

*Reprint*

# When to sell?

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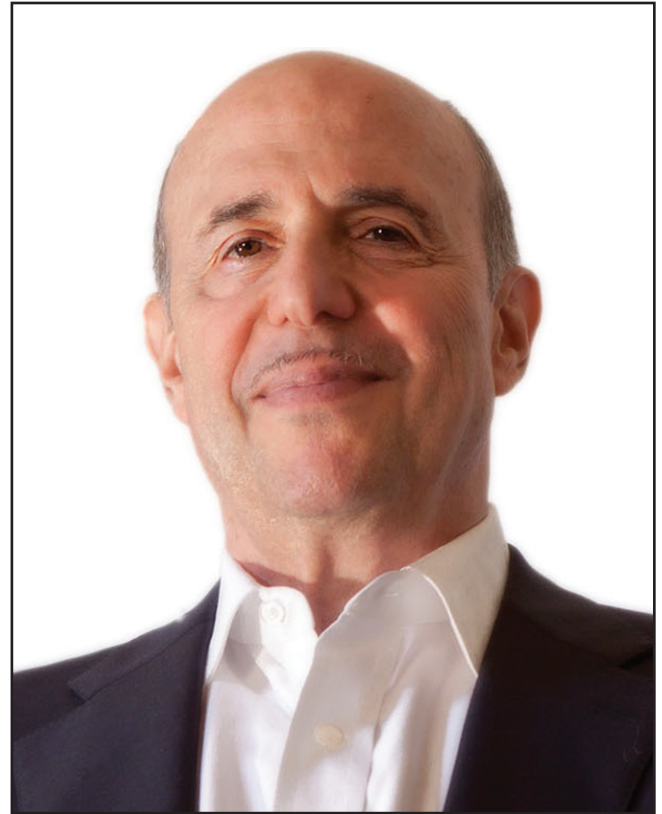


# When to Sell?

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By Loren Smith



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Owners of harness companies – either because they find themselves at a crossroads or because they are contemplating the future – often ask me about the most common reasons to sell their business. I respond that most reasons seem to fall into three basic categories:

## **Burnout**

Burnout is a reality in any career, and it can particularly take a toll on entrepreneurs. Statements I hear from owners are “It seems I’m solving the same problems over and over” and “I’m tired of sitting across from a customer who doesn’t know the difference between a balance sheet and a balance beam but who has the ability to put me out of business.”

Also, many entrepreneurs have been successful largely because of their exceptionally hard work and talent for wearing many hats. Individuals who fit this profile are typically not inclined to delegate a lot of what they do, and at some point the hours and stress are just too much.

## **Change in personal circumstances**

Leading the pack in this category is the intention to retire. When an owner does not have any family members who want to step into the business, at some point he or she needs a succession plan, and this drives the decision to look for buyers. Other factors include illness, divorce, a desire to relocate and a need for significant cash.

Whatever the personal reason, generally the owner wants to exit the business as quickly after the closing as possible.

The need for capital or expertise to grow effectively

Sometimes an owner does not want to exit the business, but change is a must. One reason is business stagnation; the owner realizes growth is imperative for survival. In the other instance, business is growing, but the owner is having a hard time keeping up with increased demand--and a failure to respond adequately to demand will risk losing customers.

In each of these situations, the owner recognizes the need for outside help in the form of an infusion of capital or expertise, or both. And whether the objective is capital or expertise or a combination, pursuing these solutions requires more analysis because the owner needs to determine his or her new role in the company and the desirable relationship with whoever is entering the picture.

Assisting an owner with this kind of transaction is, therefore, more involved than with one where an owner wants to walk away after a brief transitional period. We need to help the owner identify his or her optimal situation, and we need to help prospective buyers understand how growth can occur and how they will be critical in that growth. In these instances prospective acquirers will be buying the future at least as much as they are buying the past.

## **The bottom line**

Owners decide to sell all or part of their business for entirely different reasons. As a result, it is essential to listen carefully to the owner's motivation and match his or her needs with the prospective buyers who are out there.

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