

Guest column: Has your business reached a pivot point?



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By Frank Williamson

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Every business is launched with high hopes, but the reality is, the failure rate for new businesses is high.

According to the Small Business Association, only about half of new businesses survive for five years or longer, and only about a third make it past a full decade.

continued on next page

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Yet, for all the businesses that don't work, there are success stories where the owners of a failed enterprise pivoted to another promising idea — and struck gold. Take Twitter, which famously started life as a podcast subscription network called Odeo. Or consider Groupon, which originated as a “social good” fundraising website called The Point.

Pivoting to another business model isn't an easy decision. It takes a willingness to look at your current situation honestly and free of ego. After that, there's additional time and effort required to explore what your options look like. The process often starts with a simple question: Do I have a better idea worth pivoting to?

If you feel that your business has reached a dead end, and you have no particular ambitions for it other than staying solvent over the next three to five years, maybe it's time to look for other options.

By pivoting, you're choosing to take time and resources away from the main part of your business and putting them into an adjacent aspect that has potential. One of the biggest questions for owners in this situation is what to do with the business that you're pivoting away from.

You have three choices if you decide to pivot: Shut it down, sell it off, or let it run down gradually while causing as little distraction as possible.

Shutting it down is the quickest option, though the cost of doing that is not free. There's significant work involved in closing customer accounts, paying creditors, laying off staff, and canceling any registrations, permits, licenses, or business names. You'll also need to sell any business equipment and other tangible property. All of this takes time away from what should be your main focus — planning for the launch of your new business.

Selling the business — or salvaging some value by selling any intellectual property or items such as a client list — might put you in a better financial position as you move forward. However, you're likely going to be at a

continued on next page

disadvantage in negotiations, as buyers will be aware of your position and not inclined to pay a premium. You need to look at whether there's a realistic chance of selling your business in the marketplace, and if so, whether the terms are worth the effort involved.

Your last option is to simply mothball the unsuccessful parts of your business — that is, to leave them around to wind down naturally while putting in the absolute minimum amount of effort, keeping them from intruding on the direction you want to focus on.

A recent client of ours faced this decision with their product, a health care app for smartphones that didn't bring in revenue as quickly as they had hoped. They had the opportunity to build another product serving the financial services industry, which appeared to have greater legs.

We helped them try to get rid of the first product by selling it, but they concluded that the cost of getting the deal done was not worth the effort. They ultimately decided to let it continue running and peter out on its own naturally.

Although business owners can achieve a pivot by pulling the plug on a business and pursuing a completely different model, they should also consider whether there are ways to reinvigorate their business through a strategic acquisition.

We once worked with an email marketing company with a niche specialty: working with doctors to make sure clients were keeping up with prescription medicines. The company was successful until one of its suppliers, a pharmacy that packed and shipped medicines, went bankrupt.

Although they had the option of simply finding another supplier, they instead made the decision to buy the division of their supplier that they relied on — essentially transforming themselves from an email marketing company to a mail-order pharmacy.

continued on next page

Guest column: Has your business reached a pivot point? continued

While this put them in a different business than they had run before, they found this option attractive because the business had greater scalability, and they had the ability to better control their fate.

Almost every business, even the successful ones, reaches a point where it has to prune or revise its services or products. By pausing to understand all your options — even those that might have previously seemed unattainable — business owners can confidently move forward into the next phase of their journey.

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