

How to Get What Your Business is Worth

When you decide to sell your business to an outside party and you no longer want to manage your company, you naturally desire top dollar.

Unless you are a gambler at heart, you want cash, not someone else's stock. If you accept stock, you are gambling on someone else's performance, market conditions, and a whole host of factors over which you have no control. You may also be tempted to continue working at the company to ensure maximum value for your stock.

To fully break away and achieve the best price, you must demonstrate to a buyer that your business can "stand alone" and thrive without you. Even if you think that you would be willing to be a part of the deal, you probably won't be happy being accountable to new owners when you are accustomed to calling the shots. Most buyers understand that it is very difficult for a business owner to remain involved with a company they have nurtured to success when they no longer own the business.

If a buyer knows that the existing owner and management team will not remain, they rarely pay top dollar for a business. If you don't come with the deal, you must ensure that the efficient and effective management team that helped the company succeed will stay in place after the sale. You can accomplish this by demonstrating that the existing management team has been "golden handcuffed" to the company and will stay regardless of who owns the company. This is why structured bonus plans are much more effective than arbitrary bonuses for retaining top management. For example, in a structured plan, half the bonus may be given up front and the other half over the next five years.

To get the best price, we suggest a controlled auction environment enabling you to negotiate with several qualified buyers at the same time. Your objective is to get the various buyers to compete against each other, thus driving the bidding for your business up and getting you top dollar. This works best for medium sized companies that are large enough to attract more than one buyer.

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Try to avoid selling your business through a negotiated sale with a buyer because in this scenario, the buyer controls the terms and the timing.

By following a few simple steps you can enhance the desirability of your business:

- Establish an excellent management team
- Adopt systematized business processes
- Create a diversified customer base
- Implement a realistic growth strategy
- Improve cash flow

It usually takes at least two to three years to prepare a business for a sale, so start now. Even if you have no immediate intention of selling your business, it is always best to be “buyer ready.” You never know when the right buyer will surface.

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