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Unintended Consequences

Stephen Manicek sat quietly and stared out the window of his car as it sat parked in the parking lot of Manicek Microtek. Until a few minutes ago, he had been president of Manicek Microtek, one of the country's largest telecommunications parts distributors. Now he was out of a job and felt he was a victim. Naturally, his first thought was to sue those responsible for his misfortune. The targets of his wrath were his younger sister and his mother. They had forced him out of the business. What should he do next? What could he do next?

After his father's death, Stephen had received 49 percent of the stock in the family business. Another 49 percent share went to his sister. The remaining two percent—the swing vote—was held by their mother.

Stephen's father had brought him into the business early and taught him well. After the founder's death, Stephen assumed all responsibilities for sales and became the key man in the business.

His sister, Clara, handled the bookkeeping and other administrative matters. Her husband managed the warehouse employees.

Despite ups and downs in the economy, the business thrived under Stephen's stewardship. It had a long-standing tradition of excellent customer service and a good reputation in the industry because the elder Manicek had pioneered automation and distribution efficiency and tracking processes in the industry.

Because of his dedication to the business, Stephen had not spent much time nurturing family relationships. His relationship with his mother was not as close as that of his sister. As their mother aged, she became increasingly susceptible to the influences of her daughter. Family friction developed. A confrontation was inevitable.

Stephen had always assumed that his superior abilities and position as president and board chairman would enable him to prevail in any family dispute about the business. He was wrong. After many months of conflict over company strategy and financial performance, Stephen's sister called a special meeting of the board of directors, Stephen was removed from his posts, fired as an employee, and given three months of severance pay—after 20 years in the business.

Stephen naturally felt victimized...but not so much by his sister and mother as by his deceased father. By failing in the most important remaining task in his life—to plan his estate—the elder Manicek made his son an unintended victim.

Stephen sat in his car and tried to understand where things had gone so terribly wrong.

The unfavorable business transition experiences described above may have been avoided had Stephen's father asked—and answered with the help of an experienced planning advisor—six critical questions.

1. How can I provide for an equitable distribution of my estate among my children?
2. Who should control and eventually own the family business?
3. How can I use my business to fuel the growth of my estate outside of my business interests?
4. How do I provide for my family's income needs, especially those of my spouse and dependent children, after my death?
5. How can I help preserve my assets from the claims of creditors during my lifetime and at my death?
6. How can I minimize estate taxes?

Thoughtful answers to these questions, followed by appropriate decisions, actions and implementation, may well prevent a similar experience in other business families and support a smoother business transition for all parties involved. Family harmony and the preservation of family relationships on a long-term basis continue to be top priorities of founding patriarchs and matriarchs of successful business families. The answers to these questions often permeate most or all of the decisions a business owner makes regarding the future of the business. Leaving these questions unanswered can create a myriad of unintended consequences.

If you have any questions about how a well-conceived estate plan interacts with a comprehensive plan for the future of a family business, please contact us to discuss your particular situation.

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