



Insider Tips For Preparing Your Business to Sell

A higher math teacher used to quip, “it is intuitively obvious to the casual observer that . . .”

It is intuitively obvious to the casual observer that every business will someday change hands. It is less obvious when and how that will occur. Less obvious yet is whether the change of ownership will occur under the best circumstances to yield the best value to the owner.

Surveys show most all business owners know that they should have an exit plan. Most don't have one, but plan to get around to it “someday”. Most also understand that managing their business to be prepared to yield top value when the need or opportunity to exit arises, but some guidance for critical thinking on how to be best prepared is often helpful.

Professionals who focus daily on successful business sales for their clients include mergers and acquisitions advisors, investment bankers, and business brokers. These professionals see, time and again, that when faced with a sale, most owners have not adequately prepared their business. They know it is best to understand and plan for selling your business before you actually move ahead with attempting to sell.

Let's explore some key points for selling your business.

Planning in Advance

Stephen Covey notes one habit of highly successful people is beginning with the end in mind. Often selling your business will be the best choice for exiting ownership. It is wise to start preparing the business for a sale several years in advanced of a planned succession. This allows time for operational and organizational change to take hold before buyers begin evaluating the business.

A Business Review

Richard Mowrey, a leading M&A professional, notes in his upcoming book, that a great start for preparing a business for sale is using a business valuation as your foundation from which to plan value improvement steps. Serious buyers will use a similar framework for assessing their investment in the business.

Often the advisor best suited for helping to identify value improvements to be found through a financial review is a mergers and acquisitions professional, such as an M&A broker and advisor. These key advisors are more adept than others at knowing how to see the current business, its weaknesses and potentials, and make translations to how it will be seen by buyers. They can be of great help to an owner in preparing a business to be ready to sell, by seeing “the obstacles, over the hills and around the corners” in mapping out strategies to succeed.

Your Management Team

The quality of your management team is essential to your business success. It is also critical for driving value in a sale. The investment a buyer will make in your business is not determined by the value it has represented to you. Rather, it is based on the value it will create for them. That is, the key is how much transferable value it has. Often the management that will go forward with the business is a critical factor. The bench strength you create for management to thrive after you leave will strengthen your business today, but may be critical to your successful sale. Putting a strong and proven team in place, one that is dedicated to staying with the company, will help you get your business ready to sell.

Broadening Your Options

Broadening your options is important in assuring your value. Many owners may think they know their “out” and rely on it. Frequently, the identified successor fizzles away before the time to exit comes. “Fizzles” can come in many forms such as the “5 Dismal D’s” of death, divorce, disability, departure, and disagreement”. Working with an experienced business advisor who specializes in business successions and divestitures can be a great resource for looking at your best options across a broad spectrum of what may serve you best.

Tom West, who has studied business sales for many decades provide sage advice in saying:

“The buyer is seldom buying what the seller thinks they are selling.”

Be wise, enlist help early in preparing your business for sale and considering the full range of options for selling and obtaining your best possible outcome from many possible buyers.

An M&A advisor can serve as your guide and help you carry the load. Find a highly experienced broker and advisor with a proven track record of success. You will be investing in an invaluable asset and an ally to help you and your other advisors navigate the process to the optimal end.

CK Business Consultants, Inc. has been dealing exclusively in the sale and acquisition of petroleum and propane related mid-market companies since 1976. We are qualified, experienced, and highly professional intermediaries working with both buyers and sellers in the successful transfer of business ownership. We handle all phases of the project including initial analysis, valuations, developing a confidential information memorandum, locating qualified buyers, negotiations, and execution of the transaction. For more information, please call or email Gary Papay @ 570-584-6488, gpapay@ckbc.net or visit our website @ www.ckbc.net.