ROBBINEX®

14 Alternatives to Selling

We at Robbinex have spoken with thousands of business owners over almost five decades and have learned that many business owners agonize over the decision of whether to sell a business for many months, or even years, and often decide to sell or not sell their businesses for the wrong reasons.

For example, business owners often run into a problem they simply cannot solve, hence they decide to sell by default. When presented with a solution to the challenges they are struggling with, most will jump at the opportunity to fix the business rather than selling it.

At Robbinex we believe a business should be sold at the right time and for the right reasons. To guide business owners in this area, we developed a process we call the Robbinex® Three-Phase COSATA® (COmprehensive Strategic Analysis of Transition Alternatives) Process.

Many business owners are simply not aware of the options to selling a business. Here are the fourteen most common alternatives:

1. Value Enhancements:
Take the time to identify and fix the problem that is motivating you to exit. Take a fresh look at your business—something that is best done with a fresh pair of eyes, e.g. external resources. This may help you identify solutions or new perspectives that may allow you to prosper and keep your business longer.

2. Refinance Your Business:
Find a new bank, refinance your term loans, revisit your operating lines, remortgage your property or reschedule your debt repayment.

3. Consider Hybrid or Other Innovative Forms of Financing:
Where lack of financing may be forcing a decision to sell your business, there are "out of the box" instruments and sources of financing ranging from convertible debentures, preferred shares, leasing, factoring, participatory promissory notes, etc. that should be considered.

4. Infuse New Equity into Your Business:
Remortgage your home or cottage, use some of your retirement savings, find a financial investor, a family member, a private equity firm or a venture capitalist. Additional financial strength can improve competitiveness and give your business a new lease on life.

5. Merge with a Strategic Partner:
While a strategic partner may also bring capital, there is much more emphasis on expertise or technology, access to clients, economies of scale, etc. Strategic partners often are prepared to take a long-term path to the total buyout. This may also help solve subsequent succession issues.

6. Strategic Alliance:
This is a looser arrangement than a strategic partnership, often of a contractual nature, without equity. Teaming up to take advantage of the other party's knowledge, technology, market access, etc., can be useful and exciting.

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7. Next Generation Transition:
Many times, a son or daughter is willing and capable of both running and owning the business. Financing may be available and a properly defined and implemented mentoring program will ensure not only a successful transfer but also continuation of the family legacy.

8. Hire a Manager:
A business may have grown beyond the owner's ability to manage; hiring a manager may bring new skills and energy to address the challenges.

9. Empower Your Staff:
Often it is not necessary to reach outside the organization. Competent management may be found within the company, or a share of your work may be delegated to staff.

10. Buying Out a Partner:
If you are in an unhappy or unproductive partnership, buying the partner out may be a better solution than selling the business. An external source of debt or equity financing may assist with the buyout. See the section on Partnership Issues

11. Create a Formal Board (of Directors) or a Personal Advisory Board:
Surround yourself with people who have relevant experience and knowledge. Using the collective wisdom of an advisory board can be impactful: they may have already been through what you are going through and have learned a few things in the process!

12. Buy a Competitor:
This may all of a sudden make your business much more viable. We have seen instances where two loss making businesses have merged to create a highly profitable business. Buying a competitor or near-competitor can help you acquire new clients, markets, product lines, location, technology, talented staff, etc.

13. Cure the Burnout:
Some business owners want to sell because they feel chained to their businesses 24/7. They are tired, listless, and hate the thought of going into work the next day. That is usually a strong indicator of burnout, a stage before a serious mental breakdown. Start by taking a few days off, or better still take a 7-to-10-day holiday! You would be amazed at two things:

- How well the business managed without you, and
- How much better you will feel. You may be re-energized and filled with new ideas for your business.

14. Liquidate those Redundant Assets:
Sometimes that includes a non-productive or money losing division of your business. That not only frees up capital, but it allows you to focus on activities that are more productive.

Obviously, each of the above options have pros and cons that should be considered carefully. Many M&A firms solution is to sell a business.

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