

Selling the business in the future

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My company has made it through this recession. Phew! Now I'm starting to think about the day when I'll sell the business. But I'm afraid this business won't be saleable or that I'll have to sell it for less than I could have. Can you help?

So many small business owners ignore their exit. They desperately seek the wrong buyers and have unrealistic expectations for what a buyer will pay. They sell out for less than they could get. Or they walk away with nothing.

Eventually every business owner separates from their business. Some get carried out in a pine box. Others close the doors and walk away. A few leave under their terms with a fist full of cash. The smart owners, like this reader, are asking questions so they can work towards the best possible outcome.

Optimum sale value doesn't happen overnight. It takes years of advance planning and action. Promote the business. Build a strong, profitable customer list. Demonstrate a growth track and positive cash flow. Have a team that runs the business independent of the owner, with a solid system of controls. To get an idea on where you are, and what to work on, read the following questions and scale your responses from 1 (low) to 4 (high).

Build a list of potential buyers. How well do you promote the business to circles of potential buyers? How recognizable is your company? How often do you get inquiries from people asking if your business might be for sale?

Focus on good customers. What's your retention rate? How profitable are your customers? How much premium are they willing to pay, in order to have your company's product or service? Are you constantly adding good customers?

Diversify. Can you add products or services without missing a beat? Have you entered enough new markets in the past five years? Can you keep competitors at bay by being an early adapter of new technologies?

Pay attention to cycles. Do customers buy in both good and bad economies? Is your marketplace expanding rather than contracting? Is everyone in the company focused on what's coming next?

Market your differences. How hard is it for a competitor to step in and steal your customers? Is it clear what your brand stands for? Can the speed of growth be ramped up with additional investments in marketing and sales?

Continuously improve what you do. Does the operation get more profitable each year? How automated are your operations processes? Can production keep up with growth in sales?

Show improvement. Do growth and profit tracks run like a machine, steadily up year after year? Can you show that this year is better than last year and the year before that? Can you prove next year will be even better? And the year after that?

Cut out risk. Will a new buyer be able to make money after covering the cost of purchase? Will challenges of take over be few? Can the company consistently grow net income for the new owner?

Steady cash flow. Have you cut out peaks and valleys? Are there significant reserves? Does the company have minimal write offs for bad debt? How about a steady stream of income, year in and year out, from a loyal customer base?

Show you're above average. Are you close to the top of your industry in performance standards? (If you don't know, contact your industry association for stats.) How well does your company do at trends for gross profit? Controlling overhead? Introducing new products or services? Do you have a forward thinking management team?

Strengthen management and planning. Are goals clear? Is your team robust? Can managers operate without running to you for direction and support? Do they know, embrace and deliver on short and long term goals? Is it clear who's running each area?

Build communication systems. Do employees and managers report in writing? Do people collaborate and support each other? Is there a schedule of regular, productive management meetings?

Secure the talent pool. Do key players have golden handcuffs? Can the team hire additional talent? Are you getting the best and the brightest?

Protect and defend with systems. How good are reporting systems? Control systems? Are theft and other losses minimal? Is inventory cycle counted?

Predict and deliver. Is there an accurate picture of the company, past, present and future? Are results analyzed? Do budget and forecast match reality?

Keep in mind that all buyers want minimum risk. They are not there to bail you out. They are looking to profit because you've built a productive set of underlying systems and personnel that deliver predictable results whether you're there, or not.

Looking for a good book? Try "How to Buy and/or Sell a Small Business for Maximum Profit", by Rene V. Richards.

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