Passing the Torch

Dealers provide insight into managing the transition

by: Brent Hoskins, Office Technology Magazine

Many family-owned office technology dealerships have two, if not three, generations from the family working in the business. Ultimately, the time comes for one generation to pass the torch to the next. Are you facing that transition?

Below are profiles of three dealerships focused on managing the transition of leadership to the next generation. The insight they provide may help you as you contemplate the same transition in your dealership.

Applied Innovation

At the age of 19, John Lowery took a job at a family-owned office technology dealership in Grand Rapids, Michigan. He stayed eight-and-a-half years, selling copiers. It wasn't enough. His dream was to be a business owner himself.

That opportunity came as a result of his next job, when another local dealership wanted to start a Ricoh division. Lowery helped the dealership secure the manufacturer as a vendor partner. A year and a half later, he asked the owners if they would be willing to sell him their Ricoh division. "I thought, 'They're never going to do it,'" he says. "'Why would you put a competitor in business?'" His dream was about to become reality. They said "yes." With $500 in the bank, $5,000 borrowed from his father and a $50,000 line of credit secured using the equity in his home, he started his own business. The year was 1987.

That small Ricoh division is now Applied Innovation, a $156-million dealership with 527 employees in 17 locations across four states. Today, Applied also carries Canon, HP and Kyocera products, and has a wide range of other offerings, from IT services to medical waste disposal. Lowery served 36-plus years as the dealership's president. On Oct. 1, his son, Casey Lowery, assumed the presidency. John now serves as CEO.

Work on the "perpetuation" of Applied began 10 years ago, John says. "Along the way, there have been certain things we wanted Casey to learn about the business," he says. "Plus, our focus has been on transitioning to a team, not a person."

With that goal in mind, a leadership team has been in place for a number of years; Casey has been a member for the past six years. "It has been very important to make sure we have a strong leadership team," he says. "My dad is stepping down as president, but I'm not necessarily taking over. It's more that I am taking over as the leader of our leadership team."

Casey has had plenty of opportunities to learn about the business. He first worked in sales for Ricoh direct for a couple of years before joining Applied in 2006. He has served as a sales rep, sales manager, director of sales and as COO, with sales, service and administration reporting to him. "He's done all of the work that he needs to do," John says. "He's ready for the driver's seat."

In recent years, John has been preparing Applied's employees for Casey's ascension to the presidency. "We have gotten him more involved in company meetings and in other ways to put him in front of our employees, to make that connection," he says. "Those are the things I love to do, but I've slowly given that up, because that's a way for him to show his leadership capacity."

Casey plans to continue with the various means by which John has connected with Applied employees. "I feel like the foundation has been laid," he says. "I need to continue the traditions, such as, for example, our 'Breakfast With the President' and all-company meetings — the things our employees expect. That allows a transition that is not a huge event, but just feels like business as usual."

With Casey's transition to the presidency, John emphasizes the importance of continuity in the strict adherence to the company's values, recommending other dealers do the same. The "biggest part of the transition" is to ensure the "set of values that you've instilled inside of the organization is not going to change; that it will live in perpetuation through the next generation," John says. "That is critically important. Never forget where you came from and always be able to talk about those values. Proactive leaders overmanage values. Passive leaders undermanage values."

Casey likewise offers advice regarding leadership transition. "Don't wait to have the conversation," he says, noting how, years ago, John started reviewing Applied's financials, strategy and business model with him. "It's easy to put that off, but then you are a couple of years down the road and you're like, 'I should have been doing that the past couple of years.' So, plan such conversations monthly or quarterly. Put them on your calendar."

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In addition, Casey advises the second generation to ask a lot of questions, as he did. "It was not to question my dad's decisions, but to understand why he made the decisions that he did," he says. "So, 'What was your mindset? What were the factors that came to mind?' A good example is if my dad saw something in the financials and said, 'Oh, we need to look at that.' My question was: 'What in your gut made you think that you need to look at that?'"

