Four Considerations Before You Start to Sell Your Business

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Exiting from your business can be as all-encompassing as starting it. Business ownership is complicated, challenging and multifaceted. In a typical day, you manage employees, stay aware of business trends and keep on top of your financials. Preparing to sell your business adds another layer of complexity. But where do you start? How do you prepare? How do you know when the time is right to sell?

Some say there is never a good time to start a business. A business owner may also say there never is a good time to sell; however, there are some key questions to ask and steps you can take to prepare yourself, your business and your team for reaching your goals and ensuring a smooth transition. The situation demands you look at the financial, technical and personal sides of the business. You may find it helpful to think of the process as multidimensional with four distinct layers.

1. Sustaining Your Business

The first step is to take a critical look at your internal team. Could someone manage this business if you were not there? A buyer wants to make a smooth transition, and knowing she is "buying" a strong management team may be the difference between a potential buyer and a final sale.

If you have a strong team, document why and how upper management works effectively. If your team could be stronger, consider the following: Do you need a COO to relieve you of some of your duties? Start the process of hiring one. Do you need team building exercises or to work with a consultant so you have a more cohesive group? Discover who can help and make the investment in your internal team. Keeping your management team strong makes sense for you today and when the time comes to sell.

The second step is to review your business model. Determine when value could potentially be highest and the most interested buyers readily attracted, as that may present the best time to sell. Consider whether now is the best time or if it would be better to wait until after you roll out the next version of your product. If there is a future risk that you do not feel prepared to bear, the time could be now.

2. Building Your Business Exit Strategy and External Team

Although many business owners wish for prospective buyers to knock on the door with an offer, buyers typically must be sought out and evaluated. Some financially savvy business owners think if they handle the deal themselves, they will save money. The truth is, the owner in a private enterprise is an expert in her business, not in sales of businesses. Her focus should be on being at the helm of the ship, not seeking buyers.

At this stage, consider the following: Do you have the time and the expertise? It is common to hire consultants for technology installs or HR issues. This is the time to hire an expert who specializes in advising owners of privately held companies on transition. Relying on someone with the network and experience to oversee the sales process can help you get the best value from this liquidity event.

A strong professional will help you consider the selling decision objectively from the industry, market and a buyer's viewpoint. There are two types of advisors at this point. One will help you find the buyer and navigate the process. The other will be on your team to negotiate the deal. Your current professional team may not have handled such a large business dealing. Now is the time to find the right team – lawyers, accountants, CERTIFIED FINANCIAL PLANNERS™ and investment advisors – whose values align with yours. Their experience can streamline the process and help your decision-making.

For example, the Brown Brothers Harriman Corporate Advisory & Banking group offers corporate finance advice and capital to substantial, privately held businesses. That assistance comes in many forms – from financing the organic growth of a business or an acquisition to providing advice on capital structure or navigating the sale of a business. The team is not motivated to seek short-term transaction outcomes, only to provide independent and thoughtful advice to clients over time. This allows them to act as an objective advisor and approach every client situation without bias for any particular outcome.

3. Knowing Your Priorities and Values

Do not discount the emotional side of selling your business. For one business owner, the right buyer may be the organization with the biggest pocketbook. For another, it may be the group that understands the business and will sustain it. And yet for another, it could be the buyer who will treat her employees like family. Many owners desire a combination of all these. You should understand your priorities and values before you are faced with the decision of choosing a buyer. For example, is your end game to make money and move on, or do you have other intentions? Begin with the key points of what you want, and then align that with your values. Ask yourself, "Why am I selling?" and then follow that with, "Why now?" and, "What am I retiring to?" There are multiple layers to the story. On top of money and lifestyle decisions that must be considered post-sale, there is the intensity of running a business while trying to sell it.

You should give your goals for the sale the same amount of reflection as the decision to sell itself. What you want for yourself is a key consideration. Do you want to continue to work or consult? The question here is: What is next for you? (See Exhibit 1 for other post-sale life considerations.)

Whether you are going to retire or not, start a new business or travel, with a sale comes a loss of daily schedule and routine. Though it sounds good at first, the reality may be different after decades of responsibility. Talk to other business owners who have gone through this process both for support and information. They can share details about non-competes, consulting for the buyer and what they learned along the way. Although every sale is different, a perspective from those who have gone through it can be helpful in adjusting your expectations. Simply knowing that someone else survived the challenges of trying to sell while running a business may inspire your strategy to stay on course.

In addition, while the end date is the sale date, there are always loose ends to tie up. Do not plan to leave on an extended trip on your first day of retirement. Instead, know ahead that tax, legal and financial issues will keep you busy for some time after the sale.

4. Understanding the Impact on Family and Personal Relationships

This is a private business dealing, and confidentiality is essential. However, a family business may mean

> **"Do not discount the emotional side of selling your business."**

communication and discussion with the other owners, even minority shareholders.

If you are selling a family business and have this fourth layer to contend with – what do you have to consider internally and personally? Are the other owners on board? Will family members lose their jobs? What are your options if no one else wants to manage it? Or, if you are the majority owner, how do you bring them around? Part of your life plan and business plan is knowing yourself and your family.

As you create all the components of selling, working with your financials, your team and your timeline, the right time to sell will become clearer. This is when you take the plan that has been in your head or sketched out at the beginning of your business and move it forward to reality. Be realistic about how long it takes to prepare the business for sale, sell it and settle the closing details. Review your plan every six months to see if your feelings, the business or your life has changed. Use it as a benchmark or checkpoint as you would use other things in your life.

