

LIFE AFTER A BUSINESS EXIT

WHAT EVERY ENTREPRENEUR NEEDS TO KNOW ABOUT
THE REALITY OF LIFE AFTER SELLING THEIR BUSINESS





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INTRODUCTION

For any entrepreneur, the successful sale of their first business will represent a crowning achievement in their career.

The reward, after all the sacrifice and hard work involved in getting to that point, is a unique opportunity to use your wealth and free time however you choose and do something completely new.

However, after the post-deal celebrations and holidays are over, answering the question of precisely what happens next is tougher than many anticipate.

That's partly because, of all the stages in the entrepreneur's journey, what comes next after a successful business sale receives comparatively little attention.

It's also because every entrepreneur has their own ambition and interests, and their life stage and wealth will play an important part.

We have worked with many entrepreneurs before and after their business sales. So we know that confronting the decision of "what next?" is a lot easier when you can draw on the experience of others.

This report will give you precisely that knowledge so that when the time comes to contemplate your life after exit, you can understand how the choices you'll have might play out for you. We hope you find the stories and insight helpful.





A STEP INTO THE UNKNOWN

WHY DO WE KNOW SO LITTLE ABOUT LIFE AFTER EXIT?

Looking in from the outside, countless people lust after the lifestyle of the post-exit entrepreneur. One day you are doing what you have done for years, working hard and focusing on keeping the business on track; the next day you wake up and the financial reward of all your effort is sitting in a bank account. You have the wealth, time and freedom to do whatever you choose.

For every entrepreneur who experiences this moment, it will define the next stage of their life as much as the original act of starting a business.

While much is written about the trials and tribulations of entrepreneurs as they grow their businesses, little attention is given to how entrepreneurs live through this next phase of their entrepreneurial career.

The fact is that for all but the most high-profile entrepreneurs, the business exit happens under the radar of publicity. As a trade buyer or management team quietly takes over, some entrepreneurs slip quietly away into the shadows to start a new stage of their life.

So what exactly does happen next? Where do these entrepreneurs go? And what do they do?

That is the subject of this report. We look at how entrepreneurs manage to balance the opportunity which a successful business exit presents, with the challenge of crafting their life away from the business which likely defined them.

In the sections that follow we explore how entrepreneurs' experiences after exit measure up to their expectations, what motivates the choices they make, and how easy it is to leave your business behind in favour of a new career.





READY OR NOT

THE ROLE OF ADVICE

For all the opportunity to follow new passions, one of the big surprises for entrepreneurs is how challenging it is to fit that into a sustainable and rewarding lifestyle.

It would be naïve for every entrepreneur to try to map out precisely how life after the business sale will unfold. Yet it is clear from our research that thinking ahead, forming ideas and getting advice can all help ensure any ideas you may have are realistic and ease the transition.

PLANNING FOR LIFESTYLE

Of course, putting concrete plans in place won't suit every entrepreneur: around half who sold-up said they had no regrets about having no plan in place for their post-exit life.

This reflects the approach that is typically recommended to entrepreneur clients: take time out and recharge mentally and physically before making any big decisions.

But for an equal number, planning is important and around 40% of those who went into their sale with no plans said they regretted not doing more.

For many of the entrepreneurs we interviewed for our research, it was the sudden transition from a demanding business environment or the intensity of a deal to a new lifestyle post-deal that they found challenging.

Dan Gill is the founder of double glazing business Window Widgets which he sold in 2016. He said that although he had deliberately planned to take time out after the deal, he wasn't prepared for the transition.

“Between selling up and finally being free to leave it all behind I had to stay on in my business. That was still a busy time and I'd wake up every morning with a full inbox and something to stimulate me.

When I left and all of that was gone I was left with a diary which was completely empty apart from a date for a play date for my son in two weeks' time. Some people may be able to completely switch off but moving from one extreme to another like that was hard. I think you have to have some idea of what you want to do.”

So although it's critical to focus on the business, the deal, and delivering any earn-out, there are a number of steps every entrepreneur can take to ensure their transition to a new lifestyle post deal is as smooth as possible.

FINANCIAL PLANNING

One area which many entrepreneurs tend to neglect is the area of wealth and financial planning.

The biggest factor which will dictate the lifestyle you can choose after a business exit is the extent of the wealth you have built up pre-and post-deal. Despite this, surprisingly few prioritise getting wealth management advice around the time of a sale or even having some sort of personal financial plan in place.

For Peter Laithwaite, getting wealth management advice after the sale of his medical services business, R&R Medical group in 2013, was key to his subsequent lifestyle post-exit.

“When I sold-up I wanted to keep our money safe for the family but also still be in a position to invest and back attractive opportunities when I saw them. It’s because of the advice I received around the time of the deal and since then that I have been able to do that. I can’t understand why anyone wouldn’t do the same.”

Given that not every entrepreneur that sells their business will generate enough wealth from their sale to retire – just over half of those who have yet to sell up say they will have to go on working post-deal – it seems clear that this is an area any entrepreneur should focus on before they sell up.

THE RESEARCH AT A GLANCE:

HOW SHOULD YOU PLAN FOR AN EXIT?

64%



Most entrepreneurs say they know what they want to do after they sell up
64% say they have a clear idea

26%



But the majority of entrepreneurs don't make plans for life after exit
just 26% said having plans in place was important to them before they sold

40%



A significant minority of those who had no post-exit plans regret it
some 40% wish they had done more

26%



Every entrepreneur should have a long term plan for what they want to do
say a quarter of entrepreneurs (26%)

EXIT INSIGHT

YOU'RE STILL THE SAME PERSON AFTER A BUSINESS SALE



For Peter Laithwaite, one of the surprises after selling his medical services business R&R Medical Group in 2013, was how little his motivation for business changed after the deal.

“When I sold R&R Medical we had already been doing well so apart from feeling like a dark cloud passed once the transaction was complete and the earn out was over with, I can honestly say that not much changed in my life.

I had money in the bank and I knew I had provided lifetime financial security for my family. But I was still the same person with the same motivation to roll my sleeves up and get stuck into doing things.

That’s because it has always been like that for me. I left school at 16 and there has never been a time in my career when I haven’t been thinking about a new opportunity or doing something in business.

That experience has given me the confidence to keep on going and enjoyment of what I do. I’ve had numerous businesses – some successes, and some not successful. I have learnt from the failures more so than the successes.

I still have an entrepreneurial appetite now, running two businesses and doing angel investments. Having been through the whole journey – start-ups, acquisitions, mergers and disposal – I still enjoy it and like keeping my brain active.”

THE HIDDEN CHALLENGES

EXPECTATIONS VERSUS REALITY

When it comes to life after exit, entrepreneurs have high expectations about what that life will bring. The vast majority expect a lifestyle which is at least as fulfilling as the one they had running their own business. For the most part, life post-exit delivers on that expectation.

