

When is the Right Time to Sell Your Business? *by Art Rebrovick, President*



From time to time, every business owner faces the pressing question: Is it time to sell the business? Whether its ownership of the most popular restaurant in town, a third-generation car dealership or a new real estate agency, something periodically triggers the question. The question may be prompted by hearing about the unbelievable price someone just received for his or her business or a health concern of a key supplier.

Private business owners – whether part of a family business, a professional partnership or owner of a leasing company – have developed their business philosophies based on the needs and desires of the key shareholders, since management is typically the controlling shareholder or has close ties to the control. A private business generally has different needs and characteristics than a public company and often exists to maintain independence, keep people in the community employed and even, on occasion, to make money.

Each time the question of selling surfaces, business owners should review the following key questions:

- All businesses need to grow. Am I willing to lead the growth?
- New and changing technology is part of everyday life. Am I willing to keep up?
- Are the key stockholders ready for a lifestyle change?
- Where are my business and industry in their life cycles?

Buyers purchase the future, not the past. Although a tough-minded business owner may find it tough to admit, a business is generally more valuable if not dependent on the owner. Business owners should look at the state of their management team as a prospective buyer would. The owner also should consider how well he or she would handle the transition to a new life of not being the center of attention and not being in charge.

Timing and personal reasons are important, so the business owners should ask:

- Is the business in the right stage to maximize the value?
- Is there a health or estate reason?
- Am I experiencing burnout?
- Is the business still enjoyable and challenging?
- Are there other forces impacting how the business is run or how it might be valued?

Finding the buyer can take a number of different paths. The likely buyer often is found close by. A supplier, a client, a competitor...all will know a good deal about the business and will be natural prospects. All industries go through periods of consolidation. When trying to grow a business, the cost of acquisition can be less than growing the business and is a key driver in leading businesses to acquire. Other likely areas of good prospects include individuals who are looking for opportunities to strike out on their own or who have been downsized in the increasingly global economy.

A private business owner is often closely tied to his or her employees. The very nature of the business generally keeps the relationship between owner and employees very close. It is extremely important that the owner is comfortable with the ultimate buyer. Once a business is sold, there is rarely an opportunity for the former owner to impact the business, especially in terms of how the employees are treated. The future always has uncertainty. The better able an owner is to identify a likely buyer who has a similar value system, the more likely it is that employees will be treated in ways that will satisfy the seller.

Valuation is always a key part of any decision; however, deal structure is often the most important. Timing, financing, completing the deal and post-sale - again, what will the seller do with his or her new time and resources?

Business owners manage their operations on a daily basis and their actions and reactions come naturally. Most people will only sell a business once in a lifetime. The sales process is an extremely emotional exercise and having a skilled team of advisers is one of the most critical ingredients in successfully negotiating a sale. Key players on the advisory team should include a company's accounting and law firms. Just as important is to add advisers who have significant experience in the selling of a business and a complete understanding of the tax impact. The most important adviser is the one who will provide objective and honest guidance while serving as a good sounding board.

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Compass Executives is a Nashville-based group of seasoned, C-Level executives providing management consulting services to businesses throughout the southeast. For more information, visit www.compassexecutives.com.

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