



SUCCESSION PLANNING TOOLKIT

Rawls
BUSINESS SUCCESSION PLANNERS



THE STANEK GROUP
AT MORGAN STANLEY

An MRAA Mini Guide:

**7 Things Every Dealer
Needs to Know About
Succession Planning**

An MRAA Mini Guide: 7 Things All Dealers Should Know About Succession Planning

A few months back, we heard from a dealership owner who attended one of MRAA's webinars. The topic? Succession planning.

He was watching the webinar on the computer in his office with the door open. When his employees heard what was being explored in the webinar, he had to put up with half-joking comments about him "exiting" the business. And this was in the thick of the dealership's efforts to adapt to the COVID-19 pandemic.

The last thing any owner needs is to have their team doubting their commitment to the employees and the business - especially in challenging times.

Yet succession planning is an essential topic for owners - whether they just acquired the business, they're preparing to exit it or they're somewhere in between. And it's even MORE essential to consider when times are tough or the outlook becomes uncertain. Because like all plans, succession plans must be adaptable as conditions, results and even motivations change.

The good news for your team is that a well-thought-out and developed succession plan typically benefits employees. Owners are motivated to create a strong foundation for their business in order to maximize its value to potential successors or buyers - and often as a way to ensure that their employees and customers are cared for, and the legacy they've worked so hard to build lives on.

When succession planning is done right, the dealership strives to create processes, systems, facilities and a leadership team that provide stability and growth. That offers benefits while the current owner is running the business, when the time is right for ownership to be transferred, and beyond.



Employees, you want the owner(s) of the dealership to be savvy in their planning for the long-term prosperity of the business - and that is at the heart of preparing for succession.

Myth Busted

If that's true, then why did the owner in the situation above get razed by his team? It comes back to a myth held by many people - owners and employees alike.

The myth suggests that succession planning is something you do when you realize you're ready to get out of your business.

That idea is just plain wrong. And, in fact, the myth has brought about great pain, frustration and loss to many dealership

owners, their families, their employees and their customers. So, let's clear it up right now.

You may have heard the popular piece of advice, "Begin with the end in mind." This wisdom comes straight from Stephen Covey's book, "The 7 Habits of Highly Effective People." And it applies directly to succession.



Any person considering ownership of a marine dealership has a lot to think about. One key consideration is what they want to accomplish at each stage of ownership, including the end. The stronger their vision for what they want to achieve, the better they'll be able to make decisions along the way that drive success for the business and its stakeholders (customers, employees, vendors and community, for example) and lead to the owner's ideal outcome.

Let's consider a few examples of dealers' visions for how their ownership might come to an end. Notice how much they can differ even at the beginning of their ownership journey.

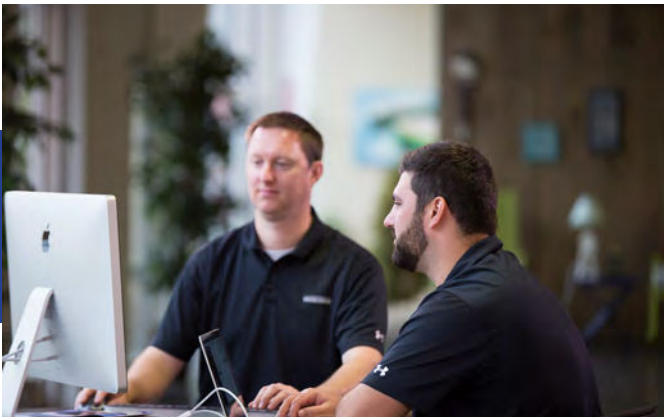
- **Brenda:** Brenda has been working in the boating business practically from the day she was born. Her parents and grandparents ran the dealership before her, and now she is preparing to assume the helm. Her goal is to continue the growth they've begun, and yet put her unique fingerprint on the business, driving improvement in the areas where she shines. In the end, she wants to be able to hand off the business to her children, so they can benefit from and continue the family legacy.

- **Rob:** Rob has worked his way up the dealership ladder throughout his career, and now he's excited to take over as owner. He doesn't have kids. He imagines instead that he'll groom a key employee or group of employees to assume ownership when he's ready to retire, like the owner he is working to buy the business from now did with him. His dream is to expand the business between now and then, so he can grow his team and do more to serve his community.