But although nearly all entrepreneurs (84%) end up satisfied with their life post-exit, many underestimate how hard it can be to get to that point. In our research we found five common themes which take entrepreneurs by surprise in their post-exit careers.



1.

YOU'LL MAKE A LOT OF MISTAKES

For entrepreneurs looking ahead at life after exit, one of the main misconceptions is that when they go to try new things, they will succeed.

Dr Paul Atherton, who sold his first technology business Queensgate Instruments in 2000 says it is important not to let money or past success distort the way you think.

“The warning I would have for anyone who sells up is to beware the effect of hubris. You will think when you’ve sold this business and made all this money that you can walk on water but you don’t. You will still get things wrong and it is only by being as humble as you were when you started out that you’ll succeed again.”

The experience of our entrepreneurs shows that in life after exit you need to be prepared to accept more failure, and to a much greater extent than they thought beforehand.

2.

YOUR ATTITUDE TO RISK WILL CHANGE

A second area which changes before and after a business sale is an entrepreneur’s attitude to risk. While there is still a hunger to invest, get involved in new businesses or generate wealth in other ways, many are more cautious in their outlook post-deal.

Chris Gately, who exited automotive business Multipart in 2011, reflects the view of many who choose to preserve, rather than risk, their wealth post-deal.

“I sold my business when I was 49 and when I sold-up, someone asked me if I was going to put the money into a new venture. I said no because I had worked hard and realised I had been lucky to be in the right business at the right moment when someone wanted to buy it. So I wasn’t going to risk it all again. I have chosen to park my money and focus on a career where I don’t need to use it.”

For every entrepreneur, the decision around the extent to which they want to put money at risk will have the biggest bearing on their career and options post-exit.

3.

IT’S HARDER THAN YOU THINK TO WALK AWAY FROM BUSINESS ENTIRELY

For the majority of entrepreneurs, involvement in business in some way – as an investor, adviser or in a more hands-on role – will figure highly in their life post-exit. However, this desire to stay involved with a business after selling up is much more powerful than they anticipate before the deal, with around 60% saying it is harder than they thought to walk away.

Michael Sharples, owner of student accommodation provider Crosslane and a serial entrepreneur, believes that most people should be able to anticipate this before they sell up.

“Most entrepreneurs will realise if they are honest with themselves that the reason they have been successful and got to the point of selling a business is because of a passion for building something and doing something you feel proud of. That never really goes away so although some might be able to replace that passion with something new – such as charity or philanthropic work – many always come back to business because that is the kind of animal they are as entrepreneurs.”

4.

IT WILL TAKE LONGER THAN
YOU THINK TO ESTABLISH
YOUR LIFE AFTER EXIT

One area that nearly all entrepreneurs dramatically underestimate is the amount of time it takes to settle into a lifestyle which they find satisfying. While before a deal there is an expectation from most (57%) that this will take less than a year, the reality is it will most likely take between one to four.

Dr Paul Atherton now focuses his efforts on being an investing chairman, specialising in technology as well as lecturing at London Business School. Settling on this post-exit career is something which took time and experimentation.

“After I went through my first deal I did a lot of things because I wasn’t sure what to do. I made lots of stupid investments and then at a certain point I decided it wasn’t working and found a new model. But even then it took two and a half years to find something sustainable, that worked for me and now I have been doing that for 15 years. I would advise any entrepreneur to try new things, to be patient but also to be honest with themselves as to whether what they are doing is really working for them.”

5.

FINDING A SATISFYING LIFESTYLE
WILL BE MORE CHALLENGING
THAN YOU THINK

As well as underestimating the time taken to establish their post-exit lifestyle, entrepreneurs are also unprepared for how challenging it will be. Before they sell up, half expect the transition to be easy. Once the deal is done, a third say it was much harder than expected to find a satisfying focus to their lives. Only a quarter found it easy.

According to Paul Lindley, who sold baby food business Ella’s Kitchen in 2013, the main challenge lies in finding what motivates you once you’ve left your business behind.

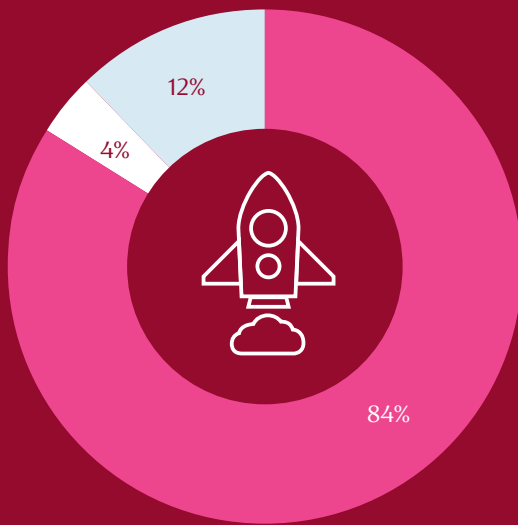
“When you emerge from building a business and have earned a sum of money, the things that motivate you will be quite different. Part of that is because you don’t really know who you are so it will take some time to work out what you really want to do. As well as taking time, you have to accept that it probably means spending money to figure things out. So be prepared for the fact around 10% of what you earn from the deal you may end up writing off. You’ll make mistakes and it is a process that you can’t force. I am four years into my life after exit and I just about think I have worked it out.”

THE RESEARCH AT A GLANCE:

PERCEPTIONS AND REALITY OF LIFE AFTER A DEAL

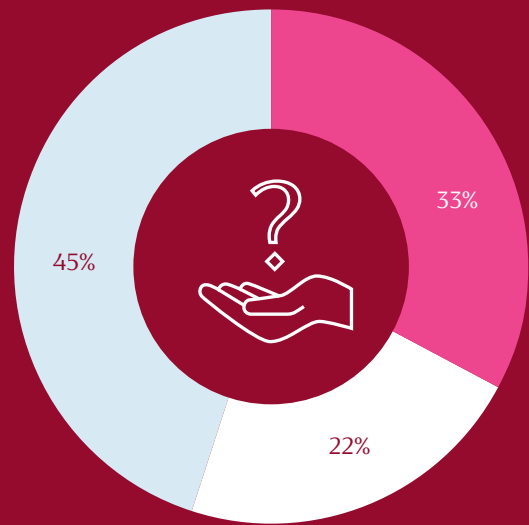
Nearly all entrepreneurs end up with a satisfying lifestyle once they have sold up and it is frequently more fulfilling than when they ran a business.

Are you satisfied with your post-exit lifestyle?



