

About The Author

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Selling a Troubled Business

"My business is in trouble and I want to sell fast! HELP!"

When I get this type of call from a business owner, I know they are motivated to sell. Usually the owner had a very promising business but has now fallen on difficult times - in many cases through no fault of his or her own.

The question they want answered is "can you sell my business?" In almost all cases the answer is yes. The challenge is usually to convince the owner to either 1) price the business appropriately to reflect its condition or 2) to improve the business sufficiently to command a higher price.

Businesses can find themselves in trouble very quickly for any number of reasons. Some of the most common are unanticipated market changes, cash flow issues and landlord problems. A frequent reason is owner burnout. Occasionally, a business owner wakes up one morning to the realization that his business just doesn't excite them anymore - most frequently recognized by flat or shrinking gross revenue for no obvious reason.

Pricing a business appropriately is an activity that professional business brokers perform as part of their services. For businesses in trouble, an experienced broker can identify "escape hatches" that would work best for the owner. If the business has little or zero cash flow, the most common strategy is to base the price on the asset value of the business. Depending on the particular situation, the value of the cash flow can improve an asset sale price, but is usually a secondary consideration.

Assets that have value to a buyer can include equipment, inventory, work in progress, customer lists, web site addresses, web based traffic, location, or any other item that can essentially be redeployed. Buyers who purchase businesses on an asset sale basis often times will be looking to expand a business they already own and can often pay cash and move quickly. Other buyers want to own a business already in place and have sufficient financial resources to carry the business until profitability can be improved.

Improving the business to justify a higher price can work well for businesses where specific areas of the business that are not working well can be identified. Experienced business brokers can identify these areas and create an improvement plan. Often, once these problems are identified and solved, owners sometimes find they have a renewed interest in keeping and operating the business themselves, in addition to increasing the value of the business.

The amount of time required to enhance a business obviously depends on what needs to be improved. Quick fixes can include appearance issues, employee changes or employee responsibility assignments. Longer term changes can include financial reporting procedures, expense controls, revenue enhancement, even having owners consider not taking cash from the business. The old adage - it's not what the business earns that's important, it's what the owner can prove the business earns - comes into play here.

If you own a business that is struggling, you owe it to yourself to gain the insight of a professional who knows the right questions to ask. Tough decisions may need to be made to change the situation, and frequently, owners are too close to the business to recognize the opportunities.

So before you close the doors and walk away from a business that you've put so much thought, energy, and planning into, please consider calling a professional business broker who will provide the additional insight needed to either sell the business or turn the business around for you. 

Geoff Green connects business sellers with business buyers and also works with business owners to increase the value of their businesses. Geoff can be reached at www.arizona-business-brokers.com or by email at geoff@arizona-business-brokers.com.