5 Things to Do Before Selling Your Business

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You've decided to explore the sale of your business. Now what? The five recommendations listed below are more than worth your time, investment, and consideration.

1. Obtain a valuation

One of the most immediate tasks I insist business owners complete before a sale is actually understanding a real-world, fair-market value estimate for their business. There are several types of valuations, and if you are truly considering a sale, the kind performed by a seasoned deal professional who actually sells businesses for a living is generally preferable. Most other types are more useful for non-sale purposes. I wouldn't trust a wealth advisor to give me accurate legal advice, so why would I rely on someone who doesn't sell businesses to tell me what my business is worth? Ask whoever you are considering using how many businesses they have actually sold before you choose them to perform a valuation that you will use to decide whether selling your business is the right thing to do.

2. Meet business owners who have gone through the same experience

When you are considering a sale, there's probably no better perspective to obtain than that of business owners who have actually experienced the process first-hand. I would encourage meeting with them and asking about the qualitative aspects of the deal and the lessons and takeaways they had. If you don't know anyone who has sold a business, ask your accountant, attorney, or wealth advisor if they know any they'd be willing to introduce you to.

3. Truly learn the anatomy of a sell-side process and what it means to you

The sell-side process is a "grind." If you do it thoroughly and properly, you are investing a minimum of six months before the final results (e.g., a closed deal). For most of that 6- to 9-month period, the seller, the seller's service providers, the buyer, and everyone else concerned is sprinting. A good M&A advisor can walk you through the various phases of a sell-side process, from the prep phase to the "in market" phase to the execution phase. Each area is important to address before launching. The last thing you or your advisors want is for you not to realize the level of commitment needed to push a deal across the finish line.

Selling your most prized or most valuable possession is no time for being assisted by anyone who isn't a high-caliber specialist. You owe it to yourself to surround yourself with the best tactical service providers during a transaction process. Many business owners I talk to feel guilty about upgrading their service providers during a transaction process. I encourage you to forget the guilt and always remember that you aren't "ditching" anyone. You can keep using your relationship service providers in the future — I just wouldn't advise it during a matter of such importance if they aren't specialists. I've heard that "time is the No. 1 enemy of deals." I actually argue that inadequate representation is the greater enemy.

A good M&A team will consist of the following: investment bankers, transaction attorneys (that is, not the family divorce attorney), wealth management specialists (someone who can handle your wherewithal post-close), and tax professionals who are well-versed in transaction consequences.

5. Consider every option at your disposal

I always take time to understand a client's objectives even if they approach me directly with the intent to sell their business, because their goals can often be met without a full sale. You should hire an investment banker or M&A advisor who is well-versed in several transaction types, such as minority sales, majority sales, dividend recaps, and capital raises. This helps you can weigh the pros and cons of each options. If you've only heard one idea from your advisor, ask to learn about others.