

A Private Equity Firm Veteran's Advice for Business Owners Preparing to Sell

What kinds of insights about selling a business might come from experts at private equity firms? This article includes advice for sellers from industry veteran Lamar Stanley. Stanley is a Director at Gen Cap America, which is a lower middle market private equity firm in Nashville, Tennessee. Since 1988, Gen Cap America (GCA) has made 60+ investments across seven committed private equity funds.

Before joining GCA, Stanley was with the Nashville based private-equity strategy group, Diversified Trust Company. Stanley holds a B.A. degree from The University of the South and an M.B.A. from The University of Chicago.



Understanding Small Business

Over the decades, Stanley has amassed a considerable amount of knowledge and expertise. He points out that it is easy for people to lose sight of the fact that many so-called “overnight successes” are actually the result of ten or twenty years of hard, thankless work. It is through these years of laser-like focus that entrepreneurs are able to bootstrap their business. Additionally, these business owners need to not only have a vision, but also the insight to bring on great people to help build their business.

The Benefit of a Deal Attorney

Stanley feels that working with a deal attorney can make a tremendous amount of difference, as it can increase the chances of a successful transaction taking place. Deal attorneys understand the deal process, which can make all the difference when it comes to streamlining the process.

“Deal fatigue” can derail what would otherwise be a good deal. This term applies to how deals can sometimes drag on for months. Working with an experienced deal attorney can help expedite the entire deal process. In turn, it can help to avoid the dangers typically associated with deal fatigue.

Preparing in Advance for a Sale

Stanley believes that it is critical for a business owner to think about selling as soon as possible. Ideally, a business owner should be thinking about selling when they start their business. He realizes that most business owners can't hope to prepare for selling as soon as they create the business. But the point is clear, the sooner they begin the process the better. Business brokers and M&A advisors can best serve business owners by helping them understand that they shouldn't wait until a month or week before they are ready to sell their business to get their respective houses in order.

There are so many important factors involved in getting a business ready to sell. They range from simple clean-up of the facilities, removing old equipment that is no longer used in the business, cleaning up the internal financials to remove old accounts that are no longer used. Reconciling the accounts receivable and accounts payable accounts, addressing customer concentration issues and diversifying suppliers to preparing multi-year financial statements and working capital estimates well in advance. Other stockholders and stakeholders need to be addressed and in agreement prior to taking the company to market.

In particular, Stanley points to the danger of business owners having to deal with preparing their business for sale while continuing to operate the business during the sales period. What must be avoided is for business owners to essentially have two jobs at the same time, as this increases the odds of deals falling apart from deal fatigue. The sooner a business broker is involved in the process, the better.

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