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FAMILY BUSINESS FORUM

Planning for Family Business Continuity

By Donald Levitt

The Issue
Only 30 percent of family businesses survive into the second generation, and only 12 percent continue into the third generation.

If you want your family business to continue into the next generation, you need to get your "ducks in a row." Here's the story of a family business that did just that – and survived perhaps the greatest challenge to business continuity.

The Family Business
Bostleman is a $90 million construction and real estate development company located in Maumee, Ohio. It was founded by Fred Bostleman when he came home from World War II.

"My grandfather had seen many businesses where the founder never gave up control to the next generation, so the younger generation never had a chance to make mistakes and learn how to run the business," says Bill Bostleman, the current president. "So my grandfather decided to pass on management and ownership to my father Dick when my grandfather was still in his early 50's and my father was in his early 30's. My dad was very grateful for this, and he decided to do the same thing with me."

"When I was 25 years old, and one year out of law school, my father and I together worked out a seven year plan for this transition. All of the legal documents regarding gifting, sale of stock, wills, trusts, buy/sell agreements and a management succession plan were developed. We also created a plan for me to gain experience by rotating through various jobs. Assuming I showed aptitude and ability, it was agreed that I would be named president on a specific date."

Rather than keeping everything private, senior leaders of the business were advised of the transition plan several years into the plan. "My father also met periodically with my mom, my sisters and me to update everybody regarding the estate plan and the assets that would go to each of us."

In 1998, almost six years into this carefully laid out seven-year management and ownership transition plan – Bill's father Dick died in a tragic boating accident. Dick was 54 years old and Bill was 31.

“When my dad died we were 18 months short of the planned transition. Our consistency in vision and planning paid off. I’d like to say we did all of this to prepare for a possible tragedy – but actually my dad did it this way because *his* father had done it this way.”

Bill closes his story with the real bottom line: “I think both my father and grandfather got as much satisfaction from seeing their son succeed as from succeeding on their own.”

The Expert

David Hoffman, a senior manager for Ernst and Young in Toledo, played a key role in the Bostleman succession and estate planning process.

“Because of their careful planning, this family business survived under conditions which could have led to their demise,” says Hoffman. “Instead of the surviving spouse and children fighting over leadership and ownership, they had all been integrated into the planning process, and they all knew their roles. Within a few months after the accident, the company returned to stability and growth.”

The Tip

Surviving into the next generation calls for getting your ducks in a row: estate plans, leadership and ownership transition plans, and periodic education and discussion with family members and senior business leaders. This is not just about preparing for possible tragedy – it’s about preparing for future business and family success.

Donald Levitt, president of Levitt Consulting, helps family businesses to succeed as both a business and a family. More information about this month’s topic, and other family business issues, can be found at LevittConsulting.com