John offers some final advice for dealers looking to transition leadership. "Here in western Michigan, there are a lot of family businesses," he says. "There is an organization called the Family Business Alliance. That has led, for example, to the opportunity for us to hear from the owners of White Castle Systems and Gordon Food Services. Look for one of these organizations in your area and become a part of it. For us, it has been super helpful."

Capital Office Products

On April 1, 1997, Bill MacDonald's dealership, Capital Office Products Inc., based in Columbia, South Carolina, opened for business. Twenty-five years later, on April 1, 2022, he retired. Today, his daughter, Ashley Whisonant, serves as managing owner of Capital, a $3.5-million Canon-authorized dealership with approximately 15 employees.

Bill began his career as a technician at a Charlotte, North Carolina, dealership. He was later promoted to service manager at a branch location and, ultimately, to regional service manager for most of South Carolina and parts of Georgia. After IKON purchased the dealership, he decided it was time for a change, working at another dealership for two years while waiting for his non-compete to expire, before establishing Capital.

Fast forward 15 years. Ashley had taught fourth grade for seven years and was looking for a change. "I came in on the administration side, slowly working my way through the different positions," she says of her 10 years at Capital. "I started as an admin, later became office manager, started doing sales with major accounts, served as the administration manager and then as CFO."

Somewhere along the way, the two began talking about the idea of transitioning management of the dealership and providing Ashley part ownership. As it turns out, the primary catalyst for the timing of Bill's retirement was the COVID-19 pandemic. "COVID happened and we had a pause," he says. "We had less work and looked at that as the opportunity for the transition. I knew that when we came out of COVID, the 'copy world' was going to be different."

Bill also knew his daughter would be better suited to guide the company post-COVID. "I saw the writing on the wall," he says. "Ashley's vision was based on different ideas; she looked at things through a different lens. My lens was tried and true, but older."

Ashley's vision was diversification. "I saw a need to increase our offerings to do more in the IT space based on the needs of our customers," she says. "We went back and forth on this for a long time; that was not something he felt comfortable with, but he knew it had to be done. So, he helped me figure out how we could acquire a local IT company. A lot of smaller dealerships have not been able to keep going, because they aren't diversifying. The acquisition gave us another source of revenue to help us to continue growing."

Bill's retirement did not happen overnight. "Once you make the plan to transition from one generation to the next, you can't go from one figurehead to a totally different figurehead over a weekend," Ashley says. "It can't be: Bill is here on Friday and all of a sudden he retires and Ashley is now the boss starting Monday. That would not have worked well with our staff or our customers."

So, the decision was to taper down Bill's hours in the office over time. "Dad was at work five days a week, obviously, for his entire life," Ashley says. "Then, we went to four days a week for a couple of months. He then got down to three days a week. In his final days at the company, he would be gone for two weeks at a time. When he returned, he'd check in with me asking, 'What are some things that happened while I was gone? How did you handle them? Let's talk about them.' It was on-the-job training for me."

Ultimately, Bill took "tapering down" to the highest level. "My wife and I moved two-and-a-half hours away," he says. "That way, everybody realized that I wasn't in charge. In the beginning, some of the employees did reach out to me. I told them: ‘You’re talking to the wrong person. I don’t work there anymore. You need to talk to Ashley.’”

During the transition, prior to his departure, Bill worked to ensure that the accounts he managed were accepting of the change in leadership. “Dad started taking me with him to all of his accounts; people really liked that,” Ashley says. “I met all of his accounts and started working with them. He would copy me on emails to the accounts, so we were all connected.”

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Bill says the introduction of Ashley to the major accounts has been particularly fruitful. “She has taken some of those customers to different levels, selling them more services,” he says. “When she talks to a major-account customer, she’s not coming from a sales-rep perspective, which always comes across better. Our major accounts have flourished.”

What advice do they have for other dealers transitioning leadership from one generation to the next? Says Bill: “Prior to the transition, make sure the infrastructure — all of the processes in the way you do business — is in place. It should be solid.” Says Ashley: “Keep your dealership staff members in the know as much as possible. Don’t keep your transition plan a secret. It makes everybody feel more comfortable.”

