Deciding to keep your business in the family or to sell up

Planning for the succession of a business is an important and sometimes overlooked part of a business plan. It's an inevitable period in the lifetime of all successful businesses – so it's best to weigh up the options early.

Keeping your business in the family

The most obvious progression is to keep your business in your family. This option should involve careful planning as there are several issues to consider, including:

- **Recognizing who will take over** – it can be challenging to decide which family member(s) would be best to continue your business after you step down. There may be expressions of interest from some family members who lack the skills to run your business. It's a wise idea to involve them well before you transition leadership.
- **Choosing to stay on** – you may intend to keep a connection to your business, even on a part-time or temporary basis. How much influence will you have? These are finer details that need to be clear to your successor before the transfer.
- **Training your successor** – A formal training program might be required. Or is it best for you to work closely with your chosen successor while slowly passing on responsibilities over a period?
- **Transferring ownership** – deciding how and when to hand over your business. There are tax and legal considerations, whether to create a trust and dividing up the share of the business between multiple family members.

Selling to management or employees

Choosing to sell your business to your management team or your employees can be a positive for all parties – they'll be continuity for your business, and the loyalty and hard work of your staff will be rewarded.

The crucial question is: Are any of your staff members interested in taking over your business?

Your business legacy will likely be in good hands if you have dedicated staff who believe in the brand and the business, but there are other considerations such as:

- Finding out who's most interested in continuing your business over the long-term.
- Whether your staff can find sufficient capital to buy you out.

Being bought out by your business partner

Your business partner might be the logical choice to acquire your share of the business. However, there are both positives and negatives for selling your business to your partner.

On the downside, your business partner will have a strong bargaining position perhaps not agreeing with your preferred selling price.

On the positive side, your business partner has an ongoing interest in seeing the business continue and prosper.

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Offering your business to investors

If you're going to sell your business to investors or other companies, your industry will dictate the number of potential buyers. It might be a challenge finding a willing investor to pay what you want and within your preferred timeline.

There are often two types of investors, namely:

- A strategic buyer – who wants your share of the market. These buyers may see your business as a natural extension of their own.
- A financial buyer – who simply wants to make your profits, assets, and the value of your business their own.

Franchising

There are some businesses that naturally work as franchises – where the original business is replicated multiple times but with different owners and royalties paid to the original owner.

Franchising your business involves plenty of forward thinking – you'll need time to determine whether your business would work as a franchise, to get a few franchises up and running with the right training manuals and standardized products or services.

Following expansion, you may find yourself in a position to sell your original branch and to live off the royalties into retirement.