



## Reasons Why Your Business Won't Sell

By Ryan Jorden, VR Business Brokers - Managing Partner

You've been thinking about selling your business for a while and now you're finally ready to pursue a sale. But is your business prepared to withstand the scrutiny of a buyer and their professional advisors? If you haven't been through this process before, then you may be unaware of some issues present in your business that a savvy entrepreneur is looking out for and seeking to avoid. These barriers to selling will undoubtedly show themselves during a buyer's due diligence and likely derail your deal. So let's take a look at some of the common issues that arise so you can start working on them in order to maximize your value in a successful sale.



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### 1. You aren't mentally prepared for the process

You thought you were ready, but now that you're discussing it in depth with your trusted broker you realize that you have no plan for your life after the sale. Your identity and self-worth are very closely wrapped up in your business, or perhaps you've worked so hard at growing your business that you simply didn't have much room for a social life or hobbies. What are you going to do with all of that free time? The great unknown looms large and you're getting cold feet at the prospect of reinventing yourself.

This is an opportunity to draw up some goals and gain a clearer understanding of how your life will change and benefit from the sale of your business. Maybe you desire to spend more quality time with your spouse or grandchildren, finally enjoy some uninterrupted holidays, or pursue a completely different business venture. Write it all down and start filling in the blanks until you feel it becoming tangible. Because it's crucial that you're fully committed to the transition both emotionally and mentally.

If you're on the fence, then your business will suffer in the meantime, your broker will get frustrated trying to drag you along and any buyer you meet is going to confuse your reluctance of selling with disapproval of them.

### 2. You have unrealistic expectations of the timeline required

If you thought you could walk away six months after the day you decided to sell, the reality is going to be a difficult adjustment to make. Especially if you're already mentally burned out or suffering from health issues. It's better that you know now what it all entails so you can realistically prepare yourself to do what it takes to ensure a successful transition.

So how long does it take to sell your business through a brokerage? On average you're looking at nine to twelve months to locate a suitable buyer, however, some businesses may even take up to two or three years. The length of time will often depend upon the type of business you have, how much financing you're willing to extend, whether or not your price is market friendly and who you're using to represent your business for sale.

It may also take a couple of years of pre-sale planning to resolve ignored or unknown issues or to implement a tax friendly strategy. And depending on your business, you may be required to stick around for one or two years to play a key role in the transition.

The best advice I can give anyone is to start planning your exit today, regardless of when you think you're going to sell.





### 3. You don't have the documentation required

You have to be prepared to disclose a fair amount of information to a serious buyer in order for them to gain the confidence required to move forward. I've had numerous business owners approach me over the years with a request to help them sell their business, however they weren't even willing to share their financials with me. I simply won't allow a buyer to potentially risk their life's savings on a mystery box, so these are business owners I will not work with.

What are the basics you should start getting ready today? In addition to a copy of the lease, current inventory status, itemized list of furniture, fixtures & equipment, you will also require accountant prepared financials for the past 3 to 5 years. A serious buyer needs to understand the revenues and expenses of a business, as does their accountant and lender. Not having accountant prepared financials will unnecessarily introduce a level of risk to the buyer that makes it impossible for a business to sell.

The more detailed and confidential information such as client lists and existing business contracts aren't made available until the period of due diligence after an accepted offer is in place, however, you need to have it ready to go. Delays will kill your deal by eroding the confidence of your prospective buyer while also giving them time to find another option.

The bottom line is don't expect a buyer to simply take your word for anything, they're going to require proof.

### 4. You have internal issues that haven't been fixed

The buyer of your business isn't going to pay you top dollar if they have to come in and sort out a mess. They want to be able to plug themselves or a manager in and start immediately growing the business.

Common issues we encounter are inventory management concerns, missing or outdated systems & processes, decreasing revenue, poor earnings, a cash component that's throwing off the expense to revenue ratios, a missing safety program, or the lack of key staff in place that can assist the new owner after your departure. If you're doing three roles and all of your customer relationships are with you personally, get a manager in place and train your customers to call the business instead of your cell.

These are all matters that can be fixed, however, they can take a varying degree of time to address and correct. Make a list of all your known issues and start working on it. You may also want to consider hiring a small business consultant or contract CFO who can discover additional unknowns and assist you in improving them.

### 5. You are asking too much

An ill-informed expectation of value is going to cause you frustration as you watch buyer after buyer pass you by. Since they're primarily purchasing your cash flow, the package it comes in is often less important to many buyers than the payback period, risk and ROI. An experienced entrepreneur won't pay for your location, client base or name recognition if it's not translating into profit.

Get a professional business valuation completed immediately so you can set your expectations of fair market value. This will also help your broker in establishing and justifying the value of your business to a buyer, their accountant and the bank.

If you're asking too much then you're not going to sell, and if you're asking too little then you're cutting yourself short and leaving good money on the table.

If you're thinking of selling your small business, we would be pleased to answer your questions and assist you with starting this process. Let us put our expertise to work for you!



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