



Here Are 6 Tips for Selling Your Business



VINIL RAMDEV
CONTRIBUTOR

Entrepreneur and
Business Writer



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More than a decade ago when I was still aspiring to start a business, I read Michael Gerber’s book “E-Myth Revisited,” where Michael says “the reason you start a business is to sell it.”

It’s great to be passionate about something, but businesses are started and sold to help the entrepreneur fulfill his personal goals. There are primarily two ways a business fulfills an entrepreneur’s financial goals – either through cash flow, or capital gains.

The old way of running a business was to start it, generate income and cash flow, and then shut it when you are ready to retire. Now, you can generate cash flows for several years, and finally, when you are ready to retire, you can sell it for capital gains.

Here are some things to consider when you’ve made that decision to sell your business.

1. Prepare for It:

One of the most important things you need to know about selling your business is you shouldn’t go into this process blind-folded. You have a lot invested in this company, and seeing it all go to waste because you didn’t take the time, or make the effort to understand the selling process can be catastrophic. Familiarize yourself with the process of how it traditionally works. Know what’s required of you and the rules you’ll have to follow.

There are so many things that can go wrong without proper preparation. According to [A Neumann & Associates, LLC](#), a leading business brokerage firm in the US, “A simple [breach of confidentiality](#) could spell disaster. Rules like this can derail an attempted sale at any time. Make sure that you have a good legal team to brief you before you move forward with this process.”

2. Build the Right Team:

The sale of a small business is supposed to be confidential. In reality, most people will be aware that something is going on, but this doesn’t mean that you can start talking about it. Build a small team that will help consult you on the process that will keep all communications internal.

Prepare a document with information about your company, including historical financial statements, employees, assets, and liabilities.

To make sure that your team remains motivated through the transition period where their workload is likely to double, reward them accordingly.

3. Tidy up the House:

It's time to get your house in order. Make sure that there are no defaults or late payments, and that you have followed through on your promises. If you promised shares to the guy in finance, now is the time to reward him. Loose ends can make it difficult to complete a deal and also lead to broken relationships. Tie-up those loose ends even if they are minor ones.

4. Relationship with Your Investors:

If you have investors, it's important to make them part of the decision-making process. Most investors are also looking for an exit as they need to cash-in on their equity.

Sometimes, investors may have connections that could help you get a better deal.

5. Your Legal Team:

The sale of a company almost always includes lawyers. A good lawyer ensures that you are fully protected with a strong contract.

Not all lawyers are the same. Choose a legal firm that specializes in dealing with "businesses for sale." A generalist may not be a good solution in this situation.

6. Make the right deal:

Sometimes, getting a good buyer at the right price might be difficult. So entrepreneurs are usually in a hurry to sell. Take your time, and plan way ahead of time. It can take anywhere from 6 to 12 months to sell your business.

You may not always get the price you are looking for. In my experience, most entrepreneurs have an unrealistic number in their head. And almost always the price doesn't match what the buyer is willing to pay.

Remember, your business is only worth what the highest bidder is willing to pay. If you get a really low offer, don't take it personally. Keep emotions aside. If you don't like the offer, you can politely decline, and revisit at a later stage if you don't get enough buyers.

Conclusion

Selling a business can be a fairly complex process. I've personally been involved in several transactions, and I'm told that more than 80 per cent of businesses don't sell. It's important to plan early and package your business to make it look attractive to buyers.

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