Keep the Process Moving to Keep the Deal Going

By Gary Papay, CBI, M&AMI

Many factors can bog down the sale of a business. In fact, more than purchase price or structure, time is the most likely reason that a business sale may fail.

Time can breed frustration and fatigue. As a potential sale drags on, the owner is left in an uncomfortable state of flux. The buyer may also become frustrated as fees mount. The deal can reach the point when one party declares…"It just wasn't meant to be."

National figures indicate that the average business sells in nine to 12 months from start to close. Once a letter of intent (LOI) has been signed, the final due diligence and closing process usually takes 30 to 90 days.

So how do you keep the sales process moving forward?

Attentive Intermediaries
Your business intermediary should be able to give you the time, attention, energy and resources necessary to focus on your deal.

Be sure to ask your business broker or intermediary about his or her organization's work on closing details. You want to be sure that you are working with someone who can cover minute details, looking weeks and months ahead in the sale process.

Obtaining appraisals, ordering environmental investigations, transferring licenses, title work and many other details need to be handled properly and in a timely fashion to be able to close a transaction. For the best possible results, you want to work with someone who knows the proper sequence of events so there aren't any unnecessary delays. There's a lot to coordinate and missing just one detail can cause a delay in closing the deal.

Transition Specialists
From your business broker or intermediary to your attorney and accountant, you want to consider hiring specialists in business transitions.

Inexperienced advisors tend to be overly conservative to protect their liability. That can drag out the negotiation process and may cause frustration for the parties involved. If you are serious about selling your business, you really don't have the time or money to pay to educate your advisors on the mergers & acquisitions process.

Comprehensive Overviews
Your advisor should spend the time packaging the business up front. A comprehensive business review can be developed that answers 80 to 90 percent of the standard questions a potential buyer will have.

This helps both the buyer and the lender make decisions more quickly. It will also save you time because your intermediary won't be requesting pieces of information as new buyer questions arise.

Seller Preparation
Be prepared to move forward emotionally and financially. A seller will sometimes thwart the sale because they haven't seriously considered their future plans or their financial expectations are out of line. A professional advisor should be honest in what he or she believes the market can bear and should not let you go to market with an unreasonable asking price.

Buyer Screening
Finally, your intermediary should screen all buyers to ensure they are serious about the potential acquisition and have the financial means to move forward with a transaction. You don't want to waste time with buyers who simply can't afford a purchase.

Selling a business can certainly be an emotional ride. It's a time to work with deal makers and specialists who will help to minimize the stress and help everyone move forward toward the timely completion of the business sale.

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