

## *Exit Planning for Business Owners - Series*

### **Planning to Sell vs. Needing to Sell**

by **Daniel R. Siburg, CPA, CVA & Howard W. Fisher**

Three elements affect an owner's ability to make an advantageous sale of a company:

**Time** - How long can the owner take to prepare the company for sale and complete the sales transaction?

**Pressure** - What kind of pressure is the owner under to complete a sales transaction?

**Money** - Why and how quickly does the owner need the money from the sales transaction?

Owners who are planning to sell their companies generally have all three elements in their favor. They can take as much time as necessary to prepare the company properly for sale because they are not under pressure to sell it, and they probably do not need the money from the sale of the business to cover other debts.

On the other hand, all three elements work against owners who have not anticipated a need to sell their companies. Owners who find themselves compelled to sell do not have enough time to prepare their companies for sale and are usually under tremendous pressure because they need the proceeds to pay off business debts and stop negative cash flow.

### **Reasons for Planning to Sell**

Owners of companies often plan to sell their businesses in order to redeploy personal financial holdings. When a majority of an owner's net worth is tied up in the company, the owner may want to diversify the wealth and risk concentration in the business by selling it.

The impetus to plan for selling may be a life event, a change in priorities that favors family, a new business or hobby outside of the company that requires financial support, or the death of a business partner.

No matter what the reasons are for planning to sell, when an owner has the time to prepare correctly, the business will be more financially viable in the future. As a result, the owner generally gets greater value for it.

## **Reasons for Needing to Sell**

Owners of companies who need to sell have probably not been planning to sell and can be motivated by a variety of business situations. Perhaps the company is unprofitable and losing money and the owner is trying to avoid bankruptcy by selling. Perhaps the business has lost a major customer; if sales volume has declined significantly for that reason or any other, the company may have limited access to cash to support new and ongoing operating capital requirements. Other reasons for needing to sell could be personal - an owner's major health problem or divorce, for instance.

Whatever the reasons, owners who do not have the time to prepare properly for the sale of their companies generally get less value for them - and considerably less value when the future financial viability of the company is questionable.

## **The Readiness Strategy**

Whether you are carefully planning to sell your company, cheerfully sure you will never want to sell it, or somewhere in between, you will enhance the company's value if you make it ready for sale at all times. This is just good business sense, because it means operating the company efficiently and ensuring that all financial information is accurate.

The next article in this series will cover ways to prepare your company for sale. Later articles will explain how to create more worth in your company, how to value the company, and how to handle the sales process.

**The Siburg Company** is a boutique consulting firm specializing in financial and operational consulting with an emphasis on mergers and acquisitions.

### **Daniel R. Siburg, CPA, CVA** *Managing Director*

Dan is the Managing Director of The Siburg Company, LLC and has experience as both a President and Chief Financial Officer. He helps companies improve operational functions to manage costs and increase profitability. Dan specializes in merger and acquisition strategies.

We invite you to call us to discuss your current business needs or to schedule a future appointment.

The Siburg Company, LLC  
6347 E. Windstone Trail  
Cave Creek, AZ 85331  
Phone 480.502.2800  
Fax 480.502.2804  
[www.TheSiburgCompany.com](http://www.TheSiburgCompany.com)