● Yes ● No ● Somewhat

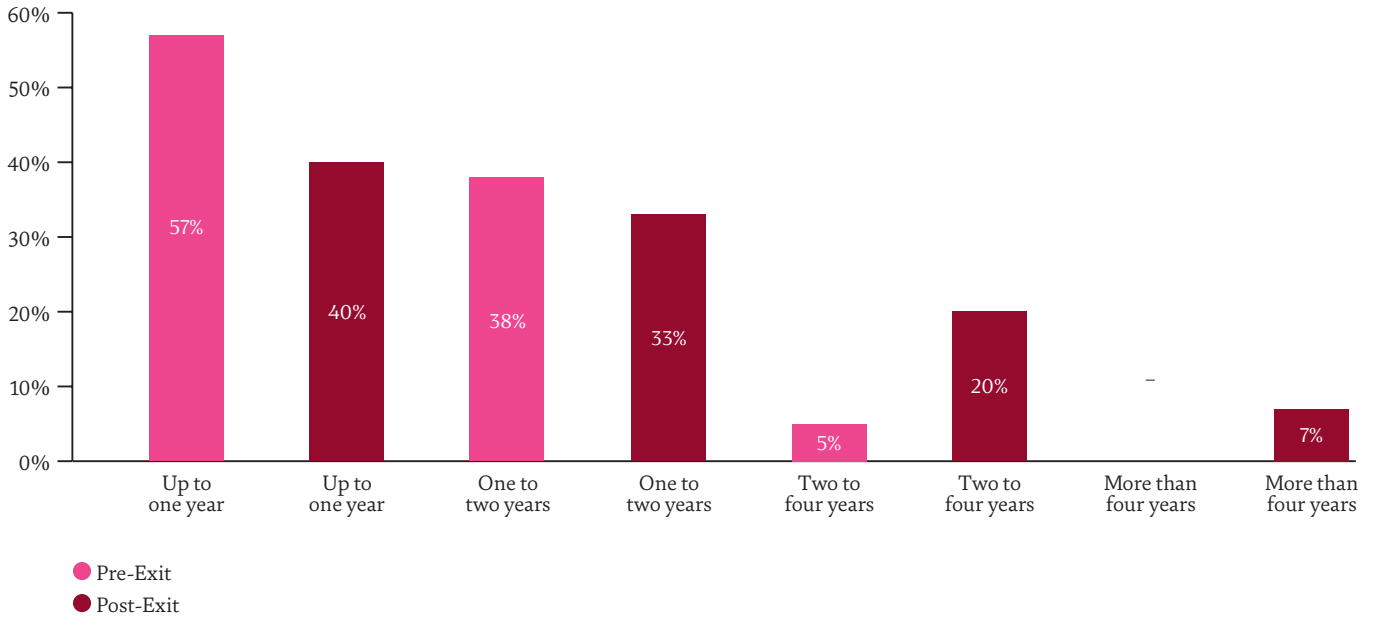
Compared to your lifestyle pre-exit how satisfied are you now?



● More satisfied ● Less satisfied ● Unchanged/same

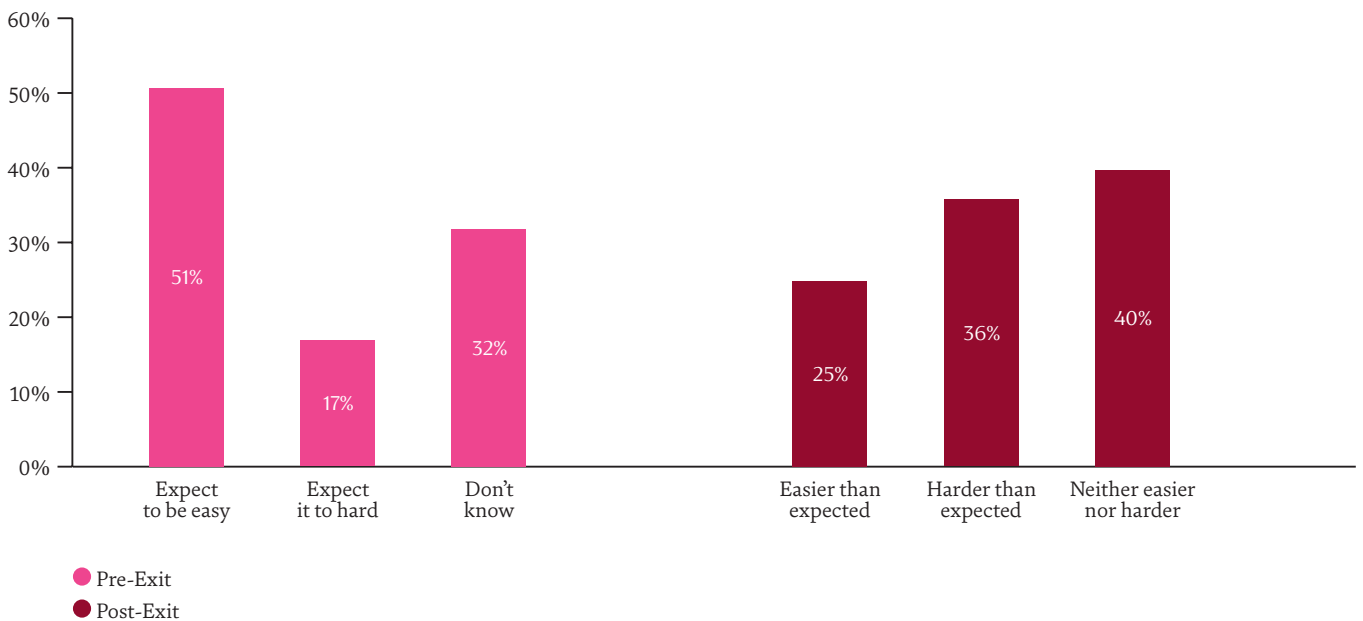
IT CAN TAKE A LONG TIME TO SETTLE ON THE RIGHT BALANCE OF ACTIVITIES POST-DEAL...

How long does it take to settle into a lifestyle that you find satisfying?



...AND FINDING THE RIGHT LIFESTYLE IS MORE CHALLENGING THAN MANY ANTICIPATE

How challenging do you expect it to be to build a fulfilling life post-exit?





UNDERSTANDING WHAT IT TAKES TO THRIVE

THE KEY DRIVERS OF A SUCCESSFUL LIFESTYLE

One of the main things that entrepreneurs come to realise in their life after exit is that much of the satisfaction comes from building a portfolio of activities rather than concentrating just on one thing.

And despite the lack of detailed planning and forethought about precisely what they will do, our research found that what entrepreneurs envisage doing and how they end up spending their time are largely consistent.

While many more retire than they had anticipated and far fewer set up new businesses, the common theme for life after exit is one of experimentation and taking the opportunity to try a range of things. Regardless of the shape of that portfolio, through in-depth conversations with our panel of entrepreneurs we found that understanding and managing four common areas are key to the success and enjoyment of life after exit.

1.

YOUR EXPERTISE: FOCUSING ON WHAT YOU CAN DO WELL

The opportunity to break with the past and try something completely new is one of the most attractive parts of life after exit. However, most entrepreneurs who sell up will find it is the expertise and reputation they have from their past business activity which are valued most and will provide them with the best opportunities after they have sold-up.

