



Business Owners, Thinking Of Selling?

7 Easy Steps to Prepare Your Business for Sale

Selling a business is typically a once in a lifetime event. As such, most business owners aren't aware of the planning required to successfully sell a privately owned business. So how can you prepare? Here's a run-down of the process in seven steps:

As Richard E Jackim says in *The \$10 Trillion Opportunity*:

“A recent survey showed the number one reason private business sales fail or partially succeed is a lack of planning on the seller's part.”

1

Build an exit strategy

It's always important to have well-defined personal and business goals, both in the short term and the long term. To serve practical use, these goals need to be measurable over a given time period.

When selling a privately owned business, a good exit plan ideally needs to start 2-3 years before the sale. It should contain your planning for both personal and financial goals, including tax and estate planning.

In order to deliver on both your personal and financial goals, it's important to develop a wealth management plan before the sale of the company.

For example, determining one's financial ability to retire is the first step when considering retirement. As a business owner who has considerable capital tied up in a company, you need to take this into account. When building your exit strategy, you will also need to decide how involved you want to be during and after the exit. Do you want to sell completely, or stay on for a defined period, such as 1-2 years, as a paid consultant? Or do you want to become a chairperson with a continued stake in the business? As with all business goals, a clear and concise plan from the outset is essential.

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2

Value the business

The next step is to determine the market value of your business. Use an accredited business valuer, such as a business broker. Once you know the value of your business, you can decide whether it fulfils the financial commitments of your exit plan—for example, will you be able to fund your next project or retirement plans? Knowing the value of your business gives you options, by giving you a quantitative sense of what you will be able to achieve.

3

Define your legacy

You should also consider, after many years of hard work building a successful business, what kind of legacy you wish to leave behind for your family and staff. How will you split the proceeds of the sale amongst your loved ones or the people who helped your business to grow?

Alternatively, do you want any of the proceeds to go towards a charity or a future project? Which charities or projects would be most in line with your personal philosophy or that of the business?

4

Implement a succession plan

Once you have sold, do you have a natural replacement to head the business? This will relate to the nature of your exit plan and how involved you want to be, to ensure that you are leaving the business in trusted hands. If you don't have an immediate candidate in mind, you will want to ensure that making this decision is a part of your strategy.

5

Review options for sale

Consider all of your options and determine which will deliver your personal and business goals. You may wish to transfer ownership to a family member, sell to other shareholders within the business (including a number of family members), sell to business employees, or sell to a third party.

One option is a management buyout, which is a great way to leave a legacy and reward your management team by allowing them to acquire all or some portion of the business. You could also refinance the business, go public, or liquidate the business.

6

Prepare for sale

To prepare for the sale, you can increase the value of your business by documenting your business processes. This allows you to take the business owner out of the process but leave the buyers with key information that the business owner would have held.

Often this information is not documented, but doing so can improve the prospects of your sale. Documentation should include your overall vision, along with details of strategy, sales, marketing, finance, HR, and your contingency and succession plans.

7

Market to sell

Once you are prepared to sell, use a business broker to go to market, or conduct a management buyout. Work closely with the agent and be clear on what the end objective is, according to the exit strategy you have established. Be willing to pitch your business to a number of interested parties, and choose the buyer who you feel best meets your objectives and who will protect your staff and legacy.

With these seven steps, you will have built and executed a thorough exit strategy that ensures your legacy and successfully sets you up for your next great venture.



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