

# **Selling the Intangible Company**

*How to Negotiate and Capture the  
Value of a Growth Firm*

THOMAS V. METZ, JR.



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## Praise for Selling the Intangible Company

“This is an encyclopedic work that deserves multiple readings. I found a great number of familiar situations in the book from my many years as a high-tech company executive. An excellent resource for anyone considering the sale of their company.”

—*Phil Herres, President, Haydrian Corporation*

“Tom’s book reveals the secrets of how entrepreneurs can get the most value for their business at the best time. Anyone who does not read it will leave a lot of money on the table when they sell.”

—*John R. Castle, Sc.D., Lecturer in Entrepreneurship,  
Foster School of Business, University of Washington*

“*Selling the Intangible Company* is a comprehensive resource that describes not only the technical issues associated with valuing, marketing and selling a business, but also the interests and biases of those who influence the process. This is a must read for entrepreneurs, chief executives and their key advisors.”

—*Douglas W. Brown, President and CEO, All Star Directories, Inc.*



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*With gratitude, I dedicate this book to my parents,  
Joanie and Tom.*

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## Preface

I have always been intrigued by doing deals. When I was a young man I would sell my current car for a profit and figure out a way to get a good deal on a newer car. I was very tuned in to the market and could spot a bargain. A deal is a deal. A small deal is just as exciting as a big deal. The fee is not as large, but the problems are just as real and often more difficult. Sometimes small deals require solutions that are much more creative.

Selling the intangible is a natural extension of this interest. The value of many technology and software companies is intangible; it is based on their software and technology, not on the company's earnings. This is a challenge when selling a company, because there is no way to effectively value the firm. So how do you negotiate the sale of a company when the value is intangible? You will find the answers in this book.

I have been selling technology and software companies for more than 25 years and have managed more than 100 transactions as the chief negotiator. This narrow specialty has enabled me to work with clients all over the world—including North America, Europe, and Asia. In selling companies I have tried a variety of approaches and techniques in an attempt to determine the best way to sell companies whose value is strategic. Sometimes these methods may appear contrary to conventional wisdom in the merger and acquisition business. In many cases I started my approach using typical methods but discovered that they were not very successful. So I had to go back to the drawing board and find other ways to be effective in closing those transactions.

I have always gravitated towards philosophical thinking. It intrigues me to figure out why things are the way they are and to postulate some overarching theory that can help explain matters. Sometimes it leads me to discover a better way to do things. At the same time, I consider myself a very practical person, so my approach to investment banking is a pragmatic one, guided by a philosophy or a set of principles that help me deal with the realities of the market.

Perception is more important than analysis when selling a company that has strategic value. Many CEOs of technology companies have strong analytical skills and they place a lot of stock in these abilities. In my experience, perception is the hard part. Perception means clearly seeing the market as it is. It means perceiving the real needs of the buyers. It means perceiving the nuances and subtleties in the midst of negotiations.

This book is designed to help entrepreneurs, venture capitalists, and CEOs to better understand the process and nuances of selling a company whose value is strategic. It addresses the issues surrounding the sale of a company in which the value is in its technology, its software, and its know-how, and has not yet shown up in earnings or on its balance sheet.

The target audience for the book includes entrepreneurs, CEOs, and boards of directors of companies with strategic value that will one day need to sell. Venture capitalists, founders, and individual shareholders should also benefit from the concepts in this book. Lastly, I think that attorneys, accountants, and other professionals involved in the transaction will find this book informative.

There are a number of good books on mergers and acquisitions. Many are written by attorneys and academics and they do a fine job of describing the structuring and legal aspects—purchase agreement, transaction structure, letter of intent, due diligence, and so on. Many include checklists and sample

agreements which are helpful. My observation is that CEOs and venture capitalists have a good understanding of the overall process of selling a company, but that some of the nuances and subtleties of selling an intangible company are missed. Few books address the sale of a company from the market perspective, which addresses questions such as: Why are adjacent markets important? In which sectors can the best buyers be found? How will a buyer view the acquisition? How does the buyer perceive value? These are questions that I explore in the book.

Almost every business will transfer ownership at some point in time. Only a small fraction will actually complete a public offering. The vast majority of companies will achieve liquidity for their shareholders through a sale of the company.

