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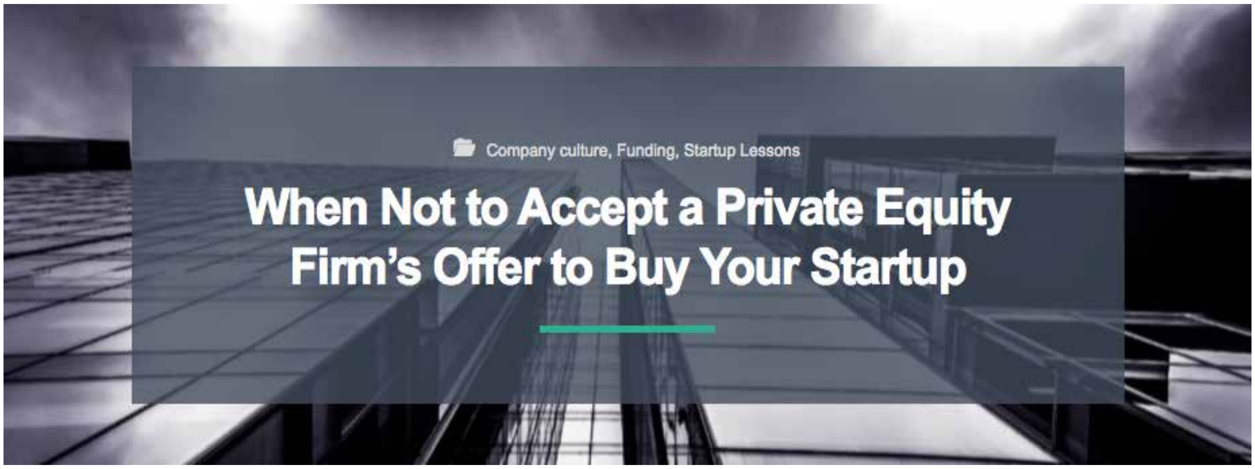

By Frank Williamson

For many entrepreneurs, landing a private equity deal is a dream come true. It's a sign of success and a catalyst toward bringing an idea to full fruition. However, despite the excitement and flattery, some private equity deals—as lucrative as they may sound initially—should be respectfully declined.

How does a business owner determine if the offer is a good fit for both him and the company? Here are three factors of a private equity offer that may prompt you to decline the deal:

1. The price isn't right.

The initial offer may appear impossible to turn down at first, but the value will most likely decrease by the end of the transaction. That's because a private equity firm will provide the best possible price initially. But as the due diligence process continues, any potentially negative information that is discovered will be given a monetary value, which is then deducted from the original offer.

To be proactive, research any non-attractive elements of your business, such as a decline in revenue from a specific product or weaknesses compared to competitors. Then, calculate an estimated cost for those setbacks. This allows you to provide the private equity firm with any negative information upfront and to foresee what the final offer might look like.

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Business owners must also determine if profits will be sufficient. If there is only one owner, is the revenue from the sale enough to pay off business debt and cover her retirement? Perhaps the business is co-owned—would the revenue still be substantial when split equally or proportionately among all owners?

Taxies, attorney fees, distribution of funds and other factors should be carefully considered to make sure each owner is comfortable with the profit he would receive from the transaction.

2. Changing ownership creates difficulties.

The business owner's exit from or continuation with her company cannot be ignored when thinking about private equity deals. If the owner remains on board, she would likely lose control of the company's operations. The psychological element of this transition can be difficult. Her opinions no longer carry as much weight as they did before, and she is not involved in the day-to-day decisions of the company she worked hard to build.

In contrast, what is the impact on the business if the owner cuts ties with his company after the transaction? Often, a business owner is the face of the company, and customer loyalty is built upon the trusting relationship he or she has developed with the owner. A business owner should think about how his personal involvement in the company, or lack thereof, would affect the future success of the business.

3. New ownership affects company culture.

A company's success is built on the business values and culture set forth by the business owner. As such, one of the most important factors to consider when weighing a private equity offer is how new management will affect the company's culture.

Under new ownership, will employees continue to feel valued and receive the same benefits? Will the owner's absence deter longstanding customers from doing business with the company? It's essential that new ownership aligns with the core business values of the original company, or it will be hard to generate long-term success.

Deciding if you should accept a private equity firm's offer to buy your company can be a difficult process. When considered wisely, it means exploring the tangible elements of the transaction, such as profit, and the non-tangibles, like business reputation and culture.

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If the deal doesn't feel right, graciously decline the offer—and then continue building your company's success. After all, the next offer could be exactly the one you've been waiting for.

Frank Williamson

Frank Williamson is the founder of Oaklyn Consulting, a strategy consulting firm with a financial focus. It serves businesses across the Southeast in a range of industries, as well as across the globe in the financial services and health care industries.