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HOW TO BUILD A LIFESTYLE BUSINESS



For all the talk of people buying and selling businesses in the media you'd be forgiven for thinking the average SME owner is chomping at the bit to sell their business and retire to a private island. However, recent survey results show that this couldn't be further from the truth with more than 70% of SME owners voting that building a business for lifestyle reasons remains the top choice when it comes to planning for the future.

What exactly is a lifestyle business? These are businesses which provide a certain kind of lifestyle, the good kind, for their owners. Everyone will have a slightly different idea of the ideal lifestyle, but for many it means less hours at work and more hours with the family spent relaxing, indulging in hobbies, going on holidays - all whilst continuing to earn a healthy living from a business that can happily run without the owner for periods of time without everything falling apart.

Sound good? Read on to find out how you can build a lifestyle business of your very own.

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01 processes

A great business runs like a well-oiled machine – it produces consistent results, it produces them on time and it produces them with the minimum of inputs. Sounds great, right? The good news is that with a bit of effort upfront your business can run like this so let's take a look at what's involved.

What is a 'business process'? It's simply the method by which something in your business gets done. Typically you'll have processes for a wide range of things that happen in your business including:

- Product/service delivery
- Customer support
- Human resources
- Finance
- Marketing & sales
- Strategy & planning

The first step toward process nirvana is to identify all of the processes within your business. It's worthwhile getting the help of your team here because it's highly likely you don't have visibility over everything that goes on in the business on a daily basis.

Once you've got them listed out, split them into the functional areas of the business (e.g. finance, sales, service delivery, etc.) and allocate responsibility for each to the most senior staff member from that area. If you don't have someone senior in that part of the business, most likely it's you that's doing the work here.

Next step is to break each process down into the relevant steps and then document the process in full. This will include diagrams, flow-charts, pictures, copies of forms, etc. – anything that would enable someone new to pick up

the documented process and know what to do without any additional input.

These documented processes should be stored in an easily accessible place and will effectively create a staff manual for your business – a holy resource for all that is true in your business. All staff should be given training on how to use it and make sure it doesn't get stuck in a drawer and forgotten, if done well this should become a brilliant reference tool for your team, especially new staff. You could store it on a cloud drive, a network drive, create your own secure website, create a Wiki or even use one of the various online software tools specifically designed for the task of creating staff manuals.

Having the processes in your business properly documented and kept up-to-date speeds up the training time for new staff, ensures consistency in your customer experience and helps remove the management bottleneck that arises when simple decisions can't be made without the boss around.

There's a classic business book that I'd recommend reading on this topic called **The E-Myth Revisted** by Michael E. Gerber. Check it out.

02 management

For better or worse, many businesses are built in the image of the founder. The founder, that'll be you reading this ebook, is often the key person when it comes to client relationships, ensuring finances are healthy, keeping the pipeline full, resolving conflict in the office... the list goes on. Whilst it's nice to be needed, this is not how you build a lifestyle business. If you're required for anything and everything to happen in the business, how can

you take a holiday without things falling apart? This is where a solid management team steps in.

What should your management team look like? I won't prescribe any specific roles here as what's suitable for one business won't work for another, but what we can do is look at functions and qualities that your management team should possess. These could be all with one person or shared amongst ten – it really depends on the size and type of operation you're running.

Cash flow management – who is keeping an eye on the cash? Who has authority to act if things aren't looking great? How far out do you plan the cash flow of the business?

Sales – is there someone, or a group of people, who can land a client and get the work started? Is it possible to bring on new work or new clients without you?

Staffing – do the rest of your team have someone to report in to, or does everyone report to you? Do your staff rely on you to make every little decision, or do they have the power to exercise some discretion?

Service or product delivery – are your team and systems capable of delivering your final product or service, from start to finish, without your input? Or does every job need to have your fingerprints all over it?

If you want to have a business you can take a break from and not have the wheels come off, you need to have a team that know their roles inside out and one that you've delegated responsibility to. If you can't delegate then it's likely you've either hired the wrong people or you simply haven't given them the opportunity to shine. Figure out which it is, fix the problem and learn to let go.

03 marketing and pipeline

It's a common enough story. We've factored sales and marketing activities into our weekly schedule. We make those calls and have those meetings. Then to our surprise... it works! And jobs start coming in.

And then we get busy, doing the work we've been flat out selling. So the sales and marketing stops for a while. The pipeline depletes. The jobs end... And we're back at square one.

It's a phenomenon that most small business owners can relate to and is often referred to as the 'activity trap'. Activity takes over, sales gets neglected. How can you break the cycle? Here are a few ideas for keeping the pipeline in your business full and remember, you might be involved in these processes, but they shouldn't live and die by your presence – remember to delegate!

- Plan your work accordingly. Think before you say 'yes' to everything and consider the timelines involved.
- If timeframes and workload coincide to block up your diary, consider if you can bring on casual labour to help lighten the load.
- Make your business development activities a mix of 'quick wins' and 'slow burners', so that the prospects don't all convert to jobs at once.
- Block out regular times each week for business development, and don't move them unless it's absolutely necessary.