Acquisitions can have strategic or financial motivations. A financially motivated transaction is one in which the price is based on the company's record of profits. The buyer is purchasing a stream of profits in the future and the value can be calculated using standard valuation methods. A strategic transaction is one in which the buyer makes the acquisition because of the target's special capabilities, technology, or know-how.

In a sense, all deals are strategic; however there are different degrees of strategic. An industry consolidation acquisition is not as strategic as the acquisition of a company to gain key technology or to penetrate a new market. Strategic value is a moving target. This is one of the reasons that selling these kinds of companies is so interesting.

My perspective is that of a boutique investment banker and my role is to manage the process and get the deal closed at the best price with the best buyer. Throughout my career, working with entrepreneurs is one of the aspects that has been the most fulfilling. I have great respect for entrepreneurs. It takes courage, because the possibility of failure is all too real. Entrepreneurs do not take the easy road. They can be stubborn and difficult to deal with; but they are terrific.

It is a source of great satisfaction for me to help entrepreneurs realize their dreams and capitalize on their hard work and ingenuity. Almost every single client truly needed my help and I was honored to assist them with the sale of their company. I view my mission as an important one, helping entrepreneurs gain liquidity and achieve their goals.

## **OVERVIEW OF THE BOOK**

Companies with strategic value exist in a variety of industries, but they are predominantly found in the technology, software and service industries, and in an emerging category that I term tech-service. Most have a value less than \$30 million and I call these "sub-30" companies.

We begin by examining the kinds of companies that are characterized as intangible companies and why these traits are important. We investigate the reasons that companies consider selling and the best time to think about selling. We look at the nuances surrounding the sale of companies whose value is strategic, such as why small transactions have different dynamics than large transactions and how selling a company with strategic value is different than selling a company with financial value.

Many myths surround the sale of a company that has strategic value. In Chapter 2 I debunk eight myths that arise in the sale process. Multiples of revenue is one of these myths and I explain why these multiples are problematic.

The process for selling a sub-30 company is different from selling a \$50 million company or a \$100 million company. The approach for selling a company is described in Chapter 3. We compare the two step auction and the negotiated sale. I also lay out the transaction time line and discuss how confidentiality affects the process.

Preparing a company for the sale process ahead of time can pay big dividends in terms of getting the best price and making the transaction come together with fewer problems. Chapter 4 poses some good questions that will help companies undertake the right actions prior to a sale.

Many times the best buyers reside in adjacent markets and I will describe the importance of tangential markets. How does market stage affect the sale process and impact value? Chapter 5 answers these questions as well as addresses how a buyer will assess the value of an acquisition target.

Selling to a public company and selling to a private company have different dynamics and I contrast these differences in Chapter 6. Sometimes selling to a privately held company can ultimately give the shareholders a greater return.

Value is one of the most misunderstood issues regarding the sale of a company. In a financially motivated transaction, three valuation approaches are typically used to determine value. Chapter 7 explains these methods and discusses how they apply or do not apply to the sale of a company with strategic value. Optimum price is closely correlated with the stage of market development. Recognizing the pre-tipping point is critical for obtaining the best price. This chapter describes how to determine the best time to sell a company from a market perspective.

Negotiating the price of an intangible company is very much like a poker game. I discuss the opening gambit, game theory, knowing your opponent, and a few rules and tactics. I also point out several common negotiating mistakes. Managing and generating alternatives is an important part of getting the best price. How does one negotiate when value is intangible? Chapter 8 answers this question and discusses the nuances of negotiating a deal with strategic value.

There is no end to the variety of difficulties that can impede a transaction. Every transaction will encounter obstacles and roadblocks. Chapter 9 discusses the challenges and the opportunities of selling a company with strategic value. Shareholders and management issues can also hinder the deal. We address some intriguing questions such as: Why would the sale of a company not be successful and how should a company respond to an unsolicited offer.

The CEO has a strong impact on the transaction process. Sometimes this can be positive and sometimes it can be negative. I discuss the CEO's involvement and problems that can arise. Chapter 10 also includes a section entitled *18 Reasons a CEO Should Not Sell His or Her Own Company*.

Tech hubris is a phrase that describes an attitude that pervades many technology and software companies. I expose this issue in the hopes that technology people will recognize certain personality traits and actions that are not productive and that can negatively impact the sale process. Many technology people try to outthink the market and this cannot be done.

