

Three Common Errors Caused by Inexperience

The old saying that “there is no replacement for experience” is a truism that has stood the test of time. The simple fact is that a lack of experience can dismantle your deal.



Consider the following scenario – a business owner nearing retirement owns a multi-location retail operation that is doing several million in annual sales. He interviews a well-respected and experienced intermediary and is impressed.

However, the business owner’s niece has recently received her MBA and has told her uncle that she can handle the sale of his business and in the process, save him a bundle. On paper, everything sounds fine, but as it turns out the lack of experience gives this business owner less than optimal results.

Let’s take a look at a few problems that recently arose with our nameless, but successful, business owner and his well-meaning and smart, but inexperienced niece.

Error #1 No Confidentiality Agreements

One problem is that the business owner and his niece don’t use confidentiality agreements with prospective buyers. As a result, competitors, suppliers, employees and customers all learn that the business is available for sale. Of course, learning that the business is for sale could cause a range of problems, as both employees and suppliers get nervous about what the sale could mean. Ultimately, this could undermine the sale of the business.

Error #2 Incorrect Financials

Another problem is that the inexperienced MBA was supposed to prepare an offering memorandum. In the process, she compiled some financials together that had not been audited. While on paper this seemed like a small mistake, it failed to include several hundred thousand dollars the owner took. He simply forgot to mention this piece of information to his niece. Clearly this mishap dramatically impacted the numbers. Additionally, this lack of information would likely result in lower offers as well as lower bids, or even decrease overall prospective buyer interest.

Error #3 Failing to Include the CFO

A third key mistake in this unfortunate story was a failure to bring in the CFO. The niece felt that she could handle the financial details, but in the end, her assumption was incorrect. The owner and the niece failed to realize that prospective buyers would want to meet with their CFO, and that he would be involved in the due diligence process. In short, not bringing the CFO on board early in the process was a blunder that greatly complicated the process.

The problem is clear. Selling a business, any business, is far too important for an amateur. When it comes time to sell your business, you want an experienced M&A Advisor with a great track record. Again, there is no replacing experience.

About CK Business Consultants, Inc.:

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.