Kraft Business Systems

In December of this year, Kraft Business Systems, headquartered in Grand Rapids, Michigan, will celebrate its 33rd anniversary. Jeff Cousins founded the company after working for another dealership for seven years. Now at about $15 million in annual revenues, Kraft has approximately 55 employees, two additional locations in metro Detroit and Traverse City, Michigan, and is an authorized dealership for Lexmark, Konica Minolta and Xerox. For the past 15 years, Kraft has also offered managed IT services.

Like the children of many office technology dealership owners, Jeff’s son, Brandon Cousins, had an early start in the dealership. “I have had a role in some capacity since cleaning bathrooms when I was a kid,” Brandon says. “When I turned about 15, I started doing deliveries with the service techs, and by the time I was about 17, after school I was in a truck, finishing the day doing deliveries for our service manager.”

After graduating from college, Brandon became a full-time employee at Kraft. “That was 18 years ago, so I’ve been here for a long time,” he says. He started in service dispatch and was later promoted to service manager and then vice president of service. “I had the opportunity to essentially grow up working alongside some of the guys in the service department.”

For the past two years, Brandon has served as vice president of operations. This fall, he assumed the presidency at Kraft. Jeff now serves as CEO and founder. “As the CEO and founder, my role today is to provide our team with a clear vision, articulate the compelling ‘why’ behind our chosen direction, and highlight the valuable benefits awaiting each team member. Alongside this, I continue to explore acquisition opportunities and forge high-level vendor partnerships, ensuring our collective journey remains both visionary and rewarding.”

The ascension of Brandon to the presidency and the continued concentration on the growth of the company were not always the expected outcome. “When I first opened Kraft, I wasn’t looking for a big expansion,” Jeff says. “The goal was to be home as much as I could, coach, and get my kids educated, through college and married. Then, my wife Patty and I would prepare for retirement.”

However, when Kraft joined the PRO Dealer Group, a BTA peer group, the plans changed. “We started to realize that we could build Kraft up, pushing hard for the next 10 years,” Jeff says. “Then, like everyone else, we would sell the dealership.”

It was Brandon’s vision for his own future that resulted in yet another change in plans. “Brandon came to me and said, ‘Dad, I want to buy the company, but I want to bring somebody in with me who has the background and understanding of the sales and marketing side,’” Jeff says. That “somebody” is Pat Morrissey, a longtime employee of Kraft and vice president of sales and marketing. “So, two years ago, we came up with a 10-year plan and it really makes sense. It became the next step in the evolution of Kraft.”

Today, Brandon and Pat each own 12.5% of Kraft and, over the next eight years, will together own 49%. “Candidly, this is a way to keep it in the family,” Jeff says. “In a way, Pat is treated like one of the family. He is a great guy. I couldn’t be more proud to have him as a partner.”

Increasingly, Jeff is finding that he can be away from Kraft during his multiyear transition to full retirement. “It’s all right with the new leadership for me to not be here every day as we proceed with this transition toward my retirement in the next eight years. The adjustment allows me to focus on other strategic aspects of our journey.”

The decision to keep Kraft in the family was well received by employees, Jeff says. He shares feedback from several employees who joined Kraft from other dealerships where there was no plan for the future that was unveiled to employees. "The message I got from them was, 'This is a big deal. There's a plan and we have a place to work for the next 10 to 15 years,'" he says. "Otherwise, they were going to be thinking, 'Oh man, I hope Jeff doesn't sell Kraft in the next five years.'"

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Kraft Business Systems

Brandon welcomes his dad's continued involvement in the coming years. "When we said, 'We want to buy Kraft,' at no point did we want him to go anywhere," he says. "We saw the next 10 years as an opportunity for his mentorship from his 30-plus years of experience. We want his know-how."

Despite the awareness that he would have received more money for the dealership from a third party, Jeff is very pleased that Brandon approached him about buying the dealership. "The real value for me lies in the ability to see this company continue for the next generation," he says. "I can't put a price on that blessing. I may never be able to say, 'I sold my company and got top dollar.' However, selfishly, this is what I wanted. I am blessed to have one of my kids want to stay in the business." ■

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