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Family Business Case Study

‘Til Death Do Us Part: Choosing Between Legacy and Liquidity

Peter Munro, CEO of Turner-Munro International, a large family-owned furniture manufacturer, finds himself at a crossroads shortly after the death of his long-time business partner. Should he sell the business or keep it in the family?

Peter, age 69, never imagined that he might consider selling the business that he and his partner Lawrence Turner founded nearly 40 years ago. Childhood friends, Peter and Lawrence became business partners in their late 20s. Together, they built a sizeable, profitable company, one of the largest furniture manufacturers in the region.

Peter and Lawrence took special pride in being the largest employer in their hometown. And they were prouder still when four sons, two from each family, joined them in the business. The four sons, all in their mid- to late-30s, have been in the business for 10 years or more. Each completed college and worked for several years in the industry before joining the family business. Peter's sons now serve in executive level positions, one heading up sales and marketing, and the other leading a highly profitable division of the company. Lawrence's older son works as a production manager, while his younger son is the chief financial officer for the company.

Over the years, Peter and Lawrence enjoyed a wonderful partnership. Lawrence was a practical businessman, with a quiet, steady demeanor that lent itself well to managing people and production. In contrast, Peter was a vigorous force behind Turner-Munro, taking on new and sometimes risky business ventures. In this fruitful business marriage, Lawrence was happy for Peter to look for opportunities to grow the company, while Peter was content to let Lawrence have total control over management and operations.

Sadly, Lawrence died a year ago after a protracted illness, and Peter was left to lead the business without him. Shortly before he died, Lawrence asked Peter for his promise to safeguard the business and to take care of his wife and children as he would his own.

A year later, the business was in a weakened condition. In the months following Lawrence's death, the company lost several major accounts due to significant delays in production. In the aftermath, Turner-Munro's biggest competitor wooed several long-time employees, and for the first time in its history, the company has experienced high turnover among production employees. Most troubling to Peter are the serious conflicts that have arisen between the two families, as each of the four sons openly has vied for the position of "second-in-command."

Thus it is that Peter has begun to contemplate selling the company. A large, publicly traded company looking for an acquisition in Turner-Munro's market has contacted him. Although Peter hasn't yet shared this information with the other family members, he is prepared to engage in some preliminary discussions with the public company.

Peter is of two minds. From a business perspective, he thinks it prudent to start negotiations now, before Turner-Munro falls into a deeper decline and the family relationships further deteriorate. He has grave doubts about whether the four sons could forge a successful partnership. He remembers his promise to Lawrence, to take care of his widow and sons. A substantial buyout would certainly accomplish that, wouldn't it? Peter lies awake at night wondering what Lawrence would want him to do. He wonders himself, whether the business would be a blessing or a burden to the next generation of Turner-Munro family members.

To read the experts' advice, type or copy and paste the link below into your browser's address bar:
<http://www.tandem-partners.com/docs/tildeathdouspart2-07.pdf>.

This case, sponsored by the Family Firm Institute and written by Margaret Wilson of Tandem Partners, originally appeared in the October 2004 issue of Families in Business, an international publication for family-held companies.

McLean, Koehler, Sparks & Hammond helps owners and business leaders become more successful by providing innovative financial, technology and management solutions for every stage of their organizations' life cycle. MKS&H's organizational consulting division, Tandem Partners, specializes in people strategies that drive business results. For more information on this article or MKS&H, please contact Margaret Wilson at 410-296-6200 or via email: margaret@mksh.com.

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