



# PLANNING FOR A BUSINESS SALE

By Susan Koss

Selling a business is likely to be one of the most significant transactions a business owner will ever experience. However, many get so wrapped up in the day to day details of their business that they fail to plan ahead for its eventual sale. There are steps that can be taken in order to make the process run as efficiently as possible and to maximize value. These steps revolve around careful planning well in advance of listing the business for sale.

If you think about the process of selling a home, most homeowners know that in order to maximize value, the house must be in good saleable condition. What are buyers looking for in the

applicable market? Have repairs and maintenance issues been handled sufficiently? Does the house have curb appeal? Is the house “show ready”? Is the house well organized? How does it compare to other houses for sale or recently sold in the neighborhood? Appropriate planning and foresight would require a homeowner to deal with such issues in advance of listing the house for sale in order to get it in the best condition to maximize the potential selling price.

The same is true of selling a business. By planning ahead for the eventual sale, a business owner can get the business in its finest condition to attract buyers and maximize value.

## HERE ARE SOME IMPORTANT STEPS THE BUSINESS OWNER SHOULD ADDRESS IN THE PLANNING PROCESS:



### IDENTIFY POTENTIAL BUYERS:

Planning for the eventual sale of a business begins by identifying the pool of potential buyers similar to the homeowner who first identifies what buyers are looking for in the applicable market. Identifying the potential purchaser may provide insight into what key issues or challenges may be present at the time of sale. Once the potential purchasers are identified, consideration must be given as to how those buyers would typically pay for the business. Planning ahead will leave more options for the sale of the business.



### GET THE BUSINESS IN SALEABLE CONDITION:

A house that is well maintained and organized is appealing to the average buyer who wants move-in ready conditions. The same is true of most buyers of businesses. Buyers are purchasing the future of the business and its future cash flows. Therefore, it is important to have realistic and credible financial forecasts. The business owner should strategize to find ways to increase cash flow and profitability through operational efficiencies and cost reductions. Starting such initiatives early in the process will result in proven and stabilized improvements to profitability and other value indicators that are significant to potential buyers.

A clean set of books along with accurate and timely reporting practices is a requirement to get a business in saleable condition. An evaluation of the accounting practices and internal control procedures should be completed to see if improvements are needed. In addition, a business valuation should be performed to understand the drivers which impact value.

Business owners would be wise to utilize the services of professionals to handle legal, valuation, accounting, tax and transaction issues since these are generally areas outside of their expertise.



### SCALE BACK THE ROLE OF THE BUSINESS OWNER:

The success of a business is commonly tied to the drive and determination of its founder. Any potential buyer is going to consider the impact of the loss of key employees, especially the owner. Therefore it is important for the owner to cultivate and develop key employees within the organization. The bottom line is that the more replaceable the business owner, the more valuable the business will become.

In conclusion, business owners should never lose sight of planning an exit strategy and should prepare for the sale of the company many years in advance. Similar to the homeowner who lists the house for sale without getting it in saleable condition first, disappointment likely awaits the business owner who does not plan ahead.