- Invest in some activities which should do some of the lead generation for you: SEO, paid search, paid social, automated EDMs, etc.

And overall – remember to prioritise your business development activities. It might be comforting to dive into the work when it comes in and forget about sales for a while. But the price is an empty pipeline in future. That's the activity trap and without a pipeline brimming with opportunity you'll find that taking a break from the business might result in sleepless nights rather than poolside drinks.

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04 customer mix

A problem facing many small businesses, particularly those in service-based businesses, is relying heavily on one or more key clients to keep the lights turned on. The risk here is obvious – if that client leaves then the viability of your business may be called into question. Similar story for businesses that service a very small niche of the market – whilst finding a niche is important to differentiate your offering, if that market

is very small and consists of a homogenous customer base, you might find that a small change to that market might mean that you're out of business.

Take a look at your customer base and see if any of these risks are present:

- More than 20% of revenues come from one customer
- More than 50% of revenues come from a very small market niche
- More than 50% of revenues come from three or less key customers

Whilst some level of risk might be acceptable, indeed one of the above risk factors might be the very thing that drives your business forward, if you're seeing multiple risk factors present then it's time to rethink your business plan and diversify your customer base.

If you find yourself in a position where most of your income comes from one key customer, what can you do? Let's say that your business is turning over \$1 million and \$700,000 of that comes from one customer. You have a few options – either you turn your back on the big fish customer and refocus your attention on having a large number of smaller clients, or you go out and land yourself a few more of those big fish so that no one represents more than 20% of your total revenues. The latter strategy would mean that the ideal size for your business is actually closer to \$4 million if you want to reduce the level of risk associated with having big customers. This might seem impossible now, but what's important here is that you've identified the risk so that you can start activities (e.g. sales and marketing, business planning, forecasting, etc.) to mitigate that risk. It'll take time, but at least you now know where you're heading and why.

This is a tough one for many small businesses, but it doesn't need to be. Take control of the situation and don't let any one customer be in a position to control your entire business.

05 profitability

Pretty simple, really. If you want a business that is capable of funding your desired lifestyle, one that presumably has you outside of the business on occasion, it's going to need to generate sufficient profits to finance the whole thing – drinks with little umbrellas in them don't come for free!

What sort of profit should the business be making? One of the first considerations, and often the first stumbling block for many small business owners, is the business needs to be able to afford people to cover your duties in your absence. This means being able to afford the

management team, whether that's one person or twelve, which is capable of operating the business without the captain at the helm.

Now, assuming you've got a crack team in place which the business can afford, and it's already paying you a healthy wage, then you want to be looking at a profit before tax of around 20%. Every business is a little different and will have different working capital requirements, etc. but having 20% on the bottom line seems to be a good general indicator of a business in rude health. Of course this is all relative – a business turning over \$200,000 might not look so great at 20%, but a business turning over \$4 million looks pretty damn good with a lazy \$800,000 left in the bank at year end!

A healthy profit margin allows the business to build up a war chest which will help you sleep easily at night and will afford you the opportunity to weather a rainy day, grow the business, and perhaps most relevant here, pay out dividends to you, the owner, to supplement your wages and finance your lifestyle and your eventual retirement.

