



Top 7 Reasons Why Business Owners Decide to Sell

In the shoes of a business owner, selling a business can be a very emotional and physically demanding experience. Let's face it, as humans, we put our families, finances, and 'blood-sweat-&-tears' into our most valuable assets.....for the entrepreneur it is most often their business. When it is time to part ways, it can be a painstaking process.

Business owners sell their companies for an array of reasons. Regardless of the reason to sell, it is critical that a business be professionally appraised by an independent valuation firm so that the business is sold at a fair price, under fair terms, and in the owner's best interests. The following are some of the most common reasons businesses are sold in today's marketplace:

The Owner is Drained

The most common reason a business is sold is due to fatigue, boredom, and burnout. The ongoing, daily grind of managing small business stressors can be very tiresome. Beyond the actual stress, many owners simply sell because they are no longer challenged or interested in the business' operations. Certain industries call for ongoing redundancy, such as retail operations like sandwich and pizza shops, leading to boredom and dissatisfaction with one's work life.

Retirement

Due to significant investments made by business owners, running a business has become one of life's routines and habits that can be very hard to break. Business owners are passionate, driven individuals who *typically* love what they do. When an entrepreneur has a sincere love for their business and 'job', they will stick with it until they can no longer physically keep up. As a result, many owners keep a business until it has finally come time for them to retire, lace up the golf spikes and hit the tee box. Unfortunately, many small business owners do not properly plan for the future by training or empowering an existing employee to take over the business. As a result, they are forced to sell the business due to inadequate successors.

Physical Illness or Family Problems

Significant changes in a business owner's life are causes to sell a business. Should the owner be afflicted with a major sickness, they typically wish to have their affairs in order and not leave a major burden (operating or selling the business) on their families. An

owner's spouse may become very ill, requiring them to become caretaker, leading to disinterest in the business and a desire to sell. Divorce is also a common reason in selling a business. Should a married couple both have ownership in a company, selling the company may be a necessity as part of the settlement. While businesses are one of the most important parts of a business owner's life, significant family and health issues typically pull rank and result in the sale of a business.

Short-sightedness

When running a business, curve balls and unexpected events are common. When these seemingly small events continue to build, they can become insurmountable. Owners becoming too comfortable with the operation, getting into a habitual routine and overlooking the big picture often times put the business in harms way. When the majority of a company's revenues are reliant on a couple of clients, the business is sitting in harms way and is not disaster-compliant. When a company's operation is at the mercy of a diminishing industry (such as textiles or furniture manufacturers), it is vulnerable. When a business owner has over-leveraged his personal assets to run the business, then they are left with little choice when liquidity becomes a necessity. All of these scenarios typically lead to the sale of a business for a price lower than desired.

Strong, Increasing Competition

Today's economy is very strong and a second wave of entrepreneurs is upon us! The explosion of the Internet accompanied with increased amounts of private business funding has and will continue to lead to significant competition in many industries. Business operations that have been running for 20+ years must innovate and react to a rapidly evolving market, otherwise they will be passed by. When business owners begin to see the competition passing them by, they can either proactively invest more time, monies and resources in the business to keep up or choose an alternate path: sell. This can be a monumental decision for the business owner. Selling when the company is competitive and on an 'up-tick' will lead to a higher sales price, while selling under the pressure of losing to the competition and a consequent business 'down-turn' can lead to a less than desirable purchase price. Timing cannot be overestimated in the sale of a business.

Sticking to the Plan

When the entrepreneur sets out to start a new business or purchase an existing one, many have a well mapped out game plan. Savvy business owners effectively plan for the short term and execute those plans to accomplish defined, long-term goals. One of these long-term goals may be to sell the business in 5, 10, or 20 years. Whatever the time period, owners recognize the fact that plans are meant to change or be broken. With that said, if a targeted exit date has been set, trends show that business owners are determined individuals and abide by their own terms. As a result, many companies are sold because of a personal timeline set by that owner.

Opportunity to Capitalize

Let's face it, when opportunity knocks and everything in you says to answer the door....welcome it with open arms! With the exception of charities, associations and

other noble organizations, every business owner seeks to hit the financial jackpot. An owner may also find themselves with an unexpected offer to purchase from a very motivated investment group, synergistic company, or aggressive competitor. Other times, business owners who have grown a successful business, often find themselves in an ultra-hot market. These trends come and go, from industry to industry; at times, many years apart. The smart business owner who recognizes these opportunities will strike while the iron is hot. With that said, it is critical that the owner truly know the fair market value for their business! While sold competitors can serve as a guideline for a multiples calculation, the opinion of professional business appraisers could not be more important. During these times, hundreds of thousands, if not millions of dollars, could be left on the table by an uninformed seller. Identifying a realistic price range, supported by a strategically fueled bidding war amongst suitors can lead to financial rewards.

Each business has a unique personality, which is a reflection of that owner. Reasons to sell a business come in a variety of forms, some of which we did not cover. Regardless of the 'why?', before selling the business, a responsible business owner will protect themselves and company by investing in a professional business valuation to clearly identify the fair market value of their business. This not only protects them, but also their families, existing employees, peace of mind, and future financial prosperity.

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