Since selling facilities management business Covion in 2007, Frank Rodriguez has built up a wide-ranging portfolio of interests. He says being focused on what you can do well is key to making the right choices about what you do.

“Once you have sold-up you get approached by a lot of people and it is very easy to pick the wrong opportunities. It’s particularly easy to think that just because you were successful once you can try anything and succeed. Some people might be lucky but the people I see do well are the ones who have niche and differentiation, knowing where they can add value.”

2.

YOUR NETWORK: THE SOURCE OF NEW OPPORTUNITY AND STIMULATION

The money gained through a business exit provides security and choice around what entrepreneurs do post-sale. However as the business exit becomes more distant, it is the network of people that they know which is critical to their ability to establish their new lifestyle.

“My network is an important part of the enjoyment that I have had after selling my first business,” says Iain Fairbairn who sold his care home business over ten years ago. *“Some people I know have come in as investors in the business I run now and they all make incredible contributions – they are one of the biggest assets we have as a small company because of the contacts and ideas they can give you. It also means the business is not just about me and my own stake.”*

Andrew Allan who sold his healthcare business in 2010 says this is something every entrepreneur has to make efforts to nurture.

“One thing you find after leaving the working environment is that unless you work it at, your network tends to fall away. I don’t mind being slightly disconnected as I am now semi-retired but when it comes to finding the right opportunities it can be hard. Building the right network and meeting the right people takes time so it is certainly something you need to think about before and after a sale.”

3.

YOUR TIME: PLAN AND MANAGE IT AS CAREFULLY AS YOUR WEALTH

If one of the big pleasures of life after exit is the ability to do what ever you want with your time, one big risk every entrepreneur needs to be aware of is that of overcommitting their time on too many projects.

“You’ll have a drive to do something after you have sold-up but it’s important to resist the temptation to start too many things at the same time,” says Michael Sharples.

“You need to give any new projects time to evolve and you should always remember that anything new will often take up more time than you thought as well as taking your focus away from other things. There’s also the fact that you only have a finite amount of time available and if you spread yourself too thin there’s a risk that you either won’t enjoy what you are doing or it isn’t as successful as you hoped.”

Acknowledging the fact that time, rather than money or finding the right opportunities, can be the most significant constraint on what you do once you have sold up is critical to making the right choices about what you want to focus on.

4.

YOUR PRIORITIES: THE THINGS THAT YOU REALLY WANT TO DO

Although money and time represent the biggest practical constraints in life after exit, a range of other factors will also need to figure in your thinking.

“When I sold-up it was important to me to use my business skills, spend more time on my boat – which I had never been able to do before – and spend some time on building projects,” says Andrew Allan.

“But other things mattered too – like being around for my children. Having left my business behind, my freedom was also very important to me so that meant not getting involved with full-time or long-term projects which would compromise all of that. So although what I do changes all the time, I am very clear about how it needs to work for me.”

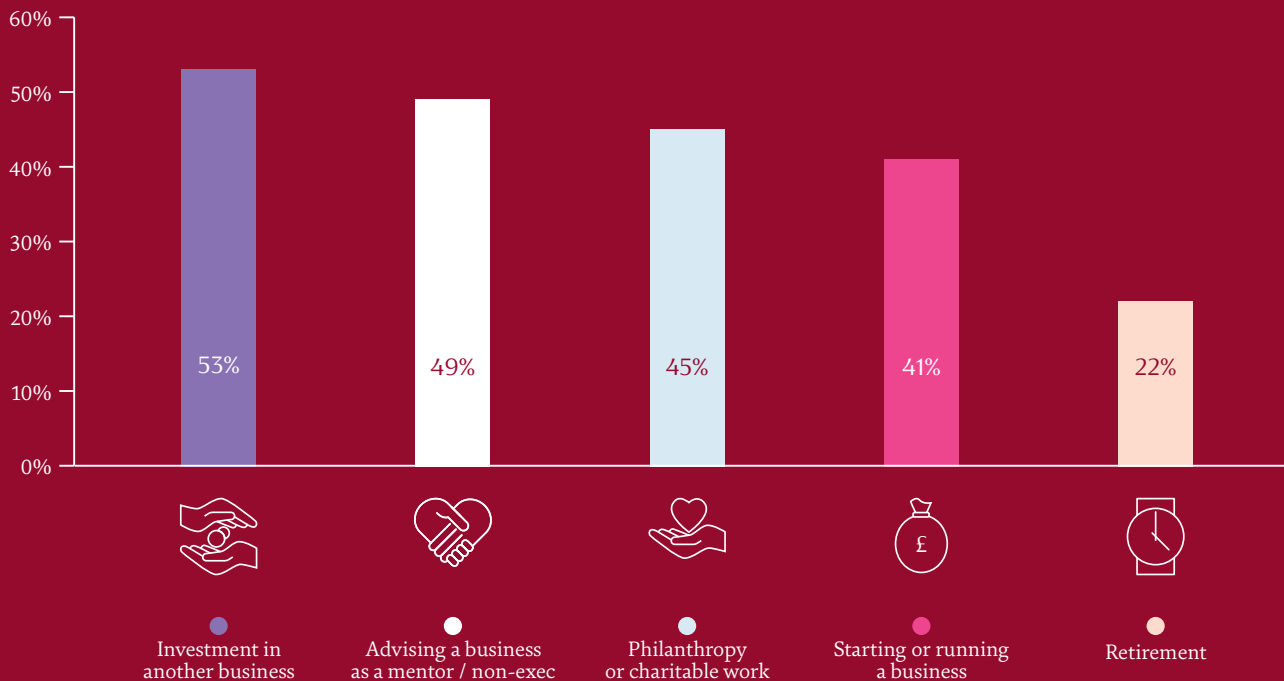
So for each individual, factors such as family, health and the extent to which the entrepreneurial flame continues to burn after completing one business sale will all need consideration. Understanding the criteria that matters to you most will help ensure you end up doing the things you enjoy.

THE RESEARCH AT A GLANCE:

WHAT DO ENTREPRENEURS DO ONCE THEY HAVE SOLD-UP?

Experimenting with new things is one of the major features of life after exit, and two thirds of entrepreneurs (63%) choose to develop a portfolio of activities rather than focus on one thing.

Which activities have you tried since you exited your business?



