# Selling the Business: Keep Your Wits About You – Part 2

**If, after in-depth discussions** with a spouse, an attorney, an accountant, a banker, and a professional intermediary, the decision is made to sell your business, it will be most likely be for one of the following reasons:

- Entering full or semi-retirement
- Seeking new entrepreneurial challenges
- Critical illness or injury
- Ownership problems (e.g., partnership dissolution, death)
- Management inability to grapple with daily business challenges
- Burnout, frustration, or boredom

**All other things being equal**, the first two reasons mean the seller will be doing so from a position of strength; the last four will be from a position of weakness.

Simply stated, an owner can sell the business with no outside help or through an attorney, an accountant or professional intermediary.

**Careful consideration** must be given to make sure the chosen approach best fits the seller's needs, objectives, and capabilities. As with many things in life, the cheapest way may actually become the most expensive way. If an intermediary is chosen, engage in win-win negotiations to secure the best possible representation relationship.

Every business owner should **always be prepared** for the due diligence aspect of selling the business.

Loosely translated, due diligence is the act of the buyer and appointed representatives inspecting, reviewing, and verifying all the information (known and unknown) about every aspect of the business.

The quality of information directly impacts the purchase price.

Therefore, make available such items as copies of reviewed financial statements (5 years), contracts (e.g., leases and promissory notes) and other critical data.

**If the physical aspects** of the business appear as one would expect daily operations of the business, leave well enough alone. If not, take steps to present the business in the best light possible.

For example, fill in the potholes in the parking lot, get rid of the old machinery that has been rusting behind the building for the last two years, sell off obsolete inventory, clean, dust and paint where needed, etc.

**Maintaining confidentiality** is of critical importance during the selling process. A confidentiality breach can severely disrupt your relationships with your employees, clients, suppliers, and creditors. Should you choose an intermediary, make sure that you are comfortable with the intermediary's approach to maintaining confidentiality.

One of the most important times to keep your wits about is when you are blindsided by someone who asks if your business is for sale. Three steps should be taken to handle the situation or to prevent it from happening in the first place.

First of all, **don't panic!** Be prepared for the question being asked. If you have the right mental attitude, the situation can be handled with ease. Simply tell the questioner that the business has always been for sale … at the right price.

Next, engage in some type of growth activity that suggests you intend to be around your business for a long time. Such activities could include a new marketing campaign, introduction of a new product/service, or even remodeling your store. Not only is this a sure-fire way of preventing the unwanted from being asked, it also helps substantiate or increase the value of your company.

If the realities of selling a business are already understood, then the purchase offer should contain few, if any, surprises.

**Prior to beginning negotiations**, perform "reverse due diligence" on the proposed buyer or buying entity. The document listed below can be helpful to you in this regard.

***Individual:*** 1) resume, 2) personal financial statement, & 3) Personal credit report.

***Corporation:*** 1) Key employees narrative, 2) Financial statement, 3)Dun & Bradstreet report.

Experience has shown that nearly all buyers and sellers must get one or two "no's" out of their system before the transaction starts coming together.

**Truly successful and meaningful negotiations never have a winner and a loser.** Unless both parties feel something has been "won" in negotiating the agreement, be assured that the "losing" party will sooner or later look for a way to get even with the winner.

Almost always worth their weight in gold, attorneys and accountants can provide advice that will minimize or eliminate certain risks. (Keep in mind, no transaction is entirely risk free.)

*A thought worth remembering is "A good deal is one that prevents a law suit from happening, rather than one that causes a lawsuit to happen."*

In most cases, both buyers and sellers get little sleep the night before the closing. If the right attitude has been maintained throughout the process and the right amount of homework has been done, the closing should go smoothly.

However, prepare for the closing to take as little as 24 minutes or as long as 8 ½ hours … or to not occur at all. If a major snag develops at the closing table, remember all the points that have been agreed upon already and do your best to resolve the issue.

The contractually agreed-upon training and transition agreement (T/T) usually requires the seller to be involved with the business for another month, six months, or even a year.

Once the T/T period is fulfilled, move on with the rest of your life. Be prepared to go through withdrawal symptoms – everyone does to some degree.

The process of selling a business can be emotionally testing and time consuming, with the potential of many pitfalls along the way. If you enter the process with the proper attitude, and keep your wits about you, the experience can be pleasant and rewarding.

- This article, written by George Scott, first appeared in *Rochester Business Magazine* in1991. –
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