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Why it's so Difficult for Entrepreneurs to Head for the Exit

Like many successful entrepreneurs, Paul Spiegelman often refers to his company as his “baby,” and he becomes emotional when he talks about issues relating to succession or the sale of all or part of his company — an opportunity he recently sought out.

His goal was to find a way to help his company, Beryl — a call center that caters to hospitals and is based near Dallas — keep growing while also allowing him to free up time to pursue other ventures.

In January 2010, Mr. Spiegelman signed a letter of intent to sell a majority interest in the company to a private equity firm. But after considering the risks of letting someone else control his company, which has 350 employees and annual revenue of \$35 million, he decided to walk away from the deal.

Mr. Spiegelman, who is 53, spoke recently about why he decided not to sell and why succession and exit issues are so difficult for business owners.

Q. *How did Beryl get started?*

A. I started the company with my two brothers in 1985. But I'm the only one involved now since my youngest brother, Barry, died from a brain tumor in 2005 and my other brother, Mark, left the business 11 years ago.

Q. *What roles did the three of you play when you started the company?*

A. We tried to align our roles with our natural talents. Mark was the technical genius behind everything we did. I was the sales and marketing guy. Barry was the utility guy who helped do everything to bring it all together.

Q. *Why did your brother decide to leave the business?*

A. Mark had always been a natural entrepreneur. It seemed like every year he wanted to spread his wings and get involved in a different business. In 2000, he decided it was time he did something else. It ended up being the best decision for everyone since up to that time, it was like we had three chefs in the kitchen. Something had to give.

Q. *Is your business like other call centers?*

A. We made the decision early on that we would never compete on cost. We have taken what is generally thought of as a commodity and turned it into a product with a premium price customers are willing to pay. It has set the bar differently for us.

Q. *How so?*

A. I think that many companies miss the fact that having a great internal culture where you have engaged employees is not only the right thing to do, it's also good for business. We have won nine “best places to work” awards and have client-retention and employee-retention rates that are unheard of in the industry. That has also made us four to six times more profitable than a typical call center, which allows us to invest in better tools for our people. It also allowed us to avoid bringing in outside investment as we grew the business. We have had control over our own destiny.

Q. *Then why did you decide to explore selling part of the company?*

A. There were a couple of reasons. One was that starting in 2009, because of changes in the health care industry, we saw opportunities to accelerate Beryl's growth. Another was that I had brought on a team of very experienced senior

leaders from outside the company who were chomping at the bit to expand and take advantage of the market drivers. Third, I was interested in diversifying my own time to try to help other businesses connect culture with financial performance. For example, I had begun to get involved in something called the Small Giants Community, an international community I helped build around the ideas in Bo Burlingham's book, "Small Giants: Companies That Choose to Be Great Instead of Big."

Q. *Isn't there something contradictory about bringing in outside executives and outside investors to help your company grow faster — so that you can help other companies learn the joys of staying small?*

A. Being a Small Giant does not mean staying small. All entrepreneurs are growth-driven. Being a Small Giant means that we want to grow for reasons more than just growth and profit.

Q. *Part of the goal, I assume, was to take some money off the table.*

A. Taking some money off the table was a factor, but it was the least important one. Having built this profitable business, I had been able to build some wealth outside of the business over the years. I had already reached the point where my financial security wasn't at risk.

Q. *So what happened?*

A. I signed a letter of intent in January 2010, to take on a major investment by a private equity firm.

Q. *Did the investors give you any assurances about how they would run your company and treat your employees?*

A. Yes. They did that by validating our belief that there was a connection between the culture we had built and the financial performance of the company.

Q. *Then why did you change your mind?*

A. Well, as we went through the due diligence process, it began to dawn on me what life would be like to have a financial partner, people who are focused on the short-term view of financial performance. Even though I knew that their plan was to get a return on their investment in four to six years, I began to get nervous. I felt like if we went down this road, it would have an irreversible negative impact on Beryl's culture.

Q. *And you decided to walk away?*

A. I did. I pulled the plug about three weeks before we were supposed to close the deal. I know there are cases where entrepreneurs sell their business, get their payday and are happy. But I know there are many more cases where business owners look back and are disappointed with the impact on the culture of their business.

Q. *Did you learn anything from the investors?*

A. It was great for us to get an outsider's take on what we needed to do to improve our business, like building an outside sales team, which we have now done. We are making the kinds of investments the private equity firm would have done, but at our own pace, and under our control, which is exciting and fun.

Q. *How are you doing it without the additional capital?*

A. I decided to fund the growth out of our own working capital, or maybe take on some debt for the first time. It feels like we have reinvented the business by investing in new talent and technology.

Q. *But if you didn't really need outside capital to finance the growth and you didn't really need to take money off the table and you had already brought in outside leaders to lighten your load, why did you come so close to doing this?*

A. That's like asking me why I had the ice cream if I didn't really need it. As entrepreneurs, we are going through constant business phases and a search for the right thing to do. Sometimes we make good decisions and sometimes we don't.

Q. *Are you now considering other succession plans?*

A. I've begun to look at the possibility of an employee stock ownership plan. I never thought this was a company my children, who are 5 and 9, would run. But now sometimes I think, maybe they could.