In Chapter 11 we look at transaction structures and examine the pros and cons regarding the sale of stock versus a sale of assets. We also look at transaction currency alternatives and how creative structuring can overcome unusual deal problems. I also comment on consulting contracts and noncompete agreements. As a transaction moves forward the buyer will usually issue a letter of intent. I discuss the advantages and disadvantages of using a letter of intent. I also explain the due diligence process. What are the key issues and how long should it take? We also investigate the purchase agreement in Chapter 12. This is the definitive document that delineates the transaction details.



Earnouts can be an attractive alternative for the right situation. However not all situations lend themselves to the earnout structure. In Chapter 13 I discuss when earnouts are appropriate and when they are not. In addition, I present six tips for structuring effective earnouts.

Many companies pride themselves on being self-sufficient and they often do not understand how they can benefit from utilizing an experienced intermediary. In Chapter 14 I discuss how an investment banker adds value to a transaction. Many tech CEOs view the banker's role as one of a finder. Certainly identifying buyers is important, but driving the process and negotiating the best price is really the heavy lifting. In addition I comment on how to work effectively with an investment banker. Deal skills are an issue that I explore because they are both subtle and indispensable. Misconceptions abound regarding which deal skills are the most important. In my opinion, the most critical deal skill is understanding and reading people. This ability has helped me more than any other skill in successfully negotiating and closing transactions.

The search for small acquisitions can be a window into new growth areas and niche markets. Small deals have a number of advantages and Appendix A explores the beauty of small acquisitions from the buyer's perspective. International aspects of selling intangible companies are reviewed in Appendix B and Appendix C explores how a company should go about selecting an investment banker and includes some relevant questions to ask candidates.

Throughout the book you'll find numerous examples, or war stories, that illustrate concepts from actual transactions that I was involved in.

## **AN ADVANCE APOLOGY**

I tend to pick on founders and CEOs a little bit, so I apologize for any broad categorizations. However I deal a lot with founders and CEOs of technology companies so I have had significant interaction with them. One of the reasons I bring up the points about tech CEOs is to help them recognize that they may act in a certain way or express certain traits that may not be productive. If they alter their actions they can be more effective running their companies.

It's all about effectiveness. Effectiveness does not result when CEOs have problems with ego or if they must do everything themselves. One of the most effective things that any CEO can do is ask the right questions. Many of my remarks are directed at CEOs with the intention of helping them ask better questions, make better decisions, and be more effective.

Technology people need to become businesspeople. The transformation from a technology-oriented viewpoint to a business viewpoint will help them be better entrepreneurs, better managers, and make their companies worth more money. Plus, it will eliminate a lot of frustration that tech people encounter in running their businesses.

You may notice that I use the term 'we' a lot in the book. This is simply one of my habits; I hope it is not confusing to the reader. By 'we' I am either referring to my firm or in other cases to you and me, the reader and me, as we explore a topic in the book.

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I would also like to thank the employees who worked for me over the years who asked me interesting questions. It caused me to pause and reflect upon why I thought a certain way and helped me learn to express a clear answer. I appreciate this.

In addition I want to thank my father, Thomas V. Metz, who taught me to be an independent thinker.

## Intangible Companies—Who are These Guys?

An intangible company is a real company, one with real employees, and with real products and services that it sells to its customers. An intangible company is just like other companies except for one thing—the company’s value is strategic. The value is strategic because the company has strategic assets such as technology, software, intellectual property, and know-how. This strategic value might also be called intangible value; and a company whose value is intangible is termed an intangible company.

An intangible company can be any size, but most have less than \$30 million in revenues. These companies are typically in the software, technology, and the service industries. More and more of these technology companies are providing services to their customers rather than selling technology to them.

In this chapter we explore the concept of intangible value and examine the reasons that intangible companies are sold, when they are sold, and what are their sources of value. We will also take a look at the nuances of selling an intangible company and how these deals differ from other types of transactions.

Many intangible companies sell early in their life cycles. Companies sell for a number of reasons including shareholder reasons, market reasons, and management reasons. In addition to the good reasons to sell, there are some bad reasons to sell; there are also bad reasons *not* to sell.

The best time to sell is when the market is hot and buyers are willing to pay top dollar. Many companies wait too long before they consider selling. The first company to sell in a particular market sector will have an advantage because there are more good buyers who need those strategic assets. Of course, the best situation is to have multiple buyers.

