

## Before Selling Your ‘Lifestyle Business,’ Consider Other Options



Being a business owner doesn't have to mean that work takes over your life. Some entrepreneurs make their businesses simple by design, deliberately avoiding growth in favor of creating a well-oiled machine that delivers them enough income to pursue the lifestyle they desire.

But few owners of these so-called “lifestyle businesses” could have anticipated how the COVID-19 pandemic would disrupt their well-laid plans. During 2020, the shift in the economy put many businesses’ futures in real jeopardy, forcing their owners to work long hours to keep them afloat.

As we emerge from this challenging period, many business owners are ready for a change that could include a sale — after all, if a “lifestyle business” isn't giving you the lifestyle you want, it might not be the right fit for you. However, if a person's goal is simply to rebalance their responsibilities and increase their free time, there are advantages to continuing on in a mostly symbolic role. Among them is an ongoing source of income that can provide financial freedom for one's family.

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Before deciding to sell, it's worth looking at the pros and cons of the alternatives available:

### **1. Finding a successor**

Transitioning out of a leadership role in your company can be a fairly smooth process if you have a talented employee who's capable of taking over. They'll have the benefit of institutional knowledge of the business, as well as the accumulated trust and respect of their coworkers and clients.

If you don't have an existing employee with the right set of skills, you might have to look outside the company for a successor, which can take longer and have a higher probability of running into complications along the way. You would want to hire this person for a key role that allows you to essentially audition them, but doing so might require creating an entirely new position, which not all small companies can afford. In addition, if the employee doesn't know they're being eyed to eventually take over your spot, they might leave for another job that offers them faster upward mobility. The process of hiring and grooming a successor can take between three and five years on average, which is a long period of time to wait if you want to achieve a more relaxed lifestyle as soon as possible.

You might also consider hiring a new employee who understands from the outset that they'll eventually replace you. This could be done in tandem with establishing a board of directors who the person would answer to. While there is a bit more certainty when everyone involved understands the long-term plan, the successor could still decide to pursue another opportunity, putting you back at square one.

### **2. Making your business smaller**

Another way to make your leadership responsibilities more manageable is to intentionally make your business smaller. Accomplishing this means cutting back every aspect of your organization, from your client list to your staff to your other overhead expenses, such as rental of an office space. One of the most difficult parts of this route is letting go of valuable, dedicated employees, some who may have been with you for many years.

While whittling down your client list to a smaller number of major accounts can reduce the amount of work that needs to be done, it also makes each client much more vital. When you're a large company and you lose one client, it's usually not a big deal and you remain profitable. But if you're a small company and you lose one client, a relaxed lifestyle might be difficult to achieve until you replace that missing income.

### **3. Contemplating a sale**

If you've given serious thought to these alternatives and still want to move forward with a sale of your business, the next step is to consider what type of buyer might be best prepared to continue growing what you've started. Perhaps it's a person early in their career looking to take the next step of running their own business. Or it could be an investment group that teams with an experienced executive to handle day-to-day management duties. Industry competitors or even clients might also see an advantage to expanding through an acquisition.

In their fervor to sell, some business owners might take the first offer they receive, which often results in a less-than-ideal match. A professional advisor can provide a sounding board for sellers' concerns, pose important questions and make connections with potential deal partners.

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## **One real-life example**

During 2020, the hotel industry was one of the hardest-hit areas of the economy as travel temporarily ground to a halt. Looking at an uncertain future, many business owners understandably started thinking about making a career change.

My firm worked with two partners in the hotel industry who had decided that they wanted to move from ownership into hotel investment. They wanted to relieve themselves of the pressures of their current business and achieve a more relaxed lifestyle while continuing to have financial stability.

We supported them through the process of structuring the sale of their business, evaluating and negotiating with potential buyers, and finalizing a transaction with a large standalone hotel management company. By sensing an opportunity and pursuing it during a favorable time for sellers, these business owners managed to seamlessly transition into a new chapter of their careers that will give them the freedom they desire.

The past year has caused many of us to reevaluate our life goals. If you've come to the conclusion that you want to step down from an active role in your business, or sell it to pursue a new opportunity, consider how you can start taking steps to achieve that.



Frank Williamson is the founder of Oaklyn Consulting, a consulting firm that helps investor groups and private businesses, from startup to middle market, with mergers, acquisitions, capital-raising, investor relations, succession and other strategic corporate finance decisions. Oaklyn Consulting does not work as a broker but as an extension of clients' boards and management teams, charging time-based fees for investment banking advice.

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