Investment in another business

Advising a business as a mentor / non-exec

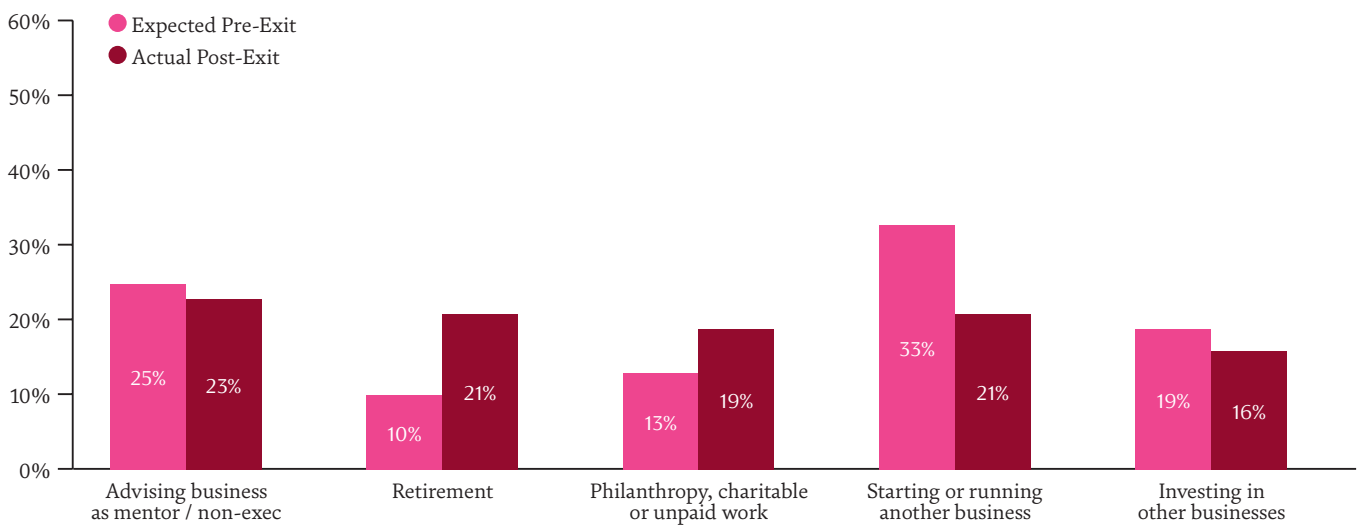
Philanthropy or charitable work

Starting or running a business

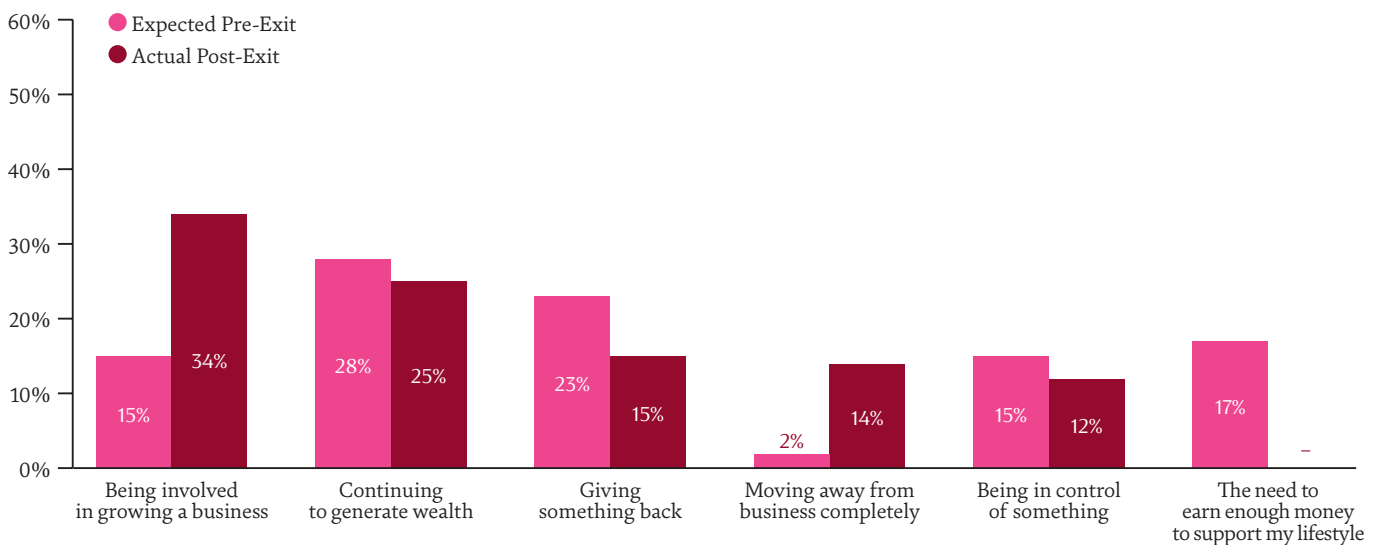
Retirement

Having sold-up, the majority of entrepreneurs remain involved in business although the appetite for starting up again can be diminished and retirement becomes more attractive

Which activities do you expect to spend most of your time on after a business sale?



Which factors have the most influence on life after selling up?





THE SERIAL ENTREPRENEUR

DOING IT ALL AGAIN

Although only a minority of entrepreneurs end up actively involved in another business – either starting one up or taking part in running an existing one – deep down, the entrepreneurial instinct never goes away and the vast majority (73%) admit they wouldn't hesitate to jump back into doing it all again.

So, having already done it and reaped the benefits, what motivates people to start and run another business?

Our research found that post-sale there was a mixture of reasons, from entrepreneurs who just can't resist a great business opportunity when they see it, to ones who are hungry to use their experience to do it all again and those who want to try their hand at a different kind of start-up. In each instance, involvement in and enjoyment of growing a business is something which is an important part of a satisfying lifestyle.

DOING THINGS DIFFERENTLY

For Dan Gill, who sold his double glazing business to a private equity buyer in 2016, the attraction is to use his experience to do things differently the second time around.

"I'll be going back into business again but the difference this time around is I will have cash and experience which I can put to play right from the start.

For example I know the type of business model I want to focus on and, unlike last time, it won't involve lots of stock and big factories.

I also want to do something with partners who I can discuss things with and have companionship because I didn't get that last time and it felt like quite a lonely journey."

Others, such as Frank Rodriguez, say that starting and running businesses is an intrinsic part of a lifestyle that they enjoy, something that they cannot imagine leaving behind.

"People call me a serial entrepreneur but the reason I work like I do, seven days a week, is because I want to, not that I have to. The lines are very much blurred between work and pleasure and that's who I am. I have had failures and my fair share of rollercoaster experiences but what I do puts a smile on my face. I have started up new businesses and definitely feel like I have another one in me."

Our research found that whether an entrepreneur chooses to start another business or not, doing it successfully once before gives nearly half of entrepreneurs the confidence that they can do it again successfully.

FINDING THE RIGHT OPPORTUNITY

Of those who say they will go back into business but don't see themselves as serial entrepreneurs, the decision comes down to finding the right idea or opportunity.

This was the case for Iain Fairbairn who, having invested in a materials testing business Theta Technologies, ended up running it.

"I ended up in my current business having dabbled in a few things after the sale of my first business without really finding something which I really wanted to do.

Having made an initial investment I realised that what we really needed was someone to run it. I said I would do it for six months and, six years in, I am still there.

