

Why I Got into Business Ownership Transition Advisory

Key Points

- I searched for a business to buy and learnt that few business owners are getting the support they need to ready their business for transition
- There are plenty of advisors available for tax, financial planning, and brokering a sale, but very few specializing in preparing a business, and its owner, for transition
- Business owners face many challenges when transitioning their business. For example, they are often deeply entwined in their business, making it difficult to transition, as it's not easy to transfer relationships and knowledge to a new owner
- Owners need to consider the impact exiting their business will have to their life

The Search

Growing up on a large sheep farm in New Zealand I learned how rewarding hard work and sacrifice can be when you watch something that is yours grow. My parents also showed me how to 'step back' from operating a business to 'look at the big picture', with ongoing investment in growth and innovation.

Despite my connection to agriculture, I decided not to pursue farming and built my career in cities – first in New Zealand and then Canada – with a mix of agriculture and other industries. I worked in corporate roles but knew that one day I would own and operate my own business. After gaining experience improving and growing businesses with others, I decided it was time to find my own business to operate.

In 2016 I started my search for a business. It was a steep learning curve, but I enjoyed meeting a variety of interesting people, deeply analysing businesses and industries, and trying to find a good match for my knowledge and interests. It wasn't easy, and I evolved it over time, but from it came the desire to support business owners on succession planning

Learning About Transitioning Businesses

During my search I saw and learned a lot, which made me realise exiting a business isn't easy:

1. Often owners are forced to exit their business quickly: unforeseen events, such as health challenges or family circumstances, cause a quick exit. If no transition plan is in place, this can result in poor transitions and loss of value. In some cases, businesses cease operations
2. Retirement plans are at risk: many business owners rely on the sale of their business to fund retirement but estimate prices as there is limited information on the value of private businesses

3. Some owners aren't personally prepared for the sale of their business: They may dream of a stress-free retirement, but it can be hard to give up such a large part of their identity
4. It can be a long and frustrating process: business owners will spend substantial time on a business transition, while still needing to maintain their business
5. Many business owners are deeply entwined with their business: this makes it difficult to replace them with a new owner. Buyers prefer a business with an independent management team or a clear path to transition all knowledge, relationships, and other key aspects
6. When selling to external parties, businesses properly prepared for sale generally get multiple offers and higher valuations. Unfortunately, only a small percentage are prepared, and valuations can vary widely between a seller and a buyer
7. It's expensive transitioning a business: this is both a financial cost and a considerable time investment
8. Most business owners are not getting the specialised advice they need to prepare themselves and their business for sale, resulting in a stressful sales process and lost value

Why Sheepdog Strategies

Seeing how common it was for business owners to have so many challenges when transitioning their business made it apparent that most business owners aren't getting all the advice they need. Instead of attempting to transition a business with minor changes to try to make it more appealing to buyers, it seemed that a more comprehensive overhaul was needed in many cases.

Seeing the gap in the market for good advice on preparing businesses for sale I wondered if I could do something differently. While discussing these challenges with Anna in late 2017 we both saw the opportunity to help business owners, motivating us to jointly form Sheepdog Succession.

We realized that with proper planning, business owners could have a smoother transition and maximize the value of their businesses. This starts with determining the owner's objectives around exiting and the future of their business, from which everything else flows. This includes identifying the type of buyer and adapting the business to smooth the transition and/or maximize its value. My experience in trying to buy a business has prepared me for how to guide this process and ask the questions that need to be answered.

About the Author

Alastair grew up on a large sheep farm in New Zealand and has spent much of his career in the agricultural sector. His career has focused on improving businesses, including over 3 years as a management consultant in Deloitte's Strategy and Operations practice. Alastair spent 18 months searching for a small business to buy and operate, and quickly saw the significant challenges facing business owners transitioning their business. Through Sheepdog Strategies, Alastair's aim is to improve the experience of business owners of agricultural businesses planning a transition.