- **Sarah:** Sarah and her spouse spent the first 20 years of their careers in high-powered legal and financial positions in the big city, building a foundation of financial stability. In the second stage of their working life, they are shopping for a boat dealership in a small tourist town to fulfill their dream of time spent by the water. They are motivated by the idea of sharing the boating lifestyle they love with others. They envision the next 20 years consisting of work designed to fulfill them, followed by a sale that will fund their retirement.

In each of these cases, by beginning with the end in mind, the prospective dealership owner can take on this new role with the ability to make better decisions for themselves and for all the stakeholders in their success. That includes their family, their employees, their customers and even the manufacturers and suppliers with whom they do business.

*NOTE: Succession planning can contribute to the prosperity of almost every type of business, not just dealers. Click [here](#) to read a succession story from one of our industry's most well-known boat builders.



Defining Success

So, if succession planning is NOT something you do when you realize you're ready to get out of your business, what is it?

Before we dive into that definition, leading succession planner Loyd H. Rawls suggests we start with something even more basic: the definition of business success.

In his book, "The Succession Matrix®," Rawls states there are two definitions of business success: One is objective, and one is subjective.

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The objective definition is: "Maintenance of business wellness, regarding leadership, management, processes, procedures, profitability, capitalization, infrastructure, compliance, record-keeping, etc."

The subjective definition is: "Fulfillment of the owner's motivations, goals, and purpose for the business. As an example, a business that generates extraordinary profit but does not make the owner happy may not be considered a successful business."

So, where does that leave us? Rawls recommends we combine the objective and subjective definitions to create one broad definition.

Therefore, business success can be explained as: "Sufficient business resources to reach an anticipated level of productivity to achieve the personal goals and strategic plans of the owners, including but not necessarily limited to exit strategy, estate duty, personal financial security, lifestyle, family security,

employee welfare, and family harmony.”

Now, let’s understand how that helps us define succession.

So, What Is Succession?

Believe it or not, we’re almost ready to answer that question. You see, Rawls explains that success is actually at the root of the word succession.

“Without success, there is no purpose for business succession,” he wrote.

Therefore, succession is: “The continuation of success through the next generation of owners and managers, in light of predictable, probable, and possible issues impacting the continuation of success.” And to do it well takes planning.

To understand exactly what he means, let’s look at some examples of what might be included under “Predictable,” “Probable” and “Possible.”

When we talk about predictable issues, we mean things like:

- Management transfers
- Ownership transfers
- Exit (voluntary or involuntary)
- Taxes
- Economic cycles
- Management issues

Probable issues include obstacles like:

- Successor challenges

- Exit challenges
- Credit continuity challenges
- Family harmony challenges
- Profitability or working capital challenges
- Management challenges
- Business downturn



Finally, what’s possible? Some hurdles you might run into are:

- Control challenge or shareholder dispute
- Divorce complications
- Business disposition uncertainty
- Sale
- Estate administration complications
- Franchisor or strategic vendor issues
- Facility issues
- Strategic direction
- Loss of key manager
- Dramatic business downturn

As you can see, there are a lot of issues an owner must address to do a good job preparing for succession. That’s why it’s so important to start succession planning early.

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In addition, that's why there are so many definitions of succession planning. Rawls warns that many advisors who can help with one or more aspects of succession planning use their area of expertise to define succession for their clients, intentionally or unintentionally.

Someone who specializes in wills, buy/sell agreements, trusts and estate planning, for example, may focus their definition on those aspects. Others may lean heavily on the importance of business performance and leadership continuity. And still others may define succession planning as it relates to family relationships.

In actuality, succession planning includes all those areas and more. That's important to realize because there's real danger for an owner of failing to recognize ALL the factors that contribute to successful succession. (Say that ten times fast!) To successfully navigate those factors, most dealership owners benefit from a team of advisors who work together to support their goals.

To be confident that you've done your best to prepare for succession, you'll want to consider 10 key factors spread across three main categories: Personal, Business and Family. These interdependent factors, identified through an extensive research and

study program conducted by the International Succession Planning Association® (ISPA®), are called The Succession Matrix®.

