

CASE STUDY

Ownership Transitions During Economic Uncertainty

Overview

- **Business:** Multi-location dealer with a long-time owner
- **Challenge:** The owner had been involved in much of the day-to-day operations of the business and was burned-out but didn't see a clear path to the next generation of leadership. He was concerned since a) he was heavily involved in the business, and b) the current economic uncertainty could impact the business's value.
- **Goal:** The owner's transition goals were to maximize value and to leave a legacy in his community.

The Opportunity

- The owner realized that he needed help with this transition. His peers advised to first begin the process by removing himself from the day-to-day operations.
- The owner needed to shift his mindset from the transition being an "exit event" to a strategic, phased solution. The first step was to install systems and processes to reduce dependency on him.
- He also wanted to address the current market uncertainty to ensure long-term success and growth.

The Solution

- We shared with the owner that businesses with a solid operational foundation have a much greater probability of successfully transitioning to a new owner. In fact, during times of economic turmoil, an internal sale can produce a value as good or better than an external sale.
- The owner started the process by determining and documenting his roles and responsibilities. We used this as a guide to help him create systems, clarify roles, and document those processes to reduce owner dependency. It also allowed us to build processes that were transparent and repeatable.
- The owner transferred certain roles to subordinates (e.g., insurance review and payroll) that did not require much planning and designed a performance-based internal ownership transfer.
- We worked with the owner to determine his key departments and employees within those departments. We used that to set up a mentoring plan— allowing the owner to impart knowledge gained over his years running the business. This process will continue to develop future leaders through coaching, cultural alignment, and structured mentorship.
- We structured a partial internal sale, with future transfers determined by the performance of the new leaders and the business. This allowed the owner to reduce his risk while maintaining control of the operations and benefiting from future growth in value as the economy recovered.

The Results

- By documenting processes, focusing on leadership, and aiming for business continuity, the company could focus on its employees. This meant attracting and retaining talent, along with mentoring experienced workers to take on greater responsibilities.
- Profit margins improved as operations became more efficient. This led to a higher valuation even though there was continued market uncertainty.
- A formal succession plan gave the owner peace of mind, developed a clear path for the next phase of the business, and took into account external stakeholders.