"Common Mistakes to Avoid When Selling Your Business"

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The very characteristics which make a business owner successful when starting and growing a business- a health ego, self-confidence, strong will, and keeping their own counsel- can lead to his or her demise when selling their business. We find these otherwise healthy personality traits often lead business owners to make some common and costly mistakes when it come times to sell their business.

Underestimating the Business' Value
For many reasons, business owners don't know how to value their businesses. First, they often focus too much on past performance. *True Value* is based on the future; a future with a new owner, new energy and a new skill-set. Of course the stability and history of the business are key factors to value. As a Business Broker, we sell history, a buyer invests for the future.

A major element of today's business value lies in the intangibles. Business owners rarely know what those intangibles are and even more rarely what they are worth. The market, however, does. The way to let the market determine the value is by involving more than one buyer.

Breaching Confidentiality
Maybe the biggest fear of a business owner is the fear that the wrong ears will hear the business is for sale and that information will be used against them in the future. Confidentiality, or lack thereof, is a very valid fear. Who do you tell? What information do you give them? How do you qualify them? How do you stop them from talking about your business?

If employees find out they may become insecure- both rumors and resumes start circulating in the marketplace. If competitors find out, they may make offers to the best employees. Suppliers may even recall credit terms or special discounts due to ‘unknown future’. Confidentiality is critical.

Negotiating with Only One Buyer
As a business owner, your instinct is to locate and identify a potential buyer, then proceed with one interested party. With a Business Broker ‘confidentially’ marketing your business and identifying multiple buyers, experience indicates those transactions can average between 15%-30% higher when multiple buyers are involved.

Different buyers with different motivations for owning the business will place different values on it. This is the key to deriving ultimate value from the business. We often add more value for our clients during these 90-120 days than any other phase of the selling process.

Attempting to Sell to the Wrong People
The first potential buyers that often come to mind are competitors, yet they are the usually the worst buyers. In addition, they are obviously the highest risk for confidentiality issues and the misuse of company secrets.

In the end, when competitors have almost complete and full knowledge of your business, they are likely to make offers that are significantly less than those of buyers that are not competitors. Moreover, these offer little or no synergy and, as a result, lead to low prices.

Information at the Wrong Time
Information should be provided at the proper time for three reasons: First, to impact value. Secondly, too much information up front can overwhelm a buyer…..a buyer who may not be qualified to buy your business. Finally, most business brokers promises their clients utmost

confidentiality, and the ability to attain highest and best yield for their client. Providing information to fast can jeopardize both of these critical elements.

Information provided to elicit a letter of intent or an offer to purchase should present the strongest (honest) picture of the business. Only after a letter of intent or offer to purchase has been accepted should an owner provide tax returns, detailed financial statements, leases, etc. And rarely (if ever) should a seller disclose customer lists or supplier lists until the transaction has closed. Terms or conditions of specific customers can be discussed, but rarely the actual customer lists.

Negotiating on Your Own Behalf
Owners negotiate most every day of their business life and they think they can negotiate their own sale. However, their business represents a years of effort that evoke numerous emotions and sensitive issues. Irrational handling of these issues that arise during a sale can cause failure.

To keep emotions out of the picture, it is better to have an outside negotiator who can follow a key rule of negotiating, *always be able to yield to a higher power*. They can provide the firewall to buy time to think through issues because he or she cannot commit on the higher authority's behalf. More importantly, they are skilled in problem solving and provide experience and creative solutions to get deals done.

Dabbling in the Market
Business owners can be flattered by an approach. Pictures of freedom and wealth may dance in their heads. They get curious. Curiosity leads to dangerous dabbling. An owner should never try to get an offer until absolutely certain he or she wants to sell. Don't go there to see what happens; go there because you mean it.

Not Using Professionals
The process of selling a business is no less intricate than surgery. And while a skilled surgeon can make it seem simple, you don't want to do it on yourself.

Professionals help an owner level the playing field. Buyers almost always have more experience than sellers. First, professionals can bring multiple financially qualified buyers to the table; owners have a tough time doing that. Secondly, professionals can assure confidentiality in approaching buyers, which an owner absolutely cannot. Third, professionals can move the process along faster, solve problems and structure a transaction to meet the seller's needs.

Finally, and most importantly, a professional will assist with connecting the seller to an entire Transition Team made up of a CPA, attorney, wealth preservation specialist, etc. A transition Team will identify and solve problems immediately and help turn your life’s work into an ongoing reliable income stream.