ; (2) Thomas M. Zellweger et al. (2010), *Exploring the concept of familiness: Introducing family firm identity*. Journal of Family Business Strategy, Volume 1, Issue 1, Pages 54.63.