When the time comes, with the right plan and team in place for you and your business, you are ready for the sale to progress. Although there is no perfect or consistent timeline for a sale, many sales that go smoothly with the right team in place can be completed in nine months to a year. However, there have also been sales that fell through as they came close to the finish line. The end is in sight, but the pace is anything but quick and simple.

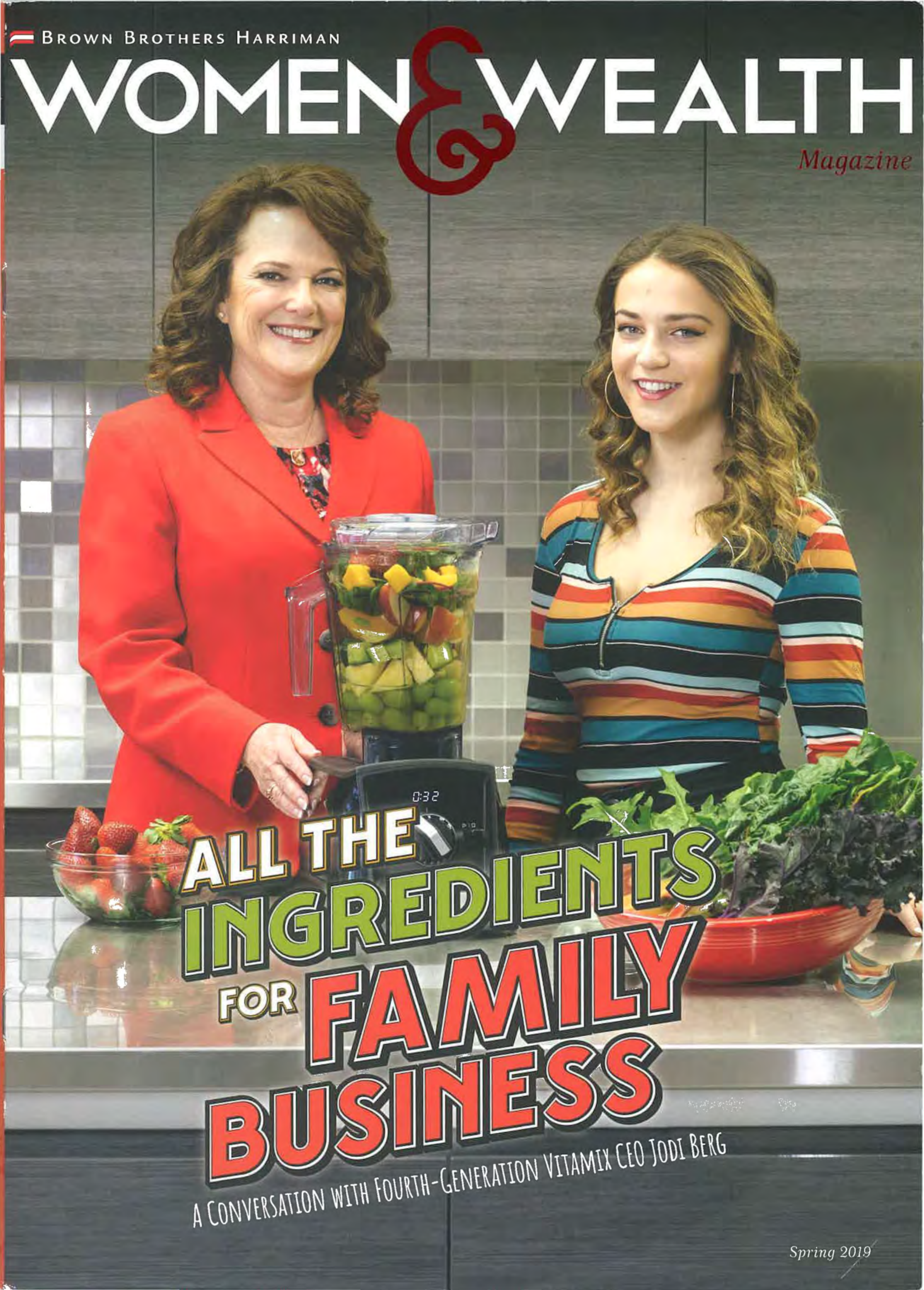
Like starting your business, this is a challenge that you can handle. By building the right internal and external teams, knowing what you want and preparing your business and yourself for this transition, you will come out with a stronger deal.

Exhibit 1

Christine Moriarty, CFP, MBA

Ms. Moriarty is a financial speaker, author and coach. She has been quoted extensively in publications including *USA Today*, *Good Housekeeping*, the *Boston Globe* and *Fidelity Focus Magazine*, as well as several books, including "Living Your Joy." She has a monthly financial column in *Vermont Woman* and has been published in several periodicals and *on-line* publications. In addition, she writes a monthly newsletter, "My Peace on Money," that reaches a growing list of several thousand subscribers. Ms. Moriarty wrote "Creating Your Money-Peace: Your Road to Financial Health & Stability" and co-authored "Practical Freelancing: The Manual" with Tim Brooks.

She has taught at the college level for over 20 years. She earned a B.S. in finance, an MBA in entrepreneurship and a Certification in Financial Planning. She is dedicated to empowering others around their money so they can achieve their dreams. She is living her dreams by residing in the Green Mountains and helping others make peaceful, practical, prosperous financial choices. She can be found at www.MoneyPeace.com.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