



Domenic Rinaldi: Buying and Selling a Business

Sell With Confidence in Trying Times

Don't lose leverage and lower your business's value by appearing distressed
By Domenic Rinaldi | November 10, 2009

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The worst time to sell a business is when you absolutely have to sell. Most buyers can sense fear and desperation, so if you don't come across as level-headed and under control, they will likely exploit every weakness to gain leverage in a transaction. Unfortunately, this is a rather common scenario in today's market; many business owners are struggling financially and are anxious to sell their businesses, but are having a tough time doing so.

It's equally harmful when an owner assumes a persona of empty bravado; this only masks the desperation--and not very well. This false bravado can send the owner into a state of denial, refusing to acknowledge that her business is on a downward trend and losing value. This is the most critical time for an owner to heed the advice of advisors. There's nothing more frustrating for a professional than to see a client in a downward spiral continue to do everything that led to the state of desperation in the first place.

So if you need to sell your business, what can you do to encourage success and avoid losing leverage by appearing desperate? Here are some important strategies to follow when navigating a business sale under difficult circumstances.

Listen to your advisors

Now is the time to ask lots of questions and to seek professional advice. Your business broker, accountant, attorney and wealth manager have probably all seen your situation before and will know how to handle it for the greatest success.

Establish a plan

Much of the desperation we see from business owners could've been avoided with proper exit planning. Planning, even in urgent situations, can help you gain understanding and clarity about your situation. A properly formulated exit plan should involve all of your key advisors, with primary and contingent plans carefully and comprehensively laid out. The creation of the plan alone can give you the power and freedom to think clearly even when times are tough.

Maintain confidentiality

Unless your situation is dire, you should tell no one outside of your immediate family and trusted advisors that you're seeking a third-party sale. Your instinct may be to take a shotgun approach and tell everyone in the hope that someone will come along and make you an offer. That could happen, but it's far more likely that, once word is out, employees, clients and vendors will start to scramble for a new employer or partner. This will only make matters worse and wreak havoc on your business. Chances are you're already under a lot of stress; there's no need to add more. Consider the benefit of working with an experienced business broker who can help safeguard the confidentiality of your business.

Stay focused

The moment you make the decision to sell your business is exactly when you need to ensure that all your efforts are focused on running the business. It can be hard to avoid pulling back from day-to-day operations or putting all your time and energy into the sale, but it's essential to stay committed to everyday tasks. Buyers like to see that a business has future prospects, even if the situation is dire.

Psychologically, you'll be in a much better position if you keep yourself and your employees fully engaged. You may be surprised at what your renewed efforts might yield in the way of business performance, which will only give you leverage when a buyer does come knocking.

Understand the need for multiple buyers

A surefire way to mitigate a desperate situation when selling your business is to have multiple interested parties. Our brokers constantly remind sellers that having only one buyer is like having no buyers. A good business brokerage firm has the marketing muscle to generate heavy buyer interest even if the business and owner are not in top form. A brokerage firm should have a large, existing database of buyers who may be interested in your business, an internet presence that attracts buyers and a trained, professional staff that knows how to manage a difficult situation. Engaging multiple buyers will enable you to get the best price and terms possible.

Price the business to sell

Now is not the time to overprice your business hoping someone will take the bait. The marketplace knows what a fair price looks like and, given your situation, you should be prepared to peg the price of the business at the low end of reasonable. This may sound counterintuitive, but the right price will actually help you attract more buyers and keep the price and terms at the highest level possible. We normally recommend a third-party valuation coupled with pre-approval from a bank so that we have as accurate a picture as possible.

Know how to meet with buyers

Business owners typically sell a business only once in their lifetime, so they're often unfamiliar with the nuances of meeting with buyers. These meetings typically determine whether a buyer is going to submit an offer, as well as the terms of the offer. There are key questions that can either reveal your

desperation to the potential buyer or, if handled properly, communicate that you're motivated but won't be manipulated in a negotiation. A good business brokerage firm is able to anticipate these questions and help you rehearse how to respond in a truthful, level-headed manner.

Have multiple contingency plans

Realize that not all business-for-sale deals close successfully, especially in distressed situations. That is why it's important to have a thoughtful and credible plan B (and ideally, plan C) that can give you the additional confidence to maintain control. Make sure you can answer the question, "What will I do if I can't sell my business when I need to?" An experienced team of advisors can be an invaluable help with this and give you the peace of mind of knowing there are other options.

When you're suddenly faced with a situation that requires you to sell your business, it's difficult to avoid appearing distressed and desperate. It's absolutely essential that you don't, though, both for your ability to attract buyers and close a deal, as well as for your personal well-being. Keep these points in mind and seek the help of an experienced team of professionals.

Domenic Rinaldi is president and managing partner of Chicagoland Sunbelt, a business brokerage firm that focuses on helping people buy and sell businesses. Rinaldi is a Certified Business Intermediary (CBI) from the International Business Brokers Association. He brings more than 24 years of experience in merger/acquisition, sales, service, marketing and operations to the business brokerage arena.