

# Never too early ...

## START PREPARING YOUR BUSINESS FOR SALE NOW

If you're like most business owners, you're consumed with the day-to-day responsibilities of running your company. So you probably haven't thought much about your business's eventual sale and what potential buyers are likely to look for in an acquisition.

Making your company an attractive target that will realize a fair price, however, takes years of preparation. Don't wait until you're ready to retire or move to other ventures to tackle such tasks as improving your company's name recognition and correcting financial and operational weaknesses.

### Perform a self-diagnosis

One of the first steps to take in anticipation of a future sale is to conduct a thorough business analysis. You might want to assemble an internal taskforce to conduct





this assessment, but outside M&A experts will be better able to objectively review your operations and financials with the marketplace in mind.

In either case, break down your company's business units, analyze their performance and determine their strengths and weaknesses. (See "Analyzing operations: A quick guide" at right.) This breakdown includes listing and categorizing company assets, including intangible assets such as brands, trademarks and intellectual property. Be sure you account for such items as property you're leasing and equipment contracts. If you discover anything that could be a distraction in an M&A deal negotiation — for example, a warehouse lease that requires renewal or an expiring software license — take care of it *before* you're ready to put your company on the block.

### Streamline, streamline, streamline

If you've never thought about selling your company, the odds are that your financial statements need some tidying up. You want potential buyers to be able to easily find critical information, and to view your statements in a format that can be compared with those of other companies.

If, for example, you don't follow Generally Accepted Accounting Principles (GAAP), consider adopting them. And a professional valuator can help "normalize" your financial statements, or adjust them for their likely performance under another owner. This gives prospective buyers a more accurate idea of your business's value.

Review your company's contracts with suppliers and customers and isolate the most complex and potentially troublesome ones — for example, routinely late-paying customers or unreliable suppliers. If you decide the stresses of the contracts outweigh the benefits they create, end those relationships now. Also revisit the buying terms you have with suppliers. Depending on your spending patterns, you may be able to arrange more cost-effective scheduled or bulk purchase agreements.

Further, make any *ad hoc* policies official. If supervisory functions (such as the chain of command between employees and managers), customer relations, or strategic partnerships are informal or have evolved organically, consider formalizing them. Prospective buyers might regard such informal relationships as an integration — and acquisition — challenge.

### Make the first moves

Making your company presentable will certainly improve its marketability, but, more than anything, you need to put yourself in a potential buyer's shoes. If you were thinking of buying a company, what would *you* look for? Low debt? Strong management? A market-leading brand?

## Analyzing operations: A quick guide

One of the critical tasks when preparing a business for eventual sale is assessing your operations. There's no simple blueprint, but depending on the size of your business and the scope of the job, you might:

**Create or update an organizational chart.** Document the chain of command so that you — and a prospective buyer — know which employees report to which managers, and which people run departments or are in charge of projects or products. This process will help you spot management inefficiencies.

**Examine workloads.** Are some employees overextended and departments or units understaffed? Are others overstaffed and less productive?

**Know your customers.** Talk to managers and employees to learn about your company's best and most valuable customer relationships and, conversely, those that are difficult and might be terminated.

**Set short-term goals.** Use your initial round of company analysis to establish goals for set periods — say six months, one year and five years. When you're ready to sell, you'll have concrete improvements to show prospective buyers.

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If you have a prospective buyer in mind (for example, a strategic partner or competitor), become acquainted with their business objectives and long-term goals, and determine how your company might fit into their plans. If a potential buyer hopes to expand into a market in which you operate, you might increase your presence and market share to make your company a more obvious — and, thus, valuable — target.

### **Time is on your side**

If this seems like a lot to consider, remember that time is on your side. If you're not planning to retire or move on to another venture right away, you can prepare and position your business at your own pace. The important thing is to be ready when you finally decide to make your move. ■