

Planning to sell your business?

Have you ever thought of selling your business? Even if it is a distant possibility, planning for this key event will enhance the value of your company.

Here are my top 7 planning points to consider:

1. **Get ready to let go** – Letting go of your baby is not easy. Your primary objective should be to replace yourself now so that the new owners are not wholly dependent on your expertise. Entrepreneurs are generally not suitable employees in an acquired company. If you have depth in management beyond your expertise, you can reduce risks for a buyer and this can boost the price. If you must stay, plan to stay less than two years after the closing.
2. **Determine your company's value** – Determining what your company is really worth is a crucial step in the planning process. Having a formal business valuation done by a professional is a proactive step to determining your minimum acceptable price, your asking price, the key corporate and personal tax considerations and other key terms and conditions.
3. **Prepare your product for sale** – The value of your company can be increased significantly if you view your business as a product for sale. Identifying areas of improvement in your “product” in the areas of strategy, finances, operations, marketing, customer service, human resources, etc. will help you build and execute a thorough plan designed to maximize your company's value.
4. **Identify and pursue potential purchasers** -- For many owners, reacting to a flattering inquiry is more comfortable than taking the initiative to seek a purchaser. However, being proactive in identifying and pursuing potential purchasers can result in more than one company being interested. Each purchaser should be approached with a professional “sales package” customized to what you believe they will most value about your company and which contains realistic financial projections.
5. **Understand key financial points** – Shrewd buyers will often borrow half or more of the purchase price. They say they will give you cash, and you shouldn't care where it comes from. This is a half-truth. Obligations to you will extend beyond the closing date for non-compete and consulting agreements and often you will be asked to either lend money to the buyer or take an earn out of the purchase price over time. Ask to see the project financial statements for the period after the closing. This will help you confirm the new financial position and the likelihood of being paid.

6. **Think beyond the sale** – Many entrepreneurs do not consider selling because they have no idea what they would do after their business has sold. All they have known is the business. However, thinking beyond the sale of such things as what other type of business you may want to get into, whether or not becoming an employee is viable, where you will invest your new found time, energy and money will be important. Also, if beyond the sale you are still financially dependent on the management contract with the company, the earn-out payments, etc. then have a contingency plan in place if the company fails to meet its obligations to you.
7. **Proceed as usual** -- Don't defer product innovations, capital expenditures or other critical management decisions in anticipation of a sale. It may not happen. Buyers are evaluating your management and your market position, and your ability to continue to manage your company profitably is usually one indicator of your competitive edge.

Effective planning today for selling your business tomorrow will help you maximize your company's value and ensure a smooth transition to your next big challenge.

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