

Discover the right time to sell your company

[Brad Cherniak](#) May 14, 2012 – 1:16 PM ET



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It is generally accepted that waiting until you need to sell is a recipe for being picked clean by the buyer, whether for business reasons (a cash squeeze in the business or changes in your industry that are harming the value of the business), or personal circumstances (health issues, divorce or loss of energy).

There is plenty of evidence showing that starting the process well before you are ready to sell is the best way. This allows you to tidy up your company and its contracts, records and processes, and to prepare the materials you will need to market the business. You also have the luxury of picking the right time to sell, when business results are strong and prospects are good.

To many healthy 45-or 50-year-old owners who are running healthy businesses, this decision is a chicken-and-egg paradigm. Do you just decide to sell out of the blue? Do you follow age-driven social conventions? Or do you hang on until you have more clarity? What if you never get more clarity?

For starters you should take the “exit” out of the planning process, at least initially.

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Exiting is a notion that is rightly terrifying to most entrepreneurs, and therefore a potential roadblock to even beginning the process.

As a first step, business owners should get an independent and credible assessment of the current achievable market value of their business — the key word being achievable. You may be shocked at the figure, either positively or negatively. This could change your timeline for when you exit your business.

Next, you should get an assessment of your options (status quo, selling now, bringing on an investor or partner, merging with another company, liquidating the company, etc.). Your analysis should include the possible impact of each on your net worth and that of the company’s other key stakeholders. Seeing the results on paper may open your eyes as to what is possible, and what is reasonable and achievable.

This package of information offers partial solutions to the equation that represents the optimal time to sell your company at a single point in time. It alone may point you in the right direction, or at least give you a better sense of how to focus your strategy.

With this financial context, you can also reflect honestly on your personality and lifestyle preferences: What gets you out of bed in the morning, what you want out of life, what your dreams are, what you are “meant to do,” etc.

It is hard for an entrepreneur to do a personal assessment in a vacuum. Without the financial context, it is all airy-fairy. Idealistic but still critical, because without it the numbers are sterile and potentially irrelevant or misleading.

These initial steps can be done without locking the business owner into any particular choices. And if carried out carefully, the process should also not have any indirect effects on the business. For example, lengthy distractions that cause business performance to suffer, or freaking out employees or family members and causing bad reactions that can hurt the business or personal relationships. You can decide if and how to share the information and with whom.

The process can be repeated at a later time, giving the business owner a trend line on the effects of their decisions regarding their businesses.

It is important to accept that there are no right answers, no full solutions to the equation. This is a frustrating reality for those who prefer precision in their decision-making, as many business owners do. And it is the crux of why picking the right time to sell your business is so vexing.

A massive industry has grown around this subject, alternatively called exit or succession planning, life coaching, strategic planning or goal setting.

There are no foolproof blueprints to walk you through from a standing start to the ultimate realization of your hopes and dreams.

That's important to highlight because it gives business owners some comfort that they are not missing the boat — unaware of a simple, clear and optimal solution only out of ignorance or bad luck.

The key is to arm yourself with information and see where it goes and where your thoughts take you. Bite off small pieces.

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