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Practical solutions to help you fix, grow, or sell your business.

Sellers Must Strive to Avoid Common Mistakes

"I have decided to sell my business," you say to yourself. "Now let's get on with it."

Since this may be the first, last, and only time you will sell a business, you want to do it right.

The following are mistakes others have made. Avoid them.

Breaching confidentiality. Relationships with employees, clients, suppliers, and creditors can be disrupted by a confidentiality breach.

Strangely enough, it is usually the seller who unintentionally makes the breach, with overheard conversations, offhand comments, and meetings with unfamiliar people.

To avoid this problem: Test the sound-deadening effectiveness of your office. Make sure your office door is closed during confidential conversations. Avoid remarks such as *"I'll be glad when this is over with"* (bite your tongue if necessary – you never know who's listening).
Schedule buyer visits for off hours, however, if that is not possible, establish a credible premise for anyone's appearance.

Becoming emotional. This is the biggest mistake first-time sellers make. Raw emotionalism harms every aspect of the process. Often, the result is a collection of ill feelings, extraordinary delays, thousands of dollars of added costs, and the failure to sell the company.

Separate the emotional issues from the business issues. For example, a buyer offering an amount less than the asking price is testing the water and is doing the same thing you would do if your positions were reversed. Attacking the buyer's character for the "insulting" offer is an emotional response; submitting a good-faith counteroffer is a business response.

If remaining unemotional is difficult for you, find a constructive way to vent your feelings.

Choosing the wrong time. The best time to sell is after your firm has established a sufficient track record (i.e., five years or more) and before the market for your product or service has matured. Your business still can be sold outside this time period, but the terms may not be the best.

Allowing a catastrophe to happen. Much can happen in the six to twelve months it takes to sell a business. The crippling loss of a major client or your death or permanent disability are examples.

Steps can be taken to prevent a catastrophe or to minimize the impact if one does occur. For example, diversifying the client base will head off a lost-client problem. Next, proper estate planning can provide the capital necessary to offset the expense of a new president's salary or the loss of sales.

Look objectively at your circumstances. Get advice from an estate attorney and your accountant. Heed their advice.

Overpricing the business. If you forget everything else, remember the next two statements.

First, a business is worth only what a qualified buyer is willing to pay for it under normal circumstances.

Next, the total price of your business *is not* as important as the quality of the buyer and how the deal is structured. (An incompetent and undercapitalized buyer who pays full price will be giving the business back to you in a few months.)

Before establishing an asking price, obtain a professional valuation of your business.

Also, seek valuation guidelines from your industry association.

Keep this in mind: a reasonable asking price is more likely to generate a reasonable purchase offer.

Having sloppy records. The quality of financial and other pertinent information directly affects the purchase price. No one buys a business simply because it's a good deal – it has to be proven.

Ideally, your books and records should be accurate and complete for three to five years before attempting to sell your business.

Winding down your efforts. Unfortunately, many owners feel they can relax once they have decided to sell their business. Do so, and you're inviting trouble.

If you grow apathetic, so will your employees. Before long, your clients will notice the changed attitude. Then sales start to drop off, employees leave, and your business value decreases.

Selling your business requires your revitalization, which you owe to yourself and all other involved parties.

Making a mistake when selling your business can be tremendously expensive. Once you commit to selling, use as much savvy and plain old common sense as you would with any other business activity.

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