The nuances of selling an intangible company are interesting and we will explore several examples. Small transactions, those under \$30 million, are different from large transactions for a number of reasons.

### WHAT IS AN INTANGIBLE COMPANY?

An intangible company has special sauce of some kind. Its strategic assets include items such as technology, software, patents, intellectual property, know-how, brand name, market position, customer relationships, development team, etc. For an intangible company, the value of the strategic assets is greater than the financial value that is based on the firm’s profits. These firms are often young and have not had time to translate their technological edge and market insight into profits. To be exact, the company itself is not intangible, but rather its value is intangible.

A software firm is probably the most typical intangible company. Its primary assets are its software technology and its development team. A company that manufactures instruments incorporating proprietary technology is also an example of an intangible company. A shoe company that has

innovative designs is an intangible company as well. A consulting company with proprietary best practices on how to convert manufacturing companies into 24-hour operations is an intangible company. The common thread among these types of companies is that they have significant value in their technology, know-how, and customer relationships.

### **Intangible Value and Elvis' Guitar**

Intangible value is like the value of Elvis' guitar. How does one measure this kind of value? Is there an objective measure? What is the value of Elvis' guitar?

Intangible value is truly in the eye of the beholder. The value is extrinsic. The guitar's value is not a function of its "guitariness" but a function of how badly a collector wants to own it. The market for one of Elvis' guitars is not just collectors of Elvis memorabilia; it also includes people who wish to *become* collectors of Elvis memorabilia.

The value of technology depends on how effectively a buyer can incorporate that technology into its products and services and then sell those products and services in the market. The size of the market also impacts the value.

Similarly, value is extrinsic for an intangible company. If a company's value is intangible there is no objective way to place a value on the company. For most companies, tangible companies that is, value is a function of the company's profits, its rate of growth, and its risk. This value can be determined by comparison to other companies with similar profitability, growth potential, and risk. However, it is difficult to compare two intangible companies because there are too many differences between them. Even if two intangible companies are similar, valuation comparisons are difficult because the markets change too quickly. Chapter 7 will explore the concept of value in more depth.

By the way, Elvis' guitar sold for \$180,000.

### **How Big Is an Intangible Company?**

Most intangible companies sell for transaction values less than \$30 million. Occasionally companies with revenues from \$30 to \$100 million will have significant intangible value and will sell for a price that reflects the importance of these intangible assets. Once in a while a company with revenue greater than \$100 million will sell because of its intangible assets; however this is generally the exception.

Most companies with \$30 million or more in revenue have been in business for a number of years and they likely are generating meaningful profits. A company with \$3 million in operating earnings (earnings before interest and taxes) certainly has meaningful profits. Such a company will be of considerable interest to buyers from a financial standpoint. Its financial value will most likely be greater than its intangible value. This is the crossover point where the value shifts from intangible to tangible.

### **The Tech-Service Company**

Software, technology, and other intangible companies have been shifting to become more service-oriented than in earlier years. This shift to service will continue. In my opinion, software is essential.

a service. That is how most customers view it. It makes no difference whether the words and images that appear on their computer screens are delivered from their own hard disks or over the Internet from a provider's hard disk.

Two aspects of technology companies distinguish them from non-technology companies—invention and change. A technology company invents new types of technologies: hardware, software, and other varieties of technology. The second characteristic of a technology company is rapid change. By rapid change I am referring not just to the company's technologies but also to the company's rapidly changing markets.

Many companies invent and apply technology in a wide variety of industries and application areas—chemicals, instruments, biotechnology, plastics, automobile technology, and even clothing. It is important to think of technology companies not just with respect to computer-related technology companies.

More and more technology companies are providing their customers with the benefits of their technologies not by selling the technologies but by providing services that utilize them. A good expression for these companies is tech-service companies. A tech-service company is a technology firm that has a large service component to its business. Software as a service is the quintessential example of a tech-service company. Now it even has an abbreviation—SaaS.

The success of [Salesforce.com](https://www.salesforce.com) underscores the escalating popularity of software as a service. [Salesforce.com](https://www.salesforce.com) exemplifies the tech-service company because all of its revenues derive from the service aspect. The company is a leader in customer relationship management (CRM) services and has changed the way that customers manage and share business information over the Internet.

