Six Common Mistakes You Don't Have to Make When Selling Your Business

By Walt Lipski

Selling a business is a complex process that can take from six to eight months. Most business owners sell a business only once or maybe twice in a lifetime. The value of the business often comprises 65-90% of a business owner's personal net worth. So, selling a business is a Really Big Deal for most owners, and while there are many things that go into a successful transaction, there are just as many things that can derail the deal.

Avoiding these common mistakes is vital.

1. Not preparing sufficiently for selling prior to going to market.

Many business owners do not realize that preparation for a sale should start several years in advance. You want your business to be in the best possible condition to be attractive to buyers. If you rush into a sale you may be missing opportunities to increase the worth of your business. However, even if you didn't anticipate selling a few years ago, you can still make sure you are preparing properly for a sale today. As the proverb says, the best time to plant a tree is ten years ago. **The second best time is today**.

Some steps of preparation to take now include:

- Making a fully informed and firm decision to sell
- Knowing the real worth of your business
- Preparing necessary documentation and financials (tax records are not sufficient)
- Cleaning up any lingering litigation or unresolved conflicts
- Identifying the best buyers for your business, and knowing how they buy

Think: "Plan, Ready, Launch" not "Launch, Ready, What the heck did I do?"

2. Being too close to the business or transaction.

Your business might be like your grandchild – it can be hard to be realistic about its shortcomings. You have to be able to see the business through a buyer's eyes: what is attractive and what a buyer will hesitate over. As an owner, it is also easy to think that you are the only one who can really know and understand your business. When it comes to negotiating a deal, it is vitally important that you be able to step back from your emotions, be objective, and even walk away if it's not a good deal. **TIP:** Knowing how the sale of your business will allow you to achieve important personal objectives, will give you clarity and confidence throughout the negotiation. See my article Hope is Not An Exit Strategy.

3. Looking for the wrong buyer.

You may think you know the perfect buyer for your business, but too often owners end up wasting a lot of time trying to sell to the wrong buyer or someone who doesn't want to buy. Hint: the perfect buyer is probably not the obvious one. You have to make sure your prospective buyers are actually able to buy your business on the terms you need. For more on that see Selling My Business My Way.

4. Not having a clear plan and process in place to go to market.

Selling a business takes an extraordinary amount of time and resources – don't forget to run your business well while you're trying to sell it! If your business starts to suffer because you are distracted by the sale, it will become less attractive and may scare good buyers into thinking there are underlying problems, which will significantly reduce the value of the business in the eyes of the buyer. Also, maintaining confidentiality throughout the selling process is crucial, which means you will not be able to delegate too many important details of a sale to staff. Other elements of the sale that must be handled very carefully are timing (pay attention to business and economic cycles) and momentum once the deal begins to get traction. Knowing what information and when in the process to provide it to a qualified buyer is paramount.

5. Negotiating poorly.

Negotiating a deal is more than just about price. As mentioned earlier you need to be able to answer this question: **What personal objectives will I achieve through the sale of my business?** If you are not sure of the answer, you need to figure it out, because it is fundamental to a successful negotiation. It is also the baseline by which you should evaluate the terms and structure of a deal to determine if it is in your best interest to move forward. Some common negotiating mistakes are:

- Not knowing your Must Haves and Nice to Haves from a deal. (Hint: the list of Must Haves should be shorter than the list of Nice to Haves.)
- Focusing only on price or setting the wrong price.
- Demanding all cash and not being open to reasonable terms from a strong buyer.
- Negotiating too hard. There needs to be some give and take. The seller benefits when the buyer is going to be successful in running the business after the sale.

And the biggest mistake business owners make?

6. Trying to sell the business by yourself.

Successfully selling your business for top value is not a Do-It-Yourself project – save those for the weekend. Many of these mistakes can be avoided simply by hiring an experienced Mergers & Acquisitions Intermediary, You are an expert in running your business; bringing in other experts to help you sell it will keep you focused on running your business. Once the selling team is in place, your sole job and focus should be on maximizing the success of your business. This will pay huge dividends in terms of a successful outcome.

A seasoned M&A Intermediary brings experience and expertise to the table:

- He or she will advise you on how to prepare your business for sale, what documentation to have ready and how to get your financials order. Ideally you will want to consult an Intermediary one or two years before you think you will be ready to sell.

- A good intermediary will get to know your business, understand how it creates economic value and be able to relate a potential transaction to your reasons for selling, giving you clear-eyed, unbiased assessments and advice. Your intermediary can keep the big picture front and center, when you otherwise might be lost in the details.

- An Intermediary is experienced in running a process to find and qualify the right buyers – buyers who can buy your business the way you need to best sell it to achieve your objectives.

- An Intermediary will help negotiate, mediate and act as a buffer, knowing when to bring in the attorneys, accountants and other outside experts to keep the deal on track without emotions complicating the process. If the deal turns bad, the Intermediary will be one the first to advise you to walk.

- An Intermediary will facilitate the due diligence and closing process that takes place between the seller's and buyer's attorneys, lenders, tax professionals and other experts who are called in during the final stages of the deal.

In addition to your M&A Intermediary your team of experts should include a good transaction attorney, an experienced tax accountant and a seasoned and trusted wealth advisor – at a minimum.

Walt Lipski

Deal Maker for Privately Held Companies

For more information please contact:

Walter L. Lipski
Upton Financial Group, LLC
O: 480.666.5556
D: 480.223.8060
wlipski@uptonco.com
www.uptonco.com or www.waltlipski.com

Walt Lipski is President of the Arizona division of Upton Financial Group. Our passion is working with business owners to create and execute, when their time is right, a plan to capture the value in their businesses that will meet their personal, professional and financial objectives.