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CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS TO BUSINESS

Six Mistakes to Avoid in Selling Your Business

Most entrepreneurs eventually think about selling their businesses, whether as a prelude to retirement or to pursue other activities. In doing so, they often underestimate the effort required for a satisfactory outcome and overestimate the value and salability of their enterprises. If you're contemplating selling, here are some common mistakes to avoid.

Overestimating the value of your business.
Your price should be based on the fair market value of the business in its current form. Buyers won't care about the work you've put into building your business or your unique vision for its future.

Failing to account for the nature and makeup of your business.
The values of most businesses proceed from a mixture of variables. If your business includes significant equipment, real estate, intellectual property, or other such assets, their values should be separately established before being factored into the overall price. If you're selling a service or professional firm, much of its value may depend on the experience and skills of your managers and employees. In such a case, the price may vary according to the expected retention of key individuals.

Failing to base your sale price upon independent appraisals.
Even if you think you know the value of your business, you should obtain two or more outside appraisals from professionals familiar with your industry. If the appraisals conflict with your opinion, they'll provide a much-needed reality check. If they confirm your opinion, they'll become a useful sales tool.

Not hiring a professional business broker to handle the sale.
Owners are often too personally invested (and/or eager to sell) to effectively negotiate sales of their businesses. A broker familiar with your type of business will know what issues are important to buyers and what characteristics to emphasize or de-emphasize, without becoming emotionally involved.

Neglecting to work with the buyer to ensure a smooth transition.
Nobody likes being thrust into unfamiliar circumstances without preparation. Notifying your managers, employees, and customers in advance and doing all you can to allay their concerns will serve your own best interests, as well as being the honorable thing to do. Discontent on the part of any of the affected parties could result in conflicts, reduced revenue for the buyer, withheld sale payments, and litigation.

Being unwilling to help finance the sale.
If you're unwilling to take back a note, your sale price is limited to the buyer's cash and ability to obtain outside financing. At best this could limit the number of potential buyers, and at worst it could limit your sale proceeds. (Conversely, if you finance too much of the sale price, you'll increase the risk of default.)

Selling your business is too important to attempt without professional help. If you are considering selling, call Jim Slager or Jim Scherzinger, both who are certified valuation analysts, for an appointment.

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