UBS

Before the deal is done

The sale of a business is life-changing so why do so few entrepreneurs prepare for the world beyond work?

After completion of the sale of a business, entrepreneurs can find themselves faced with the prospect of a completely different life – sometimes literally overnight. Alongside this ground-shaking change, regular payments from their business may have abruptly transformed (if the sale goes to plan) into a large, single pot of money.

Given that research shows only 7% of businesses offered for sale attract a buyer, it's understandable that many owners devote attention to deriving best value at point of sale, or indeed achieving a sale at all.

But this single-minded focus means many owners fail to sit back and take a view of how their lives will look, financially and otherwise, after they exit.

Don't bury your head in the sand

This surprising trend could be explained by a reluctance to succumb to hubris.

"People get nervous even thinking about life after exit – they don't want to jinx it," says Ashley Coombes, a UBS Wealth Management adviser who works closely with wealthy entrepreneurs.

"Entrepreneurs tell us they don't have the time to sit down and consider what they are going to do after exit. Yet, if only they made the time, many could save themselves a lot of money in tax bills, and certainly some considerable angst.

"These are people who would never bury their heads in the sand over a problem in their business. Yet the sale is an extension – or even the culmination – of their business life.

"They should be planning in advance of, and then in tandem with, any deal they are structuring for their exit, to ensure they don't commit to anything legally binding which doesn't reflect their ultimate goals."

Don't go on working for the business

Coombes adds that, if possible, owners should avoid staying on or contributing to the business after exit, or keep the transition period as short as they can.

UBS Wealth Management and E2Exchange: Entrepreneur to Entrepreneur Exchange, recently conducted research on typical post-exit experiences with leading entrepreneurs.

What became apparent from their interviews with high profile businesspeople such as Lara Morgan is that this is an area where businesspeople often get caught unawares.

After selling her business Pacific Direct, Morgan agreed to continue working there while a replacement CEO was sought. "It was pretty challenging, because I was still putting my business first and, in fact, it wasn't my business," Morgan recalls. "In the end, I was removed from the board - which is quite classic, quite emotional."

Even an apparently amicable post-sale arrangement may not be what it appears. E2Exchange member Dinesh Dhamija found it "a shock" to discover that his presence was not in fact required for a short-term contract with the new owners of his firm, Ebookers. "They just wanted me tied up for nine months," he explains.

Manage your team's expectations

If a firm's founder experiences turmoil on exit, the same could be said for the team they're leaving behind. Many employees have given no thought to the ultimate exit of their boss; some may be resentful.

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When William Chase sold his Tyrrells crisp company, he fought for the best possible terms and conditions for staff under new owners Langhom Private Equity.

“It was a huge culture shock for the staff – many felt that I had deserted them and the company,” says Chase. “In a small business like that, there’s more team spirit and everybody sees themselves as working for the owner, not the company.”

The solution is good communication with employees over the reason for a sale, he adds. “When I sold Tyrrells, I was doing everything – production director, sales director, and more. You need people to understand this level of commitment is unsustainable, and that the business has to move on if it’s to grow.”

Similarly, when fellow E2Exchange member Munir Samji sold Blitz Communications, he was careful to ensure his staff would reap some reward. “I made sure all of the management team had some shares,” Samji says. “Just before the sale, every single member of staff also received shares, so they all benefited.”

Arranging advice sessions on basic issues such as savings, trusts and wills can support colleagues in handling their windfalls – and help to earn goodwill and smooth relationships during the difficult exit process.

So don’t assume you’ll simply ride off into the sunset once you have signed on the dotted line. Forming a clear view of your life post-exit should be a major part of your long-term business planning.

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