

From the Handbook of Business, the Bible

13: There's a right time to let go

In recent times I've worked with two potential buyers of small businesses. Both were serious about the opportunity so my goal was to assess the value in terms of investment risk & potential returns.

And it didn't take long in either case to figure out they were both duds!

To be blunt, both sellers were hopelessly unprepared, presenting some basic accounting numbers that told us little about the day-to-day operations or the long-term potential. And to make matters worse, these owners were quite un-cooperative when we sought extra information.

Here's the horrible truth, repeated all the time in the small business buy/sell market:

* Owners attempt to offload what has become a liability, hoping someone will take it on

...It becomes a liability when owners lose interest or even hit a brick wall

...So, they decide to get out rather than fix what is fundamentally a broken model.

* And inevitably their asking price is based on their money needs, not commercial reality

* Most owners, sales agents & accountants don't know how to prepare a business for sale!

Is this phenomenon alluded to in the Bible?

Definitely - **Ecclesiastes 3:2 (Message Bible)** - There's "a *RIGHT* time to hold on and another to let go"

* Other Bible versions speak of "*planting and harvesting*" or "*planting & reaping*"

* Even for Christians, there may come a time when the owner is led to sell and move on.

But too many offer their business for sale at the *WRONG* time, that is, too early when...

a) Both profitability & growth potential are too low to support the asking price

b) Systems, procedures and policies are not properly documented

c) A lack of information drives potential buyers away because they see a liability, not an asset.

If selling the business is a serious option, what advice would I offer the owners?

Assuming you want to sell as a **going-concern**, not just liquidate the physical assets, **3 STEPS:**

First, allow 12-18 months to prepare your business for sale...to turn a liability into an asset

Second, create an Operations Manual detailing 'how we do things around here' - i.e., every task

Third, prepare a Prospectus detailing everything a potential buyer would want to know...

...High on this list is a complete customer data base, with sales & GP analysis by customer

...And your new customer strategy; growth opportunities; online presence; staff categories, pay etc

...You will probably need help so, be prepared to enlist what is needed to implement these steps.

***Once all this is done and you can prove to a potential buyer there is a good return on investment
... THEN the time is right to let go!***