



Tips to sell your business for more than thought or hoped for

Avoid having to have a story - 80% of companies have to explain why the business is "better" than the numbers say it is (it is my opinion on the 80%; not the result of any survey). Do all the things you need to do so the business is, "What you see is what you get" or as said in the high-tech industry WYSIWYG.

Be Proactive - Don't let others dictate your future. Plan, prepare and take action by following your plan. And don't forget to document everything you do, what worked, what didn't and why.

Build a team - Have smart and talented people around you. They more than pay for themselves. One company hired two new salespeople whose base salary was twice what they had ever paid before. It was a tough decision; however, within a few months both people were off base and into commission - because they had talent. Don't feel threatened. Most employees don't want ownership and if they do, they may be your built-in exit strategy.

Buy before you sell - a small, profitable business is good. A mid-sized, profitable business is better. A larger company attracts more buyers who have more skills, more money and who are more serious (to make an acquisition). Many of the red flags a buyer sees are less common as (well run) businesses get larger. Consider buying a competitor, supplier or customer as part of an exit strategy. Showing that your company can successfully integrate another firm into yours gives a buyer confidence that the culture for growth is in place.

Customers - The more diverse your customer base, the less concentrated it is and the more contact you have with your customers the better, stronger and more appealing to a buyer your business is. Sounds simple, but in real life the day-to-day tasks often get in the way of the above. Too often we see businesses with a few customers who dominate annual sales, too many

customers in the same industry (so if that industry suffers so do you) and no regular contact program with customers other than filling orders. Often I hear from business buyers that one of the first things they do after transition is to implement a customer contact program. I hear about this because they tell me how well it's working and how happy the customers are to hear from them on a regular basis.

Delegate - Control is one of the reasons always given by people who say they want to own a business. But control should have its limits. One of the biggest red flags to a buyer is the business that is extremely dependent on the owner. It doesn't matter if it is his or her technical skills, sales abilities or just that they know how to and actually do "everything." Build a team. I remember when a client told me they went to New Zealand for three weeks, pretty much forgot about the business and when they returned it was as good (they said better) as when they left. Give your team responsibility. If they make mistakes and learn from their mistakes your company is all the better because of this.

Have a plan - Consider succession or exit planning. Before that you should have a business plan. Not a "book" like companies seeking funding create but a working plan you can use regularly. Statistics show that companies with a business plan make more money, grow faster, offer more benefits and have more and better financing options. So, why not have one?

Know all your options - Every business (and its owner) has options. The more profitable you are, the more (favorable) options you have. The size of your business helps determine your options. The owner of a \$2,000,000 (annual sales) business is most likely not going to sell to a private equity group or large company. The owner of a \$22,000,000 business probably will sell to one of the aforementioned groups, as the

business is too large for most individual buyers. Selling to family or employees has issues much different than selling to an outside party. There is a lot more emotion, usually less risk tolerance on the buyer side and often less cash for a down payment. Use an advisory team, know your options and plan accordingly.

Know what you want (to do) - What is your next great adventure in life going to be? Seller remorse often occurs when the seller realizes they have nothing to do once their business is sold. The expression, "It's their baby" is very true. Often it's the owner's baby, life, passion and more. Yet, it's only a business entity and the prepared owner realizes this and has plans for what to do next.

Know who your buyer is - Do some homework and determine who your logical buyer (probably) is. Large companies have different goals and objectives than small companies or individual buyers. Features that are a big plus to an individual may be a red flag to a large, strategic buyer and vice versa. This time spent on research, planning and preparation will pay for itself many times over.

Marketing - It's important to have a proven marketing plan. The key word in the previous sentence is proven. It's not enough to just have a plan, you must implement it, monitor it and track the results. Too many owners say they have never done much marketing. Anything less than showing the results of your plan and effort causes a buyer to wonder if you have attempted every marketing technique known, none of them worked and you are therefore saying you've never done any marketing. As business buyers are naturally skeptical, the above scenario makes perfect sense to them.

Play it straight - Headline, Minneapolis Star Tribune, October 2, 2009: "Sela co-owner faces prison, fine." Turns out this owner, "Ran a scheme to avoid paying income taxes by using Sela Roofing to pay for many of his personal expenses." These personal expenses included "Money for credit card bills, boat storage, swimming pool payments, interior decorating, jewelry and other personal expenses." He also altered invoices from subcontractors.

Taxes - Simply put, pay taxes. Business buyers get sick of having to dig deep into the profit and loss statement to find all the buried "discretionary" expenses you write off to reduce profit and taxes. Whether you take the profit in extra salary or it's on the company's bottom line doesn't matter. When a buyer sees you reported

a lot of income and paid tax on it they make a big sigh of relief.

Don't coast - even if you're coasting to retirement, keep your staff alert and motivated for opportunities.

Realize growth is a post-sale goal - realize buyers will probably want to grow the business faster than you have been growing it so have the right employees, systems and plan in place.

Document your actions - track what you do in marketing (preferably in your business plan). Document what you tried, what worked, what didn't work and your opinion of why. Any tangible evidence is even better although sometimes it's not easy to compile tangible information (with direct response advertising it's easy; with things like websites, blogs, newsletters, etc. it is tough).

Working Capital - Too many owners don't understand what working capital is. Too many buyers don't understand it either. Profits on paper are not the same as cash in the bank. They can be tied up in accounts receivable, inventory, deposits or other items. Business buyers have plans to grow the business they buy. A seller who manages working capital (cash flow) and can explain exactly how he or she does so to a buyer has a leg up on the buyer. The term "Free cash flow" is what savvy buyers and owners' use. Almost as many businesses have cash flow problems from growing too fast as not growing at all. Understand working capital and you will be better prepared for more profits and for an eventual sale.

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