It has taken years for customers to get comfortable with the idea of software as a service, but it is catching on and will continue to become more prevalent. This business model also makes better sense for the software companies. It provides them with ongoing service revenue, which is preferable to the old model in which software firms regularly released new versions. Many software firms could not release versions fast enough to generate sufficient revenue. This model created grief for customers as well because they had to install new software on a regular basis. Software as a service will continue to gain acceptance because it is better for all parties.

Even IBM is a tech-service company. In recent years the service component of IBM's business surpassed the sale of its hardware and software products. IBM's Global Business Services Division, which includes technology services and consulting, now accounts for more than 50 percent of the company's revenues.

## **The Service Model**

Selling a service is a more subtle and sophisticated business model than selling products. As the American economy matures, more and more companies will be providing services rather than just selling technology. There are a couple of reasons for this: one, services are what the customer wants. The customer wants their problem solved. Second, customers are gaining trust in service providers to maintain the accuracy and confidentiality of their data. A few years ago many customers did not want an outside company to be in control of their data. Now customers are more comfortable with this idea. In addition, the service provider can probably do a better job of keeping the data secure than the company can itself. The provider has better backup systems, better redundancy, and more

sophisticated data management software.

A good example of this shift to service is an e-mail direct marketing company. Initially this particular company sold its software to customers so that the customers could perform their own e-mail marketing. The company usually provided the service for the first six months to get the customers up and running. Six months later when the time came for the companies to take on the work themselves, they preferred to let the software company continue providing the service. At the outset customers bought the software fully intending to utilize it in-house. However, very few of the company's clients ever performed their own e-mail marketing; they continued to let the software company perform their e-mail activity. It was much easier to simply pay for the service.

## **WHY ARE COMPANIES ACQUIRED?**

Let's look at the sale process from the buyer's eyes for a moment. An intangible company may be acquired for a price greater than \$100 million or possibly greater than \$200. However most of the time intangible companies will sell for less than \$30 million; I regard these as small acquisitions.

Making a small acquisition can be an excellent strategy for an acquirer to gain a foothold in a niche market, gain new customers and new talent, acquire new capabilities and technologies, and serve as a platform to build upon. Small acquisitions are less expensive, easier to integrate, and often simpler to transact than large acquisitions.

A \$5 or a \$10 million acquisition will be important to a company with \$175 million or less in revenue. To a \$500 million company, a \$10 million acquisition is usually too small to get their attention. Only if the assets or technology are highly strategic will a very large company acquire a small firm.

The market opportunity for small acquisitions is significant. Many small companies need to be part of larger companies in order to grow and thrive and to gain economies of scale in marketing and sales. Often the best firms are not seeking to be acquired and may be under the radar. The market for small acquisitions has not been picked over. The smart play for an acquirer is to make a small acquisition, get a foothold in a niche market, and then grow it.

The search for small acquisitions can provide a resourceful window into new growth areas. Even if an acquisition is not completed, the search process brings new market knowledge. Appendix A illustrates the beauty of small acquisitions in more detail.

## **WHY ARE COMPANIES SOLD?**

A company that is thinking about selling needs to examine the reasons that it is considering a sale. These reasons may be shareholder reasons or market reasons. A primary driver for the sale of a company is that the shareholders desire liquidity for their shares. A second reason is that the company lacks the capital for effective marketing and sales and it can grow faster as part of a larger company with established sales channels. A third reason, although less common, is management problems. Timing is a critical aspect of the decision to sell. Some companies wait too long to consider selling and others sell for the wrong reasons. Let's examine the reasons to sell.

## Shareholder Reasons

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Shareholders include the founders, individual investors, and venture capital firms. Each group has both similar and different objectives in seeking liquidity. If the founders are the major shareholders, they may desire liquidity because they've been working for a long time and they would like to pursue other challenges or retire. This period of time may be as short as five or six years or as long as 10 to 15 years. The founders would like to cash in on their efforts; plus many are simply ready for a change.

If a company has been performing extremely well, the shareholders may think it is a good time to sell the company and realize an excellent return on their investment. They will likely hire an investment banking firm to assist with selling the company and negotiating a transaction. In some cases a buyer will approach the company out of the blue. The company may end up selling to that buyer or it might approach other buyers as well. A company with exceptional performance is in a strong negotiating position and it can command a top price. A top-performing intangible company with revenues from \$15 million to \$30 million might sell for a price of \$30 million to as much as \$150 million.

