

# 'You-Proofing' Your Business

## A dealership should not be built around one person

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**M**ost first-generation dealership principals came to be business owners after being either successful salespeople or technicians. In almost all cases, these businesses started out small and built momentum over time and, very often, they started in garages, offices in the home or small offices. The businesses were built with the owners as the center of everything. One problem that some dealership owners face is the fact that they have remained the center of their businesses as they have grown.



This can impact a business in many ways. First and foremost, a business that is built totally around one person can only grow to a certain point before it stagnates. This point will vary based on the skill set of the owner. I have seen many dealerships under this structure top out in the \$2 million to \$3 million revenue area while others have been able to push it as high as \$5 million. Yet a ceiling remains in place, as there are only so many hours in a day and there is just so much one person can do before the clock runs out for the day.

Another major impact of this is an inability to create and implement a succession plan and/or exit strategy. No matter who you are, there will be a need for a succession plan at some point in the future. When the business is built around one person, this process becomes much more difficult. The business cannot be passed on to family members or key employees unless there is an heir to the throne who has the ability to do what the owner does on a daily basis. This is one of the biggest stumbling blocks dealership owners run into when planning an exit. As a result, the options are limited. Too often the only option is to sell the business to someone else in the area who will dismantle much of the infrastructure and tuck the sales and service operations into his (or her) business.

The way to have plenty of options and to operate from a position of strength is to “you-proof” your business. By this I mean: Reduce the reliance that the business has on you as the owner and the most important cog in the machine. The benefits of doing so are many. You will be able to spend time away from the business without it collapsing. You will have

happier, more empowered employees. You will build significantly more value into the business. And, you will open the door to all options when creating your succession plan and exit strategy. You might even increase your revenue and net profit substantially. So, how do you you-proof your dealership? It starts with identifying the areas you hold the keys to and moving responsibility to others. Let’s look at a few of these areas.

### Sales & Big Accounts

As mentioned, most first-generation dealership owners have come up through the industry as successful salespeople. They started their businesses as salespeople and have been the focal point of their sales departments ever since. Start by asking yourself these questions: “What would happen if I wasn’t in sales? Would the company collapse? Would it take a big step backward?” If the answers are “yes,” you need to look at bringing others up to your level. If you are holding on to most of the big accounts, you need to bring other reps into them. The initial objection to this tends to be twofold. First, there is the fear that no one else can handle the accounts and get the same level of sales you do from them. This is solved by training and monitoring. Do not drop the accounts entirely; stay involved as you transition other reps to handle them.

The second part of the objection is that you now have to pay someone commission on business you were not previously paying commission on. These “house” accounts did not have sales commission tied to them. In effect, you were working these accounts for free. Any job you do in the business without being paid for it is a trap. You will be trapped doing this forever as the business “cannot afford” to pay someone else to do it. If you handle accounts on your own, I suggest you pay yourself commission as a sales rep. This will force the business to cover the true sales expense while still driving toward an appropriate bottom-line profit. If you do not pay any commission on some of your sales, then the company net income target needs to be higher to make up for it.

## Decision Making

Are your people constantly coming to you with problems and issues and looking for you to provide solutions? A major step in you-proofing your business is getting the people around you to start making their own decisions. This does not mean you have to completely let go of the reins, but you do need to start pushing back and challenging your managers to come up with their own solutions.

If you really look at this, you might be surprised how often others look to you to make decisions they are perfectly capable of making. You will also realize how many hours you lose handling these problems. Yes, you are likely the best problem solver in the business, but that does not mean you cannot train others. You will be amazed how much time you can get back as those around you begin taking full responsibility for their areas. You will also be surprised at how well many of them will handle things when trained properly and trusted to make their own decisions.

## Financial Review & Management

Too many dealership owners bear the burden of managing their financials on their own. The first thing to understand is that the financials are the scorecard of your business. You have a team of people playing this game of business with you. Imagine the results a professional sports team would have if the team had no idea what the score was? By knowing the score, team members have the ability to adjust their game plans and their sense of urgency to win the game. If you do not share the financial results — your scorecard — your team members are in the dark. You do not get the benefit of them adjusting their behaviors based on the situation. There are many ways you can share the financial scorecard of the business. Some dealership owners have an open-book policy where all employees see all financials. Others will only share certain information, like overall revenue and departmental profitability. There is no right or wrong answer to what you share, but I suggest sharing what you think will help your team members see the bigger picture and adjust their behavior to achieve company goals. The key is to share the information often and get everyone involved.

## Recruiting Employees

The success of every organization is closely tied to the people who make up its ranks. It is important for front-line managers to learn how to successfully recruit good talent. As the business owner, you need to provide the training, direction and incentives required for your managers. One way to do this is to require each manager to conduct

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a minimum number of interviews each week or month. In sales, where turnover is greater, I would suggest one per week. In service and admin, you could go with one per month. By requiring this, managers have to constantly look for talented people and it will build a pool from which to pull. They will also get better at locating and identifying truly talented people. You-proofing your dealership will definitely hinge on the ability of you and your managers to recruit strong team members.

## Future Planning

As the owner, you have been the one providing the direction for the business: “What products should we sell? On what markets should we focus? Should we consider acquisitions?” These are all great questions that are rarely contemplated by team members. One way to bring them into the conversation is to do an annual SWOT analysis. This is a process where your managers and key employees brainstorm how to plan for the future. You look at and discuss the strengths, weaknesses, opportunities and threats of your dealership. In doing so, you can come up with plans to correct the weaknesses and minimize the threats while building on the strengths and capitalizing on the opportunities. Your team members now increase their overall responsibility for determining the future of the company. When done correctly, they now share ownership for the future direction of the business.

The above items represent just a handful of areas you can look at when trying to you-proof your dealership. They will provide a great starting point. If you embrace the process, you will find that this starting point will lead to a dramatic shift in the responsibility level of your team members. They will slowly understand that they are not there to wait for you to give orders and provide direction; they can and should be active participants sharing the responsibilities. When they fully embrace this, anything is possible. You now have a pool of talented people to draw from when looking for a successor and you will have a more stable and profitable business. This will open up options for moving forward. Holding on to everything yourself typically leads to only one exit option: sell the business for less than it is worth to someone who will dismantle it to pull out as much profit as possible. With time on your side, the choice is yours. ■

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