

A photograph of a lighthouse with a white body, a red band, and a black base, situated on a stone pier extending into the sea under a blue sky with scattered clouds.

Viewpoint

Motor dealer services

What are your dealership plans for passing the business onto the next generation?

Exit strategies for smooth succession

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Challenge area

Many dealership owners cherish the vision of building a business that they can pass down to the next generation of their family.

While many owners do just that, some find themselves facing an uncertain future. Many have concentrated their wealth and working life in the dealership, finding themselves relatively alone in deciding what comes next.

What are your dealership plans for passing the business onto the next generation?

Succession strategies provide certainty for owners and their business as well as manage significant risk. The more time spent planning, the smoother and more effective it will be: succession is a process, not an event. Whilst there are a number of exit strategies available to owners, transition to the 'next generation' can be a very rewarding experience. This article outlines a process designed to help dealership owners increase their prospects for a successful transition and/or exit to family or non-family by working through a few critical steps.

New Perspectives

Clarify your goals: personal, ownership, business, and financial

Until you have clarified your own goals, it is not possible to effectively prepare your dealership for transition. Many dealers assume their family and highly valued managers understand what is planned/expected of them.

Considering the future needs of the dealership will help everyone identify the specific needs and gaps in the area of leadership.

The result of this assumption is frustration—why won't these individuals 'step up' and lead? Ultimately, a lack of clarification around owner's goals can lead to feelings of betrayal—potential owners leave the dealership because things didn't work out or they weren't interested.

Communicate openly with all your key stakeholders about your goals and expectations, and clarify their goals and expectations of you—in writing

What do you expect or require of family members or key managers before you will relinquish authority? Is ownership transition on the table? What must happen before you will transfer ownership? Many owners unwittingly oversell to non-family and family alike the possibility that 'one day this could all be yours'. Many employees feel both flattered and pressured to respond in a way that the owner interprets as, 'Yes! I accept!'. In many cases, this is where the conversation about goals and expectations ends.

Dealership owners would benefit enormously from first assessing the abilities and willingness of others to accept responsibility before discussing the many opportunities and costs associated with ownership.

Focus first on the dealership

Detail matters a great deal in succession. The best way to begin the succession process is with a thorough assessment of what the dealership needs in the future (strategic plan). While many owners find it difficult not to take the lead in this process, it is far more constructive for all if the potential successor(s) lead the process. The insights gleaned from the planning process will also go along way toward increasing the confidence of the owner as he or she struggles to let go. The effort and ability required to lead the dealership planning process highlights any gaps in ability, interest or cohesiveness of a future business owner.

Create a leadership development plan

Considering the future needs of the dealership will help everyone identify the specific needs and gaps in the area of leadership. The owner and successor(s) should consider these needs in several areas:

- Managing the work: all operational aspects.
- Managing the people: structure, leadership style, and transitional issues.
- Managing the money: access to information, financial management knowledge, and critical dealership specific performance measures.
- Learning how to be an owner: ownership issues, profit allocation, implications of buy-out provisions.



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While many owners find it difficult, their commitment is critical to the success of most family business transitions. Most owners underestimate the degree to which their organisation is dependent on things known only to them. Owners who make a commitment to document and transfer this information will go a long way toward increasing their chances of effective succession.

Define the transition process

Business transitions have many important dimensions: due diligence, cash flow considerations, taxation implications and stakeholder consequences, just to name a few. Many owners have come to regret their failure to adequately define the many details of these transitions in writing. These details should include specific milestones and a succession timeline. Whilst the details may evolve over time, the initial discipline of documenting the process will go a long way toward improving the prospects for a smooth and successful transition.

About the author

Mark works exclusively with dealerships specialising in the motor, marine, agricultural, motorcycle and caravan industry. His prior 10 year employment with a large motor dealer group, combined with six years in the chartered accounting profession provides an excellent platform for the provision of professional services and enables him to assist dealerships with both their operational and statutory requirements. These services range from the compliance for audit and tax, to the operational, including profit enhancement, analytical and review.

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