The MRAA team, along with three highly valued, experienced and trusted partners, are developing a vast array of educational resources to help you understand and navigate these factors. They are all part of the plan for MRAA's newly launched Succession Planning Toolkit.



This publication is the first in an ongoing series of education that will guide you through the succession planning process. You'll gain specific insight into what each of the 10 factors of The Succession Matrix® mean for your marine dealership, including case studies of dealers who have tackled each of them, so you can learn from their experience.

[Learn more at MRAA.com/Succession](https://www.mraa.com/Succession)

Key Partners in MRAA's Succession Planning Toolkit

We couldn't do any of this without the trusted experts whose companies are our key partners in this initiative. They include:



BUSINESS SUCCESSION PLANNERS

The Rawls Group – Single focus on succession planning with an emphasis to impact lives and cultivate legacies. Founding member and lead research provider to the ISPA®

Business ownership by nature is risky; succession planning however creates strategies and structure to put you in control. In an ever world of change – business value, growth and sustainability all depend upon freedom of choice when the opportunity arises. For the past 45+ years, our meticulous attention to the probable, possible, potential details allow you to prepare and avoid any looming issue impacting your goals.

Even our newest clients have already told us how relieved they feel about the future. Flexibility is a luxury. We are ready to go on this journey with you.



Spader Business Management – A leading provider of training, consulting, coaching and management services and products that has contributed to the successful transition of hundreds of companies.

Our focus when it comes to succession planning is to provide marine dealers specific solutions to help the ownership, the senior management team and the business navigate the transition successfully.

Our deep understanding of the unique aspects of the marine industry, garnered over more than 40 years in the industry enables us to provide strategic and operational services to help marine dealers through “human” and “economic” aspects of succession. This includes but is not limited to organizational and job description changes and/or tweaks, assessments, training, coaching and development of key people, as well as proven balance and operational profit and loss guidelines for successful transitions.

THE STANEK GROUP AT MORGAN STANLEY

The Stanek Group at Morgan Stanley – As a MRAA member, it is likely you are faced with an increasingly complex environment, which makes planning for your exit more challenging. Proper guidance can be a critical component of your long-term success. MRAA and The Stanek Group at Morgan Stanley have

partnered to assist you to better protect and grow your wealth as you plan for your exit through the Second Opinion Service.

The Second Opinion answers all your critical succession questions, taking you from start to finish with your business exit strategy. We work with you to help:

- Decide the best strategy to exit your business whether it's to transferring to family, transitioning to employees, or selling it to a third party.
- Understand the value of your business.
- Structure your exit so that you can lead the lifestyle you deserve in retirement.
- Quarterback the full process.

To learn more about how you can work with these partners, click [here](#).

Key Succession Planning Takeaways

- 1** Succession planning is NOT something you do when you realize you're ready to get out of your business. Because it builds business value, **it's a process you want to engage in immediately.**
- 2** **Owners should begin with the end in mind.** In other words, they should begin planning for succession as soon as they become owners (and maybe even beforehand).
- 3** Succession has at its roots the word, "success." Business success is both objective and subjective. In other words, **how we define success is in some ways the same from one dealership to another and in other ways unique to the goals and motivations of the owner.**
- 4** Succession is: **"The continuation of success through the next generation of owners and managers, in light of predictable, probable, and possible issues impacting the continuation of success."** And to do it well takes planning.
- 5** There's real danger for an owner who fails to recognize ALL the factors that contribute to successful succession. To successfully navigate them, most **dealership owners benefit from a team of advisors who work together to support their goals.**
- 6** To be confident that you've done your best to prepare for succession, you'll want to **consider 10 key factors spread across three main categories: Personal, Business and Family.**
- 7** MRAA has developed key partnerships with trusted experts from three companies to aide in the development of its Succession Planning Toolkit: **The Rawls Group, Spader Business Management and The Stanek Group at Morgan Stanley.**

Learn more about how MRAA and our partners can help.

MRAA Members: Get ready! You'll soon be able to take our assessment to find out how your dealership scores.