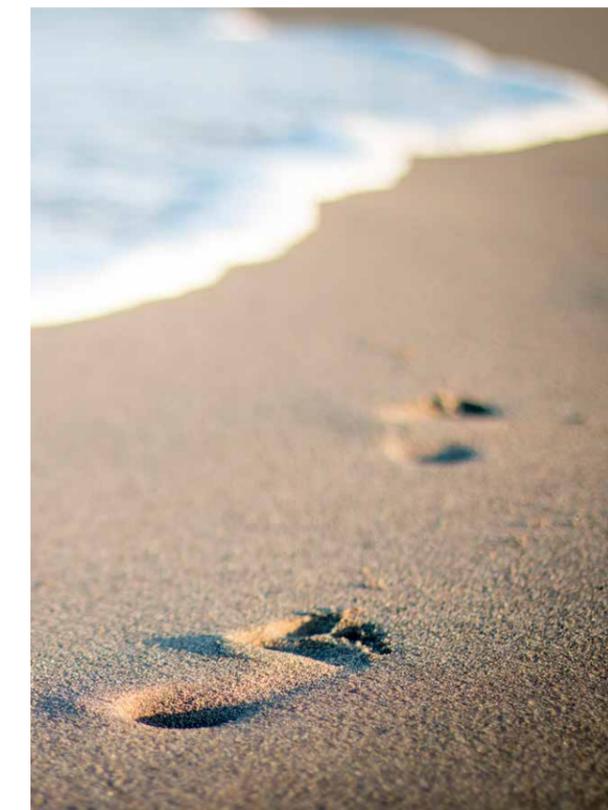


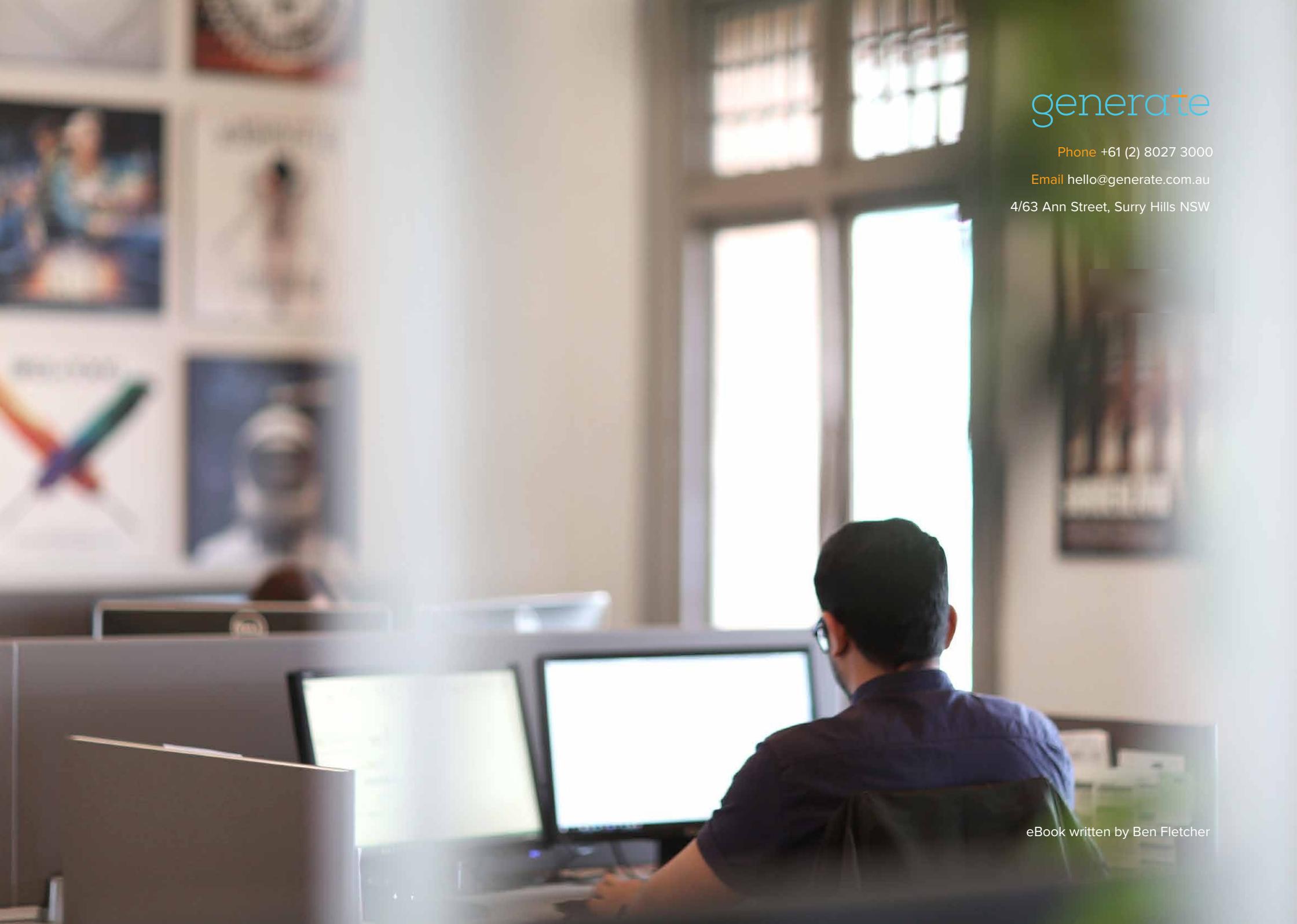
06 mindset

Last, but certainly not least, it's important to have the right mindset when it comes to running a successful lifestyle business. You'll need to be open to delegation, you'll need to have faith and trust in your team, you'll need to learn how to switch off and, perhaps most importantly, you'll need to have the energy and drive to build the thing in the first place.

It won't be easy, if it was everybody would be doing it, but if you put in the work and have the right strategy in place, almost any business can be built into a lifestyle business.

You've read the book. You've got the t-shirt. Now you want to create your very own lifestyle business, but you're not sure where to start? Get in touch with our team of business experts today for a chat about how we can help you build the business of your dreams. We're not your typical accountants, so give us a call or email today. **We'd love to help.**



A person is seen from behind, sitting at a desk in an office. They are wearing a dark blue shirt and glasses, looking at two computer monitors. The office has a large window with a grid pattern, letting in bright light. On the wall to the left, there are several posters, including one with a rainbow 'X' and another with a person's face. The overall atmosphere is professional and modern.

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