

## Often It's Not the Economy

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It may be surprising, but the likely reasons some dealers may not survive are only tangentially related to the economic crisis.

Often, a dealer's failure will have more to do with internal management than with external factors. The economy did not put Bill Heard dealership group out of business. Management did that.

The biggest blind spot most dealers face is on the financial front.

A good office operation starts and ends with the controller/office manager, who arguably is as instrumental to a dealership's success as the general sales manager. To keep operations on track, and to avoid financial failure, dealerships must recognize the central importance of this position.

Good controllers are instrumental in:

- Management of cash flows.
- Budgeting and forecasting.
- Fiscal discipline.
- Providing accessibility to financial information.
- Personnel management and legal compliance.
- Safeguarding of company assets.
- External relations (manufacturer, bank, insurance, government).

In tough economic times, good controllers work with sales and fixed operations to improve business, monitor vendor relationships, collect all open receivables and cut expenses where possible.

Many dealers believe that they have entrusted their financial operations to a skilled controller, without ever

having conducted an impartial performance review.

Evaluating a controller is a subjective exercise, and true validation can only be carried out by external means, even if you think your controller is the best.

Due to the nature of the business, dealers and controllers tend to develop close relationships that in time are primarily held together more by trust than by a judgment of skill or confidence.

Whether it be knowledge of lawsuits and compensation agreements, insight into personnel expenses or the ability to control finances, controllers often have the dealer over a barrel, and they become in essence "untouchable."

But these close relationships often end up costing dealers in the end. They may cost through embezzlement or negligence in the management of operations.

A bad controller:

Is unable to manage cash flows; will consistently overdraw bank accounts and tap all available lines of credit; and will cost the dealer extra fees and charges.

- Is unable to work with other profit generating departments to improve operations.
- Cannot control expenses or overtime.
- Cannot provide information or reports in a timely manner.
- Is unable to detect or mitigate internal personnel issues that may expose the store to lawsuits.
- Is unable to detect or deter embezzlement from occurring in different areas of the dealership.
- Is unable to maintain external relationship current (timely and accurate reporting).

I've visited stores where the controller becomes the primary reason transactions are killed.

Whether it's due to the condition of the books, the accuracy of reporting or the inability to cooperate with buyers, controllers can often play a central role in derailing a deal.

What's often most surprising, is that despite all the evidence of disservice, some dealers are not prepared to accept the reality regarding their controller. Some relationships simply run too strong and too deep to counter proper business sense.

In dealership buy-sell transactions, the quality of the controller will make the difference in hundreds of thousands of dollars to the bottom line of the transaction.

While many dealers currently may not have any plans to sell their businesses, this is as good as any opportunity to evaluate their back office. Otherwise, it could end up costing them their business one way or another.

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