

# McLean, Koehler, Sparks & Hammond

Certified Public Accountants/Business Consultants

## Family Business Case Study

### 'Til Death Do Us Part: Choosing Between Legacy and Liquidity Part II

***Rosamond Tompkins is President of Family Business Strategies, LLC, based in Northern Virginia. She brings 20 years of experience as a family therapist to her work with family businesses. Here is what she had to say about Mr. Munro's situation.***

Turner-Munro is in the midst of a change process precipitated by the death of one of the founders. Change can involve conflict, even turmoil, as evidenced by the deteriorating relationships within and between the two families, a decline in productivity, employee turnover, and loss of major accounts. Peter understandably feels pressured by these events, and is considering a sale of the business. He has lost his partner and business manager, and the only hint at any "succession planning" is a promise Peter made to take care of Lawrence's wife and children – yet another pressure.

Peter's final challenge as a founding entrepreneur is to shepherd the company and the two families through the decision to keep or sell the company. The manner in which Peter confronts this challenge will become an important part of the legacy he leaves to his family, Lawrence's family, and the community to which he provided employment. While he may be worried about the viability of the company, and the ability of the four sons to forge a successful partnership, Peter must develop a sharper vision of what he wants for the company. He must quickly restructure the business so that it can succeed, or sell it to someone who is prepared to make the hard decisions that he as a founder may no longer want to make.

The decision to keep or sell the business should not be made unilaterally, as this would risk further rupturing the relationships in and between the families. Ivan Lansberg, in *Succeeding Generations: Realizing the Dream of Families in Business*, encourages founders to engage family members, key managers, and others in the business to discuss and clarify their aspirations and expectations about the future to one another. A "Shared Dream" (Lansberg) is important for determining the continuity of the company. For those desiring to keep the company, developing a vision for the future is important in planning strategically for the company. Similarly, the lack of a shared vision among family participants/owners can also be a contributing factor in deciding to sell the business.

Peter is described as a "vigorous force," taking on new, risky ventures, so he no doubt has the skills to ascertain what is the next best phase of ownership/leadership in the company. But as a founder, he acted more independently. He must now act out of collaboration with the four sons, all of whom have enjoyed their own degrees of success with the company.

Time is not on Peter's side, as the business is in a weakened condition and a buyer is available. Peter may need to hire an outside manager to stabilize management and operations in the near term. Or, he could lead a management development team of four to five people, in responding immediately to the company's weakened condition. These steps might help Peter avoid a rush to judgment about selling the company, and would allow him to set in place a process for deliberation among family members and other key stakeholders.

***John Freeman is a Partner in Business Analytics (UK). He specializes in working with clients to align their business to satisfy customer needs, which often involves resolving family/business relationships. Here is his take on Mr. Munro's dilemma.***

The initial impression on reading the story of Peter and Lawrence is that there has not been any planning at all around succession, estate or pensions. This would be at odds with the depiction of Lawrence as a "practical businessman." The only clue to the thinking of the two founders as to how the succession should be organized is in the words – "he [Peter] has grave doubts about whether the four sons could forge a successful partnership," implying that this was the wish of the founders.

The character of the two founders formed the basis of a successful partnership, but now, an essential element is missing and the business is suffering. Lawrence was effectively the CEO and Peter is unable to fulfil this role. Additionally, it would appear that none of the sons are naturally providing the leadership that is required; hence, the loss of confidence of both customers and staff. The big question is, will Peter make a decision quickly enough to start the necessary steps to resolve the issues? Peter has another problem, and that is to stop the infighting amongst the four sons, as this will be contributing to the unrest amongst the employees.

The business needs to bring in an **interim CEO quickly** to provide leadership in general to those areas covered by Lawrence, to stop the rot, and to provide some support to Peter. This is essential to provide time to decide what to do and to stop the value of the business declining further. This is necessary even if the ultimate decision is to sell. The sales process will be protracted if the best price is to be obtained – and a fire sale will not achieve Peter's promise to Lawrence shortly before he died.

Peter needs professional advice in two areas: first, to look at how the business could be organised to continue ownership within the two families, and second, to provide him with expertise in selling a business, building a team to set the business up for sale, and to ensure that the negotiations go well. If handled correctly, the two processes can proceed in parallel, so that at the appropriate time a decision can be made based on fact and understanding. Peter should adopt the above and tell the four sons what he is going to do. This should stop them in their tracks and give them something else to think about. The entrance of an interim CEO will also “bring them to their senses,” especially as this will demonstrate that an external CEO is an option for the future of the business.

To read the case study, type or copy and paste the link below into your browser's address bar:  
<http://www.tandem-partners.com/docs/deathdouspart1-07.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.

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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](mailto:margaret@mksh.com).

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