

When Selling Your Business, Play To Win

If you are an independent business owner, you are most likely also an independent business seller--if not now, you will be somewhere down the road. The Small Business Administration reports that three to five years is a long enough stretch for many business owners and that one in every three plans to sell, many of them right from the outset. With fewer cases of a business being passed on to future generations, selling has become a fact of independent business life. No matter at what stage your own business life may be, prepare now to stay ahead in the selling game.

Perhaps one of the most important rules of the selling game is learning how not to "sell." An apt anecdote from Cary Reich's *The Life of Nelson Rockefeller* shows a pro at work doing (or not doing) just that:

When the indomitable J.P. Morgan was seeking the Rockefeller's Mesabi iron ore properties to complete his assemblage of what was to become U.S. Steel, it was Junior [John D. Rockefeller, Jr.] who went head-to-head with the financier. "Well, what's your price?" Morgan demanded, to which Junior coolly replied, "I think there must be some mistake. I did not come here to sell. I understand you wished to buy." Morgan ended up with the properties, but at a steep cost.

As this anecdote shows, the best approach to succeeding at the selling game is to be less of a "seller" and more of a "player." Take a look at these tips for keeping the score in your favor:

Let Others Do the Heavy Pitching

Selling a business is an intense emotional drain; at best, a distraction. Let professional advisors do the yeoman's duty when selling a business. A business intermediary represents the seller and is experienced in completing the transaction in a timely manner and at a price and terms acceptable to the seller. Your business broker will also present and assess offers, and help in structuring the transaction itself. If you plan to use an attorney, engage one who is seasoned in the business selling process. According to David Gumpert, former Harvard Business Review associate editor, "Inexperienced lawyers are often reluctant to advise their clients to take any risks, whereas lawyers who have been through such negotiations a few times know what's reasonable."

Stay in the Game

With the right advisors on your side, you can do the all-important work of tending to the daily life of the business. There is a tendency for sellers to let things slip once the business is officially for sale. Keeping normal operating hours, maintaining inventory at constant levels, and attention to the appearance and general good repair of the premises are ways to make the right impression on prospective buyers. Most important of all, tending to the daily running of the business will help ward off deterioration of sales and earnings.

Keep Pricing and Evaluation in the Ballpark

Like all sellers, you will want the best possible price for your business. You have probably spent years building it and have dreamed about its worth, based on your "sweat equity." You'll need to keep in mind that the marketplace will determine the value of the business. Ignoring that standard

by asking too high a price will drive prospective buyers away, or will at the least slow the process, and perhaps to a standstill.

Play Fair with Confidentiality

Your business broker will constantly stress confidentiality to the prospects to whom he or she shows your business. They will use nonspecific descriptions of the business, require signatures on strict confidentiality agreements, screen all prospects, and sometimes phase the release of information to match the growing evidence of buyer sincerity. As the seller you must also maintain confidentiality in your day-to-day business activities, never forgetting that a breach of confidentiality can wreck the deal.

Sell Before Striking Out

Don't wait until you are forced to sell for any reason, whether financial or personal. Instead of selling impulsively, you should plan ahead carefully by cleaning up the balance sheet, settling any litigation, providing a list of loans against the business with amounts and payment schedule, tackling any environmental problems, and by gathering in one place all pertinent paperwork, such as franchise agreement (if applicable), the lease and any lease-related documents, and an approximation of inventory on-hand. In addition, you could increase the value of your business by up to 20 percent by providing audited financial statements for one or two years in advance of selling.

Think Twice Before Retiring Your "Number"

The trend is for sellers to assume they will retire after selling the business. But consider this: agreeing to stay on in some capacity can actually help you get a better price for your business. Many buyers will pay more to have the seller stay aboard, thus helping to reduce their risk.

Keep the Ball Rolling

You need to keep the negotiation ball rolling once an offer has been presented. Even if you don't get your asking price, the offer may have other points that will offset that disappointment, such as higher payments or interest, a consulting agreement, more cash than you anticipated, or a buyer who seems "just right." The right buyer may be better than a higher price, especially if there is seller financing involved, and there usually is. In many cases, the structure of the deal is more important than the price. And when the ball is rolling, allow it to pick up speed. Deals that drag are too often deals that fail to close.

By following these tips, and by working closely with your business broker, you can have confidence in being a seller who, like John D. Rockefeller, Jr., doesn't "come here to sell." You will play the selling game--and be a winner.

Printed with permission from Business Brokerage Press