



Business Development Ideas to Help You:

- ◀ **Make \$1,000,000 to \$5,000,000 Every Year**
- ◀ **Dominate a Market/Eliminate Competition**
- ◀ **Triple the Value of Your Business**



The Best Time to Sell

“What’s the best time to sell my business?” Seems like a simple question. Yet it’s one of the most frequently asked by business owners. Raise it at a cocktail party and you’ll get a lot of opinions. Most sound something like:

“Take the money and run.”

“Don’t sell until you get the highest price.”

“I’d never sell my business unless I get all cash!”

“Don’t sell unless you know what you’ll do next.”

“Everything should be for sale at the right price.”

“The time to sell is when someone waves a big check at you.”

“Don’t ever sell, because it’s a good business and makes money.”

When delivered with cocktail party conviction, opinions like these appear logical enough on the surface that they may seem to answer the question of when to sell.

Price and terms are obviously a factor in any entrepreneur’s decision to sell. However, after participating in hundreds of deals and engaging in thousands of conversations with business owners over the last decade, we have found that deciding to sell calls for much deeper reflection. The real issues have to do with the lives of the owners, so deciding when to sell requires entrepreneurs and their families to rigorously address two other fundamental questions.

Key Question #1: What is the Opportunity Cost?

Opportunity cost is a little used, but very relevant term from Economics 101. Opportunity cost

is based on the concept that we live in a world of limited resources, such as time, energy, talented people and money. Therefore, the "true" cost of committing a set of resources to a particular course of action is the outcome one could have achieved from committing those same resources to an alternate course of action.

In other words, there is only so much time, energy and money available to a business owner at any given point, and those resources invested in a business are not available for her to use, enjoy or invest in another way. The opportunity cost of being engaged in a particular business might include giving up:

- ◆ another business venture
- ◆ a more attractive market segment
- ◆ time for rejuvenation and thought
- ◆ family, friends, and grandchildren
- ◆ diversification of investment, or reduced risk
- ◆ education, intellectual stimulation, or new challenges
- ◆ health, travel, community involvement, spiritual service
- ◆ or any other opportunity that can not be pursued because of the demands of the current business.

There is no right or wrong answer to the opportunity cost question. The answer is subjective, and has relevance only in terms of the life goals of the business owners.

When an entrepreneur decides that the opportunity cost of owning a particular business is higher than the overall value (not just money) received from owning the business, it's time to seriously consider selling. On the other hand, when the owner feels that the business is the most satisfying, enjoyable, and profitable way he can invest his time, talents, life energy, resources and money in the moment, it probably makes sense not to sell the business now. No matter what the price.

Does that mean that everyone who decides to sell knows exactly what they are going to do after the sale? Some people do, but most do not. Many entrepreneurs have been so involved in their business for so many years that they have a hard time envisioning what life will be like once they sell. However, after a successful sale, the space previously occupied in their life by the business opens up. They are then freed to attract, explore and evaluate many new and exciting alternatives...and it's a rare entrepreneur who can't figure out what to do with some free time.

In fact, not having that liberty to explore alternatives is one of the very real opportunity costs of business ownership.

Here are three examples of what "opportunity cost" sounds like when we hear it spoken by someone who should consider selling:

Example 1. "My business has been good to me. I am very proud of it. I poured my life into it and for many years it was quite satisfying and financially rewarding. For a while though, I have not been having much fun. It's gotten kind of boring. I know I could do more with the business. I know it has potential. Truth is, however, I simply don't want to put any more energy into it. It's time to do something else with my life. I'm not sure exactly what that will be, but I am sure I can figure it out, once I'm not preoccupied with

this business.”

Example 2. “My current business is going well and I could keep running it indefinitely. It takes a lot of attention though, and distracts me from another venture, with which I think I can have even greater success. While it may seem a bit crazy to sell a good business, I need to let go of this one in order to take hold of the next.”

Example 3. “Although we have been successful, I’ve gone as far as I can with this business based on my talents and experience. The company is well positioned, but what it needs next is a leader with a different set of skills and ambitions. Both the business and I would be better off if I sold it to a group that could take the company to the next level. Then I could focus on what I do best, either working with the buyers, or by moving into a new opportunity.”

