

Loose Lips Can Sink Ships When Selling

If you're thinking of selling out, keeping certain aspects of the deal secret can make or break the sale. Consider this scenario: During negotiations with a buyer, news leaks out to your employees, vital customers and competitors. Managers and customers jump ship and as a result, so does your buyer.

This scenario isn't as far-fetched as it may seem, warns Domenic Rinaldi, a managing partner at Sunbelt Business Brokers in Chicago, Ill, which specializes in helping people buy and sell companies. "The implications of leaked information during the sale of a division or company can be devastating, both internally and externally," he says.

Rinaldi recommends taking some precautions to safeguard the sale. For starters, he suggests owners insist that all potential buyers sign a nondisclosure agreement before allowing investigations into the company to begin. "These documents are not complicated, but they need to be highly restrictive," advises Rinaldi.

Clauses should include guarantees that potential buyers (a) will not attempt to hire any of your employees out from under you; (b) will not disclose in any way that sales negotiations have occurred; and (c) will have only limited access to proprietary information, such as technological secrets, during the investigation.

Ed Krajcir of Sunbelt Business Brokers of Wisconsin urges owners to take control over the amount of financial information they release, especially during the early stages of negotiations. "A seller should release the right information at the right time. You don't want too much information out there, especially if negotiations fail to result in a sale," says Krajcir.

He strongly urges owners to release only financial summaries (rather than detailed financial statements) in the beginning stages of putting together a deal.

There are many other common blunders entrepreneurs make when selling a business.. In addition to letting information leak, another common mistake is setting an arbitrary price. Business brokers and mergers and acquisitions advisors recommend a careful value analysis of your business with both the business broker and your accountant. Setting realistic terms is also important.

Many entrepreneurs try to go it alone in the selling process, but doing so can be a costly error. Seek out sound business and legal advice from professionals who are experienced with selling businesses. Selling a business, after all, can be a complicated process and not one to take on without expert assistance.