There's no doubt that the experience from my first business has helped me focus on the bits I enjoy. But taking the business from a university spin-out to the point where we have a totally novel patented product that we can sell has been enormously satisfying.

In the last two months we've been talking to big names across a range of industries about how they can change the way they design and manufacture businesses. I'm now at the point of turning from small scale investor to large scale investor – but I am really enjoying it and it is great fun.

There's no doubt that the experience from my first business has helped me put things in place which have allowed me to keep control of my own diary and do the bits I enjoy.

If there is one achievement in my five years, it has been assembling the right people to run the business so I don't have to be there. Having risked a lot on my first business, I have approached this one in a different way with more calm and reservation. I would say that second time round you become a very different entrepreneur."



JUMPING STRAIGHT BACK IN

For other entrepreneurs, the lure of a promising business opportunity is too much to turn down. This was the case for Nick Baker who, despite planning to take time out after selling Dolmio to Mars in 2005, ended up buying Sharp's brewery in Cornwall.

"When I bought Doom Bar, I had only intended to go to Cornwall and build a house – something I had always wanted to do.

It only happened because I got talking to the local builders working on my house and explained my history in working with supermarkets. They suggested talking to the local brewery who wanted a hand getting onto their shelves.

I ended up going down there and after about three hours of walking around I'd bought the business.

I had only been officially doing nothing for four days after my earnout from my previous company sale to a plc but I was itching for something to do. It started as a hobby and ended up being the biggest ale in the world, bought by Molson Coors a couple of years ago.

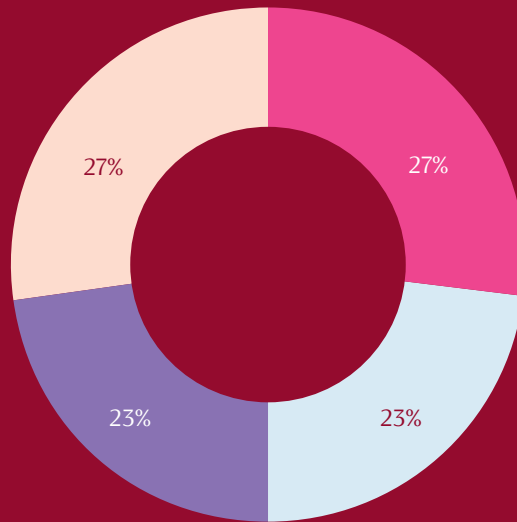
If you are an entrepreneur, I don't really believe in the idea of a lifestyle business, because once you are involved you want to do better each year and go as far as you can."

THE RESEARCH AT A GLANCE:

ATTITUDES TO BUSINESS AFTER SELLING UP

Almost three quarters of entrepreneurs would consider going back into business.

What would be your appetite for running another business?



27%

I'd buy into a business and lead it if I found the right one

23%

I'd start another business from scratch if I had the right opportunity

23%

I see myself as a serial entrepreneur and will definitely start another business

27%

I never plan to go back to running a business

EXIT INSIGHT

YOUR PERSPECTIVE ON BUSINESS CHANGES AFTER A SALE

Since selling his facilities management business Covion, Frank Rodriguez has built a portfolio of activities from advising to investing in businesses.

“For me, after selling up the first time, the motivation for running my businesses has changed.

The first time around we very much had an exit in mind. We had a cracking idea for a facilities management business and knew we could make it a success. And that’s exactly what I achieved with my co-founders. We created a business which, before it was bought, was one of the fastest growing companies in the UK and Europe.

Now I have a portfolio of businesses which range from yacht-building to online financial services. I look at things slightly differently and legacy is more important to me – by legacy I mean having businesses which are able to live on.

My approach has evolved since I sold-up and my involvement in business really varies according to the opportunity. In some I’m an investor and a non-exec chair, in others just an investor – and I still feel like I have another business in me.

I’m very aware that I am blessed to have the opportunities I have now to focus on what I enjoy which really is about working with other people and motivating them to build interesting, different businesses.

Once you sell up, you will still have the unique set of skills which contributed to your success – your passion, money and vision for doing things differently. You may not be as motivated by money but I can see that using those skills is what keeps people getting involved in business after a sale.”



INVESTING AND ADVISING

WORKING WITH ENTREPRENEURS

The idea of putting hard-won expertise and wealth to work in other businesses is the most common path that entrepreneurs choose to take once they have sold-up.

For a breed which is used to hands-on involvement in a business, the hands-off role of investor or advisor represents a change of role which can be as enjoyable as it is challenging.



According to the entrepreneurs we spoke to for our research, the key to success is identifying a model which plays to your strengths as an entrepreneur, the extent to which you are truly content with hands-off involvement in a business, and the amount of money you are prepared to put at risk.

Unsurprisingly, although there are some people who are happy to invest or advise with no involvement, many entrepreneurs combine investment with a hands-on role.

MENTORING AND ADVICE

Since selling information management business EDM Group in 2015, Mark Jones has chosen to split his life between leisure and advisory roles.

“I enjoy a lot of sport but I want to keep stimulated. I have a non-executive position where I am working with a CEO in a smaller business than my previous one. The idea is I work with him and he can draw on my experience. It’s effectively mentoring and, having been there before, made mistakes and also had some successes it’s a good use of my experience.”

Chris Gately says that his advisory work allows him to stay involved with entrepreneurial business without the risk or demands of investment or day-to-day responsibilities.

“I get my satisfaction from working a number of days each month, talking to companies who may be preparing for a sale and then working with them for a period of time. That keeps me meeting people on the same wavelength. Retiring altogether and sitting at home isn’t something I’m ready for.”

While advising and mentoring delivers a certain level of fulfilment from being involved in business – the top motivation for lifestyle choices post-exit – there is a sense that it doesn’t quite match up to the experience of doing it yourself.

“I enjoy that and would like to do more of it,” says Mark Jones, “but it’s not quite the same as doing it yourself and if I am honest there is more I could do to be fulfilled.”

FROM ENTREPRENEUR TO INVESTOR

Becoming an investor in emerging businesses provides another outlet for entrepreneurs who want to do it all again without the strain of having to lead from the front.

Nick Morant runs Cormorant Ventures and specialises in investing in and advising technology-focused businesses. He says that success comes from being clear about how he and his business partner can add value to the businesses they work with.

“I really enjoy the area of technology, finding simple pieces of software that can make markets more efficient or change the way people work, whatever it happens to be. However, once you have that, it’s not about the widget, it’s the people you bring in that make a difference.”

So my approach is to focus my investments on an area I enjoy, and then make sure we have a management team with a passion for taking the business forward.

My partner and I try to be non-execs – which can be difficult – putting in money and then just trying to help the management team succeed. We try to have balance sheets across the portfolio so we can sustain failure or run riskier ventures.”

The preferred model for Dr Paul Atherton is of an investing chairman, part of a wider portfolio of activities.

