



# Succession Planning

## Take time to do some preventative maintenance

by: Greg Goldberg, BTA General Counsel

As BTA member dealerships grow, evolve and advance, few issues are more important than succession planning — how to pass along the relationships, recurring revenues and institutional memories to the next generation of leaders. For any business, but particularly for family-run businesses, succession planning is often treated as an emotional topic with legal paperwork attached. In reality, it is a legal topic with emotions attached. When the legal side of the equation is neglected, the emotional component can overwhelm the situation, resulting in a rocky transition, or worse.



Beyond strictly quantitative figures like EBITDA, a dealership's intrinsic value is tied up in its contracts, its service team, its financing arrangements, its manufacturer authorizations, and its reputation for meeting and exceeding its customers' needs. When leadership changes, customers and vendors notice. So do lenders. And so do competitors, who rush to offer customers a steady hand and a fresh start. As a result, a disorderly transition can cause devastating results.

Legally, the first problem is that many family businesses may not know what they are. They may be incorporated, but operate like a partnership. They may have shareholders, but no shareholder agreement. They may have a buy-sell provision drafted a decade ago, back when the company had half its current revenue and no one had heard of managed IT. They may have promised a successor the business someday, which is not a recognized legal instrument in any jurisdiction, though it is a surprisingly common informal arrangement.

At its core, succession planning is the art of converting vague intentions into enforceable commitments. A concrete plan forces a business to answer questions that are incredibly basic but also potentially problematic: Who will own the company? Who will control it? How will decisions be made? What happens if the intended successor cannot — or does not want to — take over? What happens if family members disagree? What happens if the founder dies unexpectedly, becomes incapacitated or simply refuses to let go?

In the dealer channel, there is an additional layer of complexity. A business may be built on agreements that do not automatically survive a leadership transition. Manufacturer agreements may have change-of-control clauses. Financing relationships can tighten. The service manager — who has been quietly holding the business together for a decade — may decide the new

leadership is not up to the task. In other words, succession is not just a matter of who receives the shares; it is a matter of whether the business remains a business.

The second problem is that family businesses tend to confuse fairness with clarity. For instance, a founder may want to treat children equally — a common impulse — but equality is not always compatible with operational reality. One child may have risen in the ranks over time where another may attempt to transition from an unrelated career. If ownership is divided evenly without a plan for control, decision-making may be impossible. If control is handed to one person without a plan for compensating the others, resentment can metastasize into litigation.

The law does not resolve these issues gently. When a succession plan is missing, the default rules of corporate governance, probate and contract law step into the breach. Disputes over ownership can lead to injunctions, forced sales and court-appointed receivers. Arguments over what a founder wanted can evolve into battles over corporate records, bank accounts and signature authority. These fights are expensive, slow and — worst of all for a business built on customer confidence — public.

The most reliable way to avoid conflicts is neither sophisticated nor glamorous. It is to plan ahead, set expectations and communicate while everyone still likes one another. A sensible succession plan usually includes a written governance structure, including provisions regarding voting control and decision making, a buy-sell agreement, a clear compensation and role structure, and estate planning that aligns with the business plan. It should also include practical planning around customer relationships, key employees and vendor approvals — because a company's value can evaporate quickly if the transition spooks the wrong people.

A succession plan does not eliminate risk, but it does manage it. Office technology dealerships often pride themselves on being steady. They keep machines running, contracts renewed and customers calm. Succession planning is simply the same principle applied inward: preventative maintenance for the company itself. ■

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