By the way, opportunity cost is not exclusively a seller issue. The concept also applies to business buyers, which is why there is a market for well-run companies. The buyer for your company will see it as a path to his or her goals, and will buy when your business presents a more attractive opportunity than alternative uses of the buyer’s resources.

Key Question #2: How Much is Enough?

We are blessed to live in one of the richest areas of the world. It’s easy to get hooked into the hype surrounding making money and to feel that no matter how much money we have, it’s never enough. There is always someone with more money.

This insidious trap catches many business owners. We see them struggling away in a particular business:

“just ‘cause...” they are in the business

trying to make more money...“just ‘cause...”

“just ‘cause...” a few years ago the business might have been worth more than it is today, or

“just ‘cause...” the market might be better a few years from now.

Meanwhile, their current life and economic situation are the envy of 99% of the world.

On the other hand, when they read of millions of dollars being made by others, it frequently triggers the response, “We ought to be making more money, too.”

This discussion is absolutely not an indictment of making money. Making money is central to our economic system and to business. Making money beats losing money any day. When entrepreneurs are passionate about their company, working for increased profits is an invigorating goal and a fundamental stewardship obligation.

Frequently, though, entrepreneurs lose the passion they originally had for the “heart” of their business. When they push ahead anyway, day after day, month after month, year after year, “just ‘cause” they think they should use the business to make more money, it can be a recipe

for despair.

We see this situation regularly. We meet wonderful people who own nice businesses, but they feel discouraged and stuck. Their stories about their current situation and their future are sprinkled with “shoulds” and “oughts.”

Broach this topic at the cocktail party, and you’ll often hear: “stop whining”, “get over it”, and “get on with it”. Sometimes, that’s the correct solution.

In other cases, though, a mature entrepreneur concludes that he has invested enough of his life and made enough money out of his current business venture. He decides it’s time to sell and becomes rejuvenated by proactively moving on to a fresh endeavor.

Important issues for entrepreneurs to address are:

- ◆ Why are we making money?
- ◆ Are we making money in a way that is (still) personally and professionally satisfying?
- ◆ What is our overall purpose for being engaged in this particular business?
- ◆ Is this way of making money the highest and best use of our resources and abilities? (There’s that opportunity cost thing again!)
- ◆ How much is enough?

Reflecting on these questions and discussing them with your family and trusted advisors leads to a grounded decision about when to sell. Regardless of whether you decide to sell now, answering the “How much is enough?” question is central to tactical and strategic planning, and essential to developing a sound exit plan.

What’s the best time to sell?

The best time to sell is when you decide that it is more compelling to invest your time and resources in something other than your current business. The best time to sell is when you grapple with the question of, “How much is enough out of this business?” and conclude, “It’s enough.”

The role of a mergers and acquisitions advisor is not to persuade you to sell your company. The role of a mergers and acquisitions advisor is not to answer the questions, “What is the opportunity cost?” and “How much is enough?”

Our role is to ask insight-producing questions, such as these, that help entrepreneurs clarify their thinking and act on their decisions with confidence. Our role is to provide a unique forum for you to explore and reflect on your business planning issues, in conjunction with your family and other advisors.

If the result of your reflection is a decision not to sell, that’s a good outcome. You can then focus on building your business with a renewed commitment. On the other hand, when you decide it’s time to sell, our role is to help you optimize the results and expedite the process so you can move on to the next phase of your life.

Business Valuations

If you are seriously considering selling, it makes sense to get an impartial, third party assessment of the value and marketability of your company. We offer reduced rates on market valuations that are intended solely for management planning purposes. Please email or call to discuss your situation in confidence and for an estimate on your project.

Business Building

If now is not the right time to sell and you are enthusiastic about growing your company, request our free business development CD program called Monopolize Your Marketplace. Just send an email to Mike@Private-Equities.com with the letters "MYM" in the subject line and provide your full contact information.

This Value Building Strategy was brought to you by...

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