“After selling up I tried a number of things, some for fun and others like angel investing, which kept me involved in business. It was only after that and being approached to get involved with venture capital and sit on two or three boards that I settled what I do now, which is to be an investing chairman.”

Now, in return for a significant piece of the business, I will put money in and, as chairman, use my skills to help the business grow. It took me three years after selling up to find that model and this is what has worked for me since. I don't do angel investment any more but I still get involved in start-ups and business exits.”

What is apparent talking to those who have sold-up, is that there is no clear cut model to follow.

Aside from considering the different investing models, any entrepreneur needs to think about a range of other factors before tying themselves and their wealth to investments – from how long the money will be tied up to the amount of wealth needed to make investing a success.

And, says serial entrepreneur and investor Hugh Chappell, whether you end up focusing on advisory or investment work, it is one area where your network is critical to getting the right opportunities.

“I have got introductions based on my reputation but I have also had to go out and network, looking for opportunities and being proactive. That has allowed a lot to come my way and me to pick the right ones. You can't do that by sitting back – I work long days and found that the harder I work the luckier I have got.”



BECOMING AN INVESTOR

WHAT YOU NEED TO CONSIDER

A career as an investor may be attractive but succeeding is much harder than most anticipate. Here are some key areas every entrepreneur should consider before they put their money into an early stage business:



INVOLVEMENT

What do you want your role to be in the business? Weigh this against the time you have available now and the overall time you want to dedicate to any other investments.



WEALTH STRATEGY

How will early stage investment form part of your wider investment plans? You'll need to balance out risk, size of investment, maturity and likely duration.



TIMESCALES

How long until you need to see a pay back? Early stage businesses have lots of promise but they can take a long time to scale, grow and give you a return.



CO-INVESTORS

Do you want to invest alongside other investors or go it alone? For the former you'll need to be clear about their ambitions for exit and growth as well as any minority protection rights they may have. For the latter, you will likely require deep pockets and to be prepared to make losses as well as gains in a portfolio of investments.



RISK

What's your motivation for investing? How much can you afford to lose? Some categories of investment like angel investment have a greater risk than others and normally form part of a portfolio of investments.



TAX

Do you know the tax implications of your investments? Early stage investments can attract favourable tax treatment from HMRC and have an impact on your overall tax position, but you need to get advice before you invest.



FUNDS AVAILABLE

How much can you afford to invest and over how long? Young businesses tend to be hungry for cash and it's not unusual for them to need follow-on funding.



KNOWLEDGE

Do you know what you can do to protect yourself and your investments? Shareholder agreements and rights can be complex and it's important to understand how you can put yourself in the best position in each deal you do.

EXIT INSIGHT

INVESTMENT PROVIDES RISK AND REWARD IN EQUAL MEASURE

Since selling up his online review business, trustedreviews.com in 2007, Hugh Chappell has devoted much of his time to investing in and advising growth businesses in the technology and media sector.

“I accepted after selling up that I am a workaholic and without work, something is missing.

A lot of my time has gone into investing and advising businesses since I sold to Dennis Publishing.

I have been active in angel investing. It has been fun but given that you can invest in ten businesses and eight will fail it is essentially like gambling. I have approached it by looking at money I could afford to lose, so that meant putting an average of £50,000 to £100,000 into each investment.

That has seen me invest in a range of things including a dating website and a parking business with interesting results. With parkatmyhouse.com, having invested alongside BMW initially, I was able to sell up and get a ten times gain on my original stake when they went for follow-on investment. I was quite proud of that as I worked with the guy who ran it and helped it grow. It was nice being a small cog in making it work.



I am currently involved in two businesses as an investor/adviser. I took a minority stake in Cloudshift which does Salesforce implementation back in 2016. That has done well so far and I am proud to have successfully picked the right person and business. The second is Ladbible – a social media publisher – which is growing enormously and who I have helped scale to being the largest youth publisher in the UK.

I found that angel investing is fun and it is great to watch a business grow. But I haven't enjoyed being a minority shareholder. You have to rely on others which is not how things are as an entrepreneur.

I also still miss running my own company: I enjoyed doing things exactly how I wanted. The thing about most of the things you can do after selling up – investing, giving advice or voluntary work – is you can't do that, you have to take your hands off the controls. I find that very hard and although investing is fun, it's not the same kind of 'high' you get from your own business.

That said, I am lucky with my investments in that I work with people who are half my age and who give me energy.

I am happy now and the key to that has been down to staying true to what motivates me and not overthinking things. By the time you sell a business you'll have some idea about what motivates you and that isn't likely to change."

I found that angel investing is fun and it is great to watch a business grow.

GIVING SOMETHING BACK

WORKING FOR CHARITY OR SOCIAL GOOD

Although entrepreneurs say that giving something back by working with charities or doing pro-bono work isn't their top priority after selling up, around a fifth (19%) say it takes up most of their time post-exit and half are involved in philanthropic activity of some description.

In fact for nearly every entrepreneur we spoke to, supporting a private passion in some capacity, was part of their post-exit portfolio.



To succeed in this area, entrepreneurs need to be clear about where philanthropic or charitable activity will sit as a priority relative to the other things they want to do, and from there think about whether it is primarily time or expertise they want to invest and then the level of involvement that will give them satisfaction.

While this type of activity can be highly rewarding, it represents a complete change in working style for most entrepreneurs who must fit around a different culture and set of priorities from the world of business.

FOLLOW A PASSION

One way of making that work is to get involved with something which you care about and connect with your past experience.

Alongside investing in and running businesses, Frank Rodriguez has been involved in a range of initiatives. For Bristol City Council he worked as a non-executive director, setting up service businesses for the public sector of which the first – The Bristol Waste Company – has become a successful business in its own right. He also volunteers a day each month for Careers Springboard which supports individuals who have been made redundant.

Dr Paul Atherton puts his experience to use as a lecturer at London Business School where he shares insight from his entrepreneurial journey – something which he says has helped get perspective on his own success.

Others, like Paul Lindley, put a fuller emphasis on their ‘for good’ activities and get great satisfaction from using entrepreneurial skills for areas which aren’t about making money.

In any instance there is typically a friction between the working style of the entrepreneur and that of the third sector.

“I did some work as a trustee of the London Transport Museum, sitting on the board. It’s a very different skillset and although I enjoyed it I found it wasn’t a natural fit for me,” says Hugh Chappell.

“But really I prefer the world of business and like to focus on the entrepreneurial issues which I feel more connected to. We still don’t do enough to support entrepreneurship in this country so I’ve worked with people, mentoring them to start a business. That has also given me something in the form of new connections with people I enjoy spending time with.”

“Since selling up, I have divided my time between investing and using my skills to do good. I’ve started a new business which hasn’t been the rock star that the last one was but it’s growing which is fine. I prefer to use my entrepreneurial skills for areas which are less about making money, but for social enterprise, and do things which are about changing things – in the same way we changed our industry. I am involved on the board of a few social enterprises and a few not-for-profit organisations. So for me it’s not really a question of necessarily making money for myself but using my skills to make sustainable organisations.”