The second situation is one in which there are outside investors: either individual investors or venture capital investors. If individual investors are the primary shareholders they may desire liquidity because they invested a number of years ago and now it is time to recognize a return on their capital, even if it is not a stellar return.

In some cases companies have both angel investors and venture capital investors. The situation in which the company has venture capital investors is a little different than a company with only individual investors because venture capital firms tend to own a greater percentage of the company's equity than do individual investors. The result is that the venture capital firms will often have a greater influence on the decision to sell the company.

Venture capital investors seek liquidity for three primary reasons. First is that the company has achieved spectacular results and a sale enables the venture capital firm to cash out and realize a return on its investment. In this situation it is likely that the company was approached by a strategic buyer who made an extremely attractive offer to acquire the company. The second reason is that the venture capital investors do not want to invest additional capital in the company. They may be weary of the investment and do not see the company becoming a major success. The third reason is that the venture capital fund is at the end of its life and it must return the funds to its limited partners.

Let's take a closer look at these reasons to sell. The venture capital backers may have decided that they are unwilling to invest additional capital in the company. It is their judgment that the money will not generate a sufficient return given the upside potential and the risk involved. Investing additional capital raises the bar and requires the company to be even more successful in order to generate the required return to the venture firm.

Venture capital firms may have invested \$10 million in a company to develop its technology and now the company is seeking an additional \$10 million to build out its marketing and sales capabilities. At some point almost every company must become a sales- and marketing-driven company. This significantly raises the stakes to the venture capital firms because now they will have \$20 million invested in the company. This means that the company must be an even greater success in order to provide an adequate return to the venture capital investors. Now the company must sell for \$200 million rather than \$100 million, for example, to provide the desired return.

The venture capital backers decide at this point that they would rather earn a moderate return and not invest additional capital in that particular company. So, they instruct management to sell the company. If the venture capital backers own more than 50 percent of the company, they can dictate that management go forward with the sale. If the venture capital firm owns less than 50 percent, they can still have significant leverage. The terms of the shareholder agreement can also give the venture capitalists more clout.

A venture capital firm may also want to achieve liquidity because it is losing patience with the company. It realizes that the company will never be a home run. The venture fund may have maintained its investment in the company for five or six years and is becoming weary of the investment. The venture capital partners no longer want to spend time overseeing the investment and attending board meetings for a portfolio company that will generate only a mediocre return. They would rather focus their limited time and energies on portfolio companies with greater promise.

A venture capital firm may be closing down an older fund that has reached the end of its economic life. A venture capital partnership typically has a life of eight to ten years with an option to extend it for another two years. At the end of the partnership's life, the general partners are required to return the capital to their limited partners. A venture fund that is near the end of its life will seek to liquidate the remaining companies in the portfolio. I have worked on a number of transactions in which the primary driver for the sale was that the venture fund was nearing the end of its life.

### **Market Reasons**

Many intangible companies sell because the firm has reached an inflection point at which it needs to either expand its sales force or join a larger company that already has a sales and distribution infrastructure. The problem is that they don't have sufficient marketing and sales resources to penetrate their markets in an aggressive and meaningful way.

The most common situation is a company that has developed technology, often quite successfully, but does not have adequate sales capabilities. Cash flow may cover operating expenses but not much more. Any extra cash is spent improving the technology or developing new products. The company does not have the cash to hire additional salespeople, which is what it really needs to generate greater revenues. The company lacks the capital for growth. The firm may have spent \$8 million to develop its technology and now it needs an additional \$8 million to take it to market. Lack of growth capital is a good reason to sell.

Often these are one-product or two-product companies. The founder might be the sole salesman in a small intangible firm. It is not viable to have a large sales force with only a couple of products; there are no economies of scale. At some point in the company's life, management can become frustrated with its efforts to grow the company, to build revenues and profits. The alternative is that they must either sell the company or else limp along. Selling to a larger firm enables the acquired company to make deeper inroads in the market. The acquirer usually has capabilities that the target company lacks. The selling company can now take advantage of the buyer's greater marketing, sales, and distribution resources and dramatically boost its revenues.

When a company is acquired, its risk level changes. As part of a larger firm with greater resources the target's operating risk is significantly reduced. This can be very attractive to an entrepreneur who has endured a high degree of risk for a number of years. The entrepreneur has the opportunity to



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