

Steve's Story: One of great success and then crash, it all dies on the vine.

This is for selling my business.

And it's about two small business owners. Let's meet Steve and then Craig. What can we learn.

Which one is you, Steve or Craig?

Steve had a very successful family business built up over a period of about 30 years and was looking forward to an active retirement but it all went downhill very quickly.

And we can learn lessons from this.

So, what's his story? And what can we learn?

Steve, have a university degree and went off like most people in the 70's to work for somebody else. Soon, however, he wanted to branch out and create his own business. And with his great now practical knowledge, a lot of energy and effort and help from his wife, set up a small manufacturing business.

With a lot of blood, sweat and tears, this slowly grew over a period of 25 years to becoming a successful family orientated manufacturing and distribution business. His three children, two of which graduated from university and went off to create their own successful professional careers where the light of his life. Meanwhile the youngest, also after university, came to work in the family business and became a very key part of its growth and management. In addition, his wife who started out helping on the administration side, stayed with the business and became a key part of financing and financial management.

Steve worked on the technical and marketing, where his knowledge was very effective.

I first met Steve and his family in very early 2000's and went to work for them for some two and a half years.

At that time, Steve was in his early 60s and his wife was suggesting that they should sell, retire and enjoy an active retirement. They have worked so hard for so long, and they thought, well at least she thought it would be a great idea. The business was and had provided a very substantial income and lifestyle (holiday home, boat, international travel). Nonetheless, Steve's passion for his business,

his “baby”, if you will, was so well engrained that he resisted quite strongly, any form of early retirement and maximising their time together.

We all aspire to having a long and healthy, enjoyable retirement as the reward for all those long work nights, weekends and missing the kids growing up. Its often a heavy cost on the family, that is due for positive reset later on in life. Don't do the same to the grandkids and miss them too.

Steve was quite a passionate sailor, a very keen gardener and enjoyed some travel. Perhaps not as much as his wife, but nonetheless, they would like to travel together.

After some 10 years away from the business, but having kept in touch I returned as requested, to help them carry out some changes. In the year and a half, I was there, Steve's wife asked me again, (and again) to try to persuade Steve, that they really need to retire. Though now, in their mid-70s, and although were both quite well, time and opportunities are slipping by too quickly.

They had already built up the business; they had good financial assets outside of the business and enough resources within to receive a very good price. Then go and enjoy a well-funded retirement.

Eventually, after some considerable pressure from Steve's wife (and a few close friends) and some quite complex feelings and discussions: it came down to it's either me (wife) or the boat. Steve finally agreed to sell the business and it was put on the market.

An “interested” buyer was found, however it was evident that the prospective buyer was in a now “buyer's” market and so held out for a much lower price than could have been had in more relaxed situation. Ten fraught months of hagggle and worry followed till the (bad) deal was finally done.

By this time (after first thinking of selling some 10 years earlier) the business had lost quite a lot of energy, had drifted along and no business investment undertaken. The staff knew this, customers soon became aware of it and a few drifted away. And it wasn't quite as active or as profitable or as forward looking as it had been five or 10 years before. Back then was probably the ideal time to sell and not to have to sell at a knock down price and with some timing and family pressures forcing it to be done.

(If only politicians knew when to retire when at the top of their game, also!)

Then some two years after the deal was closed, I got the dreaded news that Steve had succumbed to a medical condition. And of course, his “wonderful” retirement with family and grandkids was no more. His family was devastated as one can imagine. And all that hard work over all those years turned out to be taken from them all. It could have been enjoyed so much more, had they taken a more planned retirement programme, such as some 10 years or so earlier. Steve could have easily retired and enjoyed so much extra time together, with the growing family, building memories and fun, as they had all wanted to do for so long. But that darned business was so “important”.

The lesson we can learn from this unfortunate situation is that there was a very good business with plenty of assets that could have realised a really good price. This some 10 or so years before was finally sold. And the owners could have enjoyed a much longer, more adventure orientated and healthy retirement together. Now, all of that has faded completely and is no longer reality.

We should as small business owners recognise, that the best time to get out is when you're really enjoying the business rather than waiting until you are forced out through circumstances beyond your immediate control.

And this is something that I have thought about several times. And in fact, I have noted in a couple of other business friends have taken this more pragmatic and forward-thinking approach. But it's hard. Why would you give up your business when it's thriving, you're still full of energy, you still have a vision, and you can still see a future. BUT let us take note of the situation and get a good sale now and our terms, not the buyers!

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Craigs Business story is a little different.

One of doing it for a lengthier retirement filled with those pent-up desires.

I have outlined what happened to Steve and his family business. So let's look at Craig. And what did he do?

He started in a family business back in the early 70s. And over a period of some 20 years, grew through the ranks from the very bottom to become second in charge. Quite an achievement, but quite common in many family-owned businesses. At the time the owner wanted to retire Craig got to think well and hard about his future. Did he want to stay there for another 20 years and have a 40-year career in one business. Or to do something entirely different.

In the end, he decided to do something entirely different and went off to try some different business ideas. He had a good skill set and, in those days, (1990's) was easy to start up a different sort of business. And he got involved in several different marketing concepts. Some of which didn't work, some of which did work. He learned a lot about having a vision of a business, ideas of developing it, then having the commitment and then sticking with it until it was successful or not.

Later on, after some 10 years of this, he got an opportunity to start a new business and another country.

Thus, he commenced a small business that was an importer and distributor within the building industry. This had been part of his previous background. And so, it was not a huge learning curve. Although in that country, things were the different, but manageable and over the next 8 years the business built up to the point where he was able to employ another person. When Craig got to his early 60s, he realised that would be time to think about retiring from the business, but also going and doing some of the things that he had dreamt of doing throughout his working life.

The question was how to make this happen.

Simply put he approached his employee and said, would he be interested in taking over the business thinking he had some eight or nine years within it? He was a good, tidy and proficient employee. The employee said yes, but he had no money to buy it.

So, a deal was put together, where Craig could keep the business and the directorship, while slowly increasing the shareholding of his employee over a period of 10 years. The ownership of the business gradually changed. Craig of course would be able to help out as and when needed. But his employee was ready to gradually take over everything. And this worked very well because Craig was still able to draw directors, fees and a salary, still had an engaging time within the business. But on the other hand, time to pursue interests that he wanted to carry out during his active late 60s and into his early 70s.

This was a very fortuitous situation and as one that often is overlooked. Fortunately, this option worked and still works very well. And after nearly eight years of this transition Craig almost completely out of the business. However, he is available on occasions when required or as a sounding board for new ideas.

The story here is to think about your retirement and what your plans are. And before it's too late. Then make some plans of how to transition from your full-time job as a business owner, into carrying out your retirement, recreational or travel or hobby ideas.

A transition also is very helpful in that you gradually dis attach yourself with a business and the new owner or employee who is taking over gradually takes over more responsibility. Of course, a great deal of trust is required on both sides of the setup so it can work and work extremely effectively.

The idea of stopping work on one day and starting your retirement plans on the next day to me is a bit too difficult to comprehend but this gradual transition may be over a five-year period or a 10-year period is much more conducive to good mental health, maintaining an interest in business and also allowing one to develop or enjoy recreational, hobby or retirement plans. I can thoroughly recommend this approach and in comparison, to what you read about Steve. It certainly is much more enjoyable and much more relaxing and much healthier.

The question is are you a Steve or Craig?