GIVING SOMETHING BACK

HOW TO FIND SOMETHING YOU ENJOY

Just like any other investment, if you want to put your time, expertise or money into non-profit or social good causes then it pays to think through what you want to get out of it. The Handbook for Philanthropy produced by Coutts, outlines some of the key areas you should think about, whatever the scale of your involvement.



RESOURCES

Which do you want to offer? This could be time, money, expertise or a combination of all three.



LOCATION

What's the scope of your involvement? Is it international, local to where you live now or is it related to where you have come from in life?



INVOLVEMENT

What level of participation do you want? How much of your time are you happy to contribute? And what do you need to commit to make it all work?



PARTICIPATION

Are you happy to work alone or would you like to collaborate with others?



MOTIVATION

What are the reasons for your social good activity? Your enjoyment, practical involvement, interest in a specific issue or is it part of your legacy? Every individual is different and this will have some bearing on the choices you make.

This list is not exhaustive but provides a starting point for reflection before you commit to anything.

Find more resources at:
[coutts.com/couttsinstitute](https://www.coutts.com/couttsinstitute)

EXIT INSIGHT

BUSINESS SKILLS CAN BE GOOD FOR SOCIETY

After selling Ella's Kitchen in 2013 Paul Lindley has built a portfolio of interests focused on social good.

“Since selling up, I have divided my time between investing and using my skills to do good. I've enjoyed investing but I prefer to use my entrepreneurial skills for areas which are less about making money but for social enterprise and do things which are about changing things – very much in the same way we changed our industry with Ella's Kitchen.

For me it's not really a question of necessarily making money for myself but using my skills to make sustainable organisations.

I feel a responsibility that as someone with high net worth and a network of people who I am influential with and have expertise and I should use that in some way.

That overlaps with a desire to give back to use my skills not to financially benefit my family, but to benefit society.

You can divide my time into two areas. The first is advocating that business should be a force for good, spending time forming ideas around that, working with government and business leaders.

That sees me work as a mentor, get involved on advisory boards or support individuals with original ideas to get off the ground. That's got me into things like Bite the Ballot which is about young people's participation in democracy and Toast Ale – a craft beer founded by food waste activist who uses some of the 44% of bread thrown away in the UK each year.

The second side of what I do is children's welfare. I'm involved with two or three organisations – one of whom is Sesame Street which most people don't realise is a non-profit – as well as Robert F Kennedy human rights which I am helping to bring to the UK.

My philosophy is: business is subservient to society – in that you need to do something with profits to benefit society – that's the world I want to live in. That was what I thought when I started and ran Ella's Kitchen and I'm lucky to continue influencing around that now.”



SITTING BACK AND HAVING FUN

RETIRING FROM BUSINESS

Although the majority of entrepreneurs crave some sort of involvement in business or with charitable causes after they sell up, our research found that retirement represents the second most popular lifestyle choice after a business exit.



Typically this will be because of the life-stage each entrepreneur has reached – but it can also be down to the fact that the business exit represents the end of a tough journey, and the time has come to walk away from the rigours of business. This is the prime motivation for just over one in ten entrepreneurs (14%) when they sell up.

It also appears that a significant number of entrepreneurs underestimate the attraction of retirement, with twice as many choosing to kick back and enjoy the fruits of their labour post-deal (21%) as they had envisaged before the deal (10%).

Whatever the age or experience of an entrepreneur, one barrier to considering retirement is the shock of moving from full-time involvement in business to a life of leisure. Another, is the financial implication of a long retirement as people live longer and enjoy better lifestyles.

However, our profile of Nick Pascoe reflects the reality for many entrepreneurs which is that even in retirement, the temptation to follow a business opportunity can be hard to resist.

EXIT INSIGHT

AFTER WINNING THE JACKPOT IT'S TIME TO ENJOY MYSELF

In 2015, Nick Pascoe sold his shareholding in Orta Solar Farms. Although he is keeping his mind open around future investment opportunities, he says that spending time on the activities he enjoys is his priority right now.

“It has taken me a long time and a lot of ups and downs in my career to get to the point where I have successfully sold a business and have that money in the bank.

Having had near misses before, it's not lost on me how lucky I am so I'm purposefully putting my feet up now focusing on my passions for a little while.

In selling a business and getting that money, it is easy to lose perspective on what a fortunate position you are in.

When I was younger I used to see the £1million prize for a game in the papers and I always wanted to win it. Now with the sale of my business I feel like I have won the equivalent of the big prize, that I have got to where I want to be.

It's two years since I sold-up from a business which was nerve-wracking to build and exit thanks to the volatility in the renewables sector. So I am still very happy to be following my passions like classic cars, motor bikes and vintage caravans.

But having said that, I can see opportunities coming along relating to those things which could be quite profitable so it's very difficult to be completely clear cut and say I'm fully retired.”





CONCLUSION

When we look at the insight shared by the entrepreneurs in this report, the one theme that unites all of their comments is the extent to which, regardless of how you end up spending your time, a successful post-exit lifestyle requires considerable planning and thought before the event.

On a practical level, that means understanding the extent to which the wealth you realise through the business sale can fund the lifestyle you want. It also means thinking about the kind of activities which will keep you fulfilled post-exit and how you want to divide your time and money between them.

Focussing on what you want is important, so too is understanding that the things that you will miss are equally likely to define your lifestyle choices. For many people, the challenge and opportunity that comes with business growth is hard to leave behind.

A fulfilling life after exit also requires a combination of hard work, patience and flexibility in order to try new things. You need to adopt a perspective which accepts that – initially at least – you will be less able to dictate the pace at which opportunities that interest you come your way and that you may not immediately replicate your business success in everything you try.

Last, and most importantly, life post-exit requires an appreciation that your network – the one asset which you can't buy or get your hands on quickly – is just as important as time or money in the extent to which you are able to transition from owner-manager to a new lifestyle.



METHODOLOGY

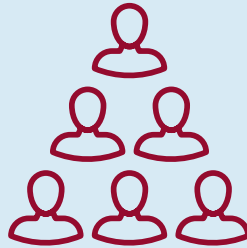
The contents of this research report is based on research conducted in January 2018, on behalf of Coutts by Native Consultancy.

THE RESEARCH CONSISTED OF THREE PHASES OF WORK:



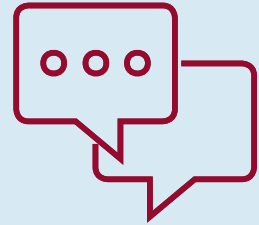
1.

Qualitative research from six focus group discussions among entrepreneurs with experience of successfully selling a business and those who have yet to sell.



2.

Quantitative research conducted among 121 entrepreneurs about their attitudes and experience of business sales.



3.

In-depth interviews with 24 entrepreneurs with direct experience of selling a business.



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