



March 9, 2010

Finance

Updated March 09, 2010

Want to Sell Your Business? Readiness Is All



By Barbara Mannino - FOXBusiness

Like painting a room, there are steps to go through before ever picking up a brush that ensure the job is done right. Following certain practices before you put up the "For Sale" sign can ensure a smoother process...and maybe even a better price.

Entrepreneurs who want to sell their businesses would be smart to take a page from Hamlet: "The readiness is all!"

Step 1: Clean up your business

An important corollary: [price](#) comes later.

Only one-quarter to one-third of businesses on the selling block actually get sold, according to Bill Lange, a principal in the San Diego-based [Vanguard Resources Group](#), a franchise of Vanguard Resources, a national business brokerage firm. To make it more attractive, think of the small-business equivalent of curb appeal: you need to take a critical look at your business, fix problems, and work toward improving flaws – including financial ones.

Be mindful and dress up the "ugly parts," said Chris Carey, principal of New York City-

based [Chris Carey Advisors](#). That includes investments that haven't turned positive, unproductive assets, excess inventory that's of little value, overdue accounts receivable, disputes or lingering lawsuits, even a sloppy or untidy physical plant. If you're really stuck and have to undergo a distressed sale because of an economic downturn, cash flow troubles or specific problems in your industry, take the time to make the best of a bad situation, Carey said.

Difficult? Of course. And time is often the biggest hindrance.

"It's hard to focus an owner on long-term strategy when he or she is busy trying to make payroll," said I. Alan Hirschfeld, a CPA, forensic accountant and principal-in-charge of [Marcum LLP's](#) Tinton Falls, N.J., office. "But, nonetheless, it's imperative."

Step 2: Get help finding the right price

Business owners are the worst at knowing their companies' true worth. A forensic accountant or a business broker can help you solve that problem by performing a business valuation that will "open your eyes to what will drive value and increase revenue," Lange said. "A valuation also works as a roadmap for an exit strategy."

Lange said that you can run the risk of being so enmeshed with day-to-day business that you may not realize that you've taken the business as far as you can and maximized your profitability.

Step 3: Communicate risk and reward with buyers

Since a prospective buyer's focus is all about the risk/reward equation, you need to focus on that with prospective buyers. Is your product a medical kit to manage a disease state that is on the rise? Have you bid on and won a contract that will guarantee sales and block out your competition for the next three years? Beyond just financials, this is valuable information that should be included in a selling memo that profiles your business, outlines its true cash flow and adequately describes its intangible value add. According to Lange, one of the biggest barriers to selling a business is for the seller to inadequately communicate the full business value.

And emphasize the future positives, advised Hirschfeld. The past is only a barometer of what's ahead.

Also, remember that a brand is a marketable asset that buyers will pay for. "Coke paid \$3.4 billion for a vitamin-water company because it needed that market segment," said Hirschfeld.

Step 4: Empower your management team

Knowledgeable managers are a must. Empower them by soliciting and respecting their opinions and decisions. If you were buying a business, you'd want to talk to the management team and ask what they would do to grow the business. "A buyer doesn't just want to talk to sellers," said Hirschfeld. "A buyer will use your management team as a litmus test for taking the temperature of the business."

Step 5: Go find a buyer

Business brokers, accountants, lawyers, your trade group network, your vendors -- all of these folks have knowledge and access to a huge pool of prospective buyers. Ask them if they know someone. Be proactive. Reach out and be aggressive. "The last place a prospective buyer will find a good opportunity is in the newspaper," said Hirschfeld.

