

# Considering the Sale of Your Business? Look Before You Leap!

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Do thoughts of selling your business cross your mind from time to time? Undoubtedly you have a pretty good idea of what you believe your business is worth. But what will it bring on the open market? Is now the best time to sell? As you contemplate the sale of your company, additional questions will usually arise: Can I receive an all cash price for my business or will I have to offer terms? How do I maintain confidentiality while marketing the company?

## **First Step, Obtain Answers and Information**

You need answers to these and other marketplace related questions before an intelligent decision can be made. Although personal considerations usually motivate thoughts of selling, the money involved is important also. Most business owners have a significant portion of their net worth tied up in their businesses. It is, therefore, doubly important to "look before you leap."

Your first step should be to contact an experienced business intermediary to gain answers to your questions. Their experience and knowledge of current marketplace conditions is critically important to you as you consider your decision to sell.

## **Buyer Identification -- "Fit and Opportunity"**

Ask the intermediary to develop a comprehensive business profile and buyer identification summary. The report will allow you to view your company from the "outside in," and understand what the business will be worth to the array of buyers currently active in the marketplace.

The principal benefit of this step is to allow the business owner to evaluate the probability of attaining personal goals via the sale of the business (or other options) without exposure in the marketplace. The report also allows a view of the business through the eyes of the various buyer/investor types in order to identify who will recognize the most opportunity.

The "fit" and opportunity the investor and his advisors identify in the business are most important. A business may be seen as worthless by one yet be worth millions to another. The difference is the "fit" and opportunities recognized by the buyer. The person who perceives the most opportunity pays the best price.

When the decision to proceed with a sale has been ratified, the profile of the best candidate(s), the buyer most likely to purchase the business at the optimum price, has already been identified by the intermediary's report.

Identifying the right buyer is important because if a business is over exposed in the marketplace through exposure to the wrong buyers, it tends to lose value. Therefore, it is essential that the "Right Buyer's" profile be correctly identified before going to market.

If the probable results from a potential sale are deemed inadequate, then the intermediary's work becomes an important management tool. A plan to "prepare the company for sale" or to achieve other alternative objectives can be constructed using the report as a base line.

## **Marketing Realities**

What can happen when sale is attempted without first preparing for sale? Without prior preparation, marketing efforts may begin prematurely and proceed without proper focus. Perhaps the wrong buyers will be approached. For example, competitors and suppliers are usually poor candidates. They generally will not attribute a great deal of worth to key value elements such as: consulting and training agreements and may not perceive much value in a covenant not to compete, and focus solely on the value of assets (equipment and inventory).

If sale is attempted without proper preparation marketplace realities are learned the hard way. The business usually becomes overexposed resulting in lowered perceived value. Or a breach of confidentiality results in the loss of customers, credit or key employees which actually lowers or destroys value. Many times the right buyer rejects the opportunity based upon incorrect, incomplete or misapplied information. The price may have been set too high resulting in no offers or "low ball" offers. The price may have been set too low resulting in loss of dollars representing years of hard work.

## **Do It Yourself?**

There have been many books (including ours) written on buying, selling and valuing businesses so an owner, with the help of his accountant and attorney, might feel he could sell the business without additional support. However, experience suggests that the business owner and his or her advisors need the marketplace savvy that an experienced intermediary can provide in preparing the company for sale and obtaining its optimum value.

It may not be easy to find an individual or firm experienced in providing this sophisticated preparation service. Historically this advantage has been reserved for large or public companies and was only provided by Wall Street investment bankers. However, those capable of providing this service to smaller private and family businesses can be found with a little digging.

Two good starting points are: Institute of Certified Business Counselors, Eugene, OR and International Business Brokers Association, 11250 Roger Bacon Dr., Reston, VA 22090. Both can provide a roster of members who have been accredited professional

designations in their fields (CBI, Certified Business Intermediary and CBC, Certified Business Counselor).

If you are considering the sale of your business, you need every advantage you can garner, primarily preparation, experience and knowledge. Be sure you have it on your team!