Free Report

9 Quick And Easy Actions To Make Your Business More Attractive To Buyers

You've been growing and running your business for years, perhaps decades, and now you may be considering a transaction. Either a sale of the whole business or you may be looking to take some chips off the table to diversify your wealth. Keep in mind that a business transition transaction represents a asymmetric informational situation where you, as the owner, knows everything about the business and the purchaser knows very little and is doing whatever he can to gain comfort in the information he has so as to make an informed decision. Whatever your situation, your goals are likely, first to maximize the value ascribed to your business and secondly, to complete a transaction in a reasonable timeline with minimal disruption to your operations. To achieve both of these outcomes, we have outlined a list of ten quick actions you can take to address both of these goals.

1. **Document all policies, processes and procedures, standard operating procedures.**

There isn't a single element to a business that gives a buyer more comfort that a complete set of policy manuals, either written or even better in electronic format. These include general polices (vacation, travel, expense), employee handbooks, job descriptions, policy guidelines, training manuals, sales scripts, brochures, marketing documents, etc. This provides comfort to a buyer that the business operations do not just reside in the owner's brain. It shows that the owner and management have spent time thinking about how their business operated and how they can train new employees that are hired into the business.

2. **Create a key performance indicator dashboard**

What are the 5 key factors in your business that you can review that gives you an immediate assessment of the health of the business? Maybe yesterday's sales volume, current cash in the bank, number of sales calls made by your sales team, how many orders were shipped, or current order backlog. There could be any number of key indicators that you can look at and you know how things are going. They best thing you can do is formalize this process so you get a "quick look report" or an immediate real time dashboard pulled from your systems. When you show this to a buyer, they know the business is well managed proactively, not by hope and chance. We call this the "on the beach report", such that if you are on holidays in Cabo, you can simply check this report out in the morning and you will either know you will have a good day or you will be on the phone getting to the bottom of any issues you identify.

3. **Complete a year end audit of your most recent fiscal year end**

Yes, this is extremely mundane, and it will cost you a bit more that a standard year end review engagement but it will show a buyer that you have made an investment and you are ready to sell by taking the process seriously. A buyer will have additional comfort knowing that the numbers, as presented, are more reliable than internally prepared financial statements.

4. **Prepare a 5-page strategic plan for the next 5 years**

Every business buy is told of how many amazing opportunities there are to grow the business they are about to acquire. And in every single instance, the buyer says (often to himself or his partners and advisors), "if growing the business was so easy, why didn't the current owner do it?". To address this skepticism, a well thought out and researched strategic plan presented to the buyer will show that some work has been done on exploring the opportunities as presented, beyond just simply talking about them. If considerations like capital investment required, additional headcount, timelines, capacity constraints and considerations, inventory requirements, legal considerations, etc. If these among other factors are considered, there may even be a higher level of excitement from a buyer that these initiatives could lead to a growing business.

5. **Formalize customer and supplier relationships (with contracts, agreements, and open dialogue)**

A change of control can cause some suppliers or customers to run for the hills. If you spend some time ensuring that these most valuable relationships will transfer to a new owner, that will alleviate any additional anxiety that a purchaser may have. If agreements or contracts are not available but you have solid long-term relationships with your key customers and suppliers, communicating with them that you are considering retirement and a succession transaction – ask of them what is important so as to ensure that the business relationship will continue after the deal and with the new owner. This will smooth the transition.

6. **Work with your key employees to let them know about your plans**

The key factor here is that you want to mitigate the flight risk of key employees when they hear there will be an ownership transition. A viable option to consider is to try and do a deal with key employees or management where you bring them in as owners. Even if they do not have the financial capacity or capability to complete a full buyout of your ownership, by giving them an opportunity to buy-in will ensure they stay for the long term. To be frank, only do this if these employees truly contribute to the overall strength of the business. If a new owner would see their continued involvement as an asset, then see what you can do to secure their commitment to a transition. This may include a retention bonus, enhanced benefit plans or simply honest communication.

7. **Renew your lease to ensure stability**

When a purchaser acquires a business, he is looking for stability, the last thing he wants to do is go through a disruptive and costly relocation. Work to ensure a favorable long term lease extension or if you own the building, indicate a desire to have the business remain a tenant for a long lease term (ensure this is at or slightly below fair market value or the new owner may choose to move.

8. **Get your minute books and corporate filings up to date**

Make sure your company is saleable with no quirky or extremely complex structures. If you have partners, make sure you have a shareholders' agreement (nothing worse for a buyer that a loose corporate structure, where they are uncertain if they will even be able to complete a transaction due to minority shareholders' changing whims. Tighten these documents up so as to give the appearance that all your "ducks are in a row".

9. **Plan what your transition will look like and write it out. Including your post transaction retirement plan.**

This may be the most important step of all of those identified in this report, and it is often the least discussed. The reason this is important is multifaceted – a sold plan of a retirement will give the buyer comfort that you will actually complete the deal (no cold feet at the 11^{th} hour), it will provide a sense of relief that you will not be expecting to re-emerge and start a new business to compete (once you non-compete term expires) and it will ensure that once you will not become unsettled and will be a nuisance by not allowing the new owner to execute his own vision for the business.

We hope these simple steps make sense and get you on the path to a successful succession transaction. Please do not hesitate to contact us if you feel you have a business that meets the criteria of solid businesses we are looking to acquire. Also, please complete the complimentary Valuation and Investment Assessment - you will get a better idea of how we would evaluate your business as a potential acquisition target.