The American Genius
the pulse of today's entrepreneur

How CEOs Can Use Existing Skills to Support Their Company Sale

One of the biggest predictors of a smooth and successful sale of a business is when the company owner takes on an active role in the process.

Anyone who's built a company from scratch knows that it's a process of constant learning – but over time, you get better at it. After climbing that mountain, though, entrepreneurs might have the feeling of being back at square one when the time comes to sell their business.

The world of mergers and acquisitions can seem fancier and have higher stakes than what most business owners are used to. But at its heart, M&A is about sales, something every entrepreneur has experience in. So, the first step to selling a company is to change your mindset — to start thinking of your business as the product for sale, rather than whatever it is you do or make.

As an investment banker, I often work with entrepreneurs to sell their businesses and create succession plans. I've found that one of the biggest predictors of a smooth and successful sale is when the company owner takes an active, collaborative role in the process. Not only can they be an invaluable source of information about the company's internal workings and their industry as a whole, but they can also serve as their company's most effective evangelist to potential prospects.

Here are a few ways in which the owner/CEO can contribute to a successful company sale:

continued next page

1. Being able to talk about the company's future.
The most important way a CEO can contribute to the sales process is to have a clear, plausible vision about what happens after the sale and be able to communicate that story clearly to potential buyers or investors. A leader is typically experienced in listening to people talk about their needs and in working out a solution. Such a person will also be ready to have a nuanced conversation with prospects about the specific benefits of combining businesses. They'll be able to describe how the company was built to withstand a change in ownership, as well as how it is expected to weather future changes in its sector. Bringing this level of specific knowledge will go a long way toward helping prospective buyers overcome any hesitations they might have.

2. Building a pipeline of realistic prospects.
My belief is that when business owners/CEOs are also good networkers, they win at the game of selling companies. They're the ones who know their industry – their customers, suppliers, influencers, and competitors. They might even be on friendly terms with some of those competitors or have talked casually about what a combination of their companies might look like.

When an entrepreneur starts thinking in earnest about who they might sell their company to, those years of networking conversations can really pay off. They will have an imaginative view of who their most realistic prospects are, plus they'll have personal connections established with people that they can start building from.

3. Bringing good sales habits to the negotiating table.
A big mistake that business owners tend to make when they're succession-driven is that they chase a single deal opportunity to the exclusion of everything else. When that prospect doesn't work out, they find themselves starting from scratch with a new prospect – which also might fall apart at some point. This can be an exhausting process that ultimately leads to desperation.

The reality is that even for serious-minded buyers, a variety of obstacles can keep a deal from making it across the finish line. But luckily, most entrepreneurs have a well-honed skill in their back pocket that they can draw from: They know how to sell things. And the process of selling a business is just like selling anything else. You build a pipeline of prospects, have conversations with several at once, and constantly track the likelihood of a deal with each one.

When it comes to early conversations, be structured enough that you can move to other alternatives if people say no. As your conversations gradually become more serious, continue visiting with those other prospects so that you have clarity on what your options are. Being able to walk away from the negotiating table is the most powerful tool you have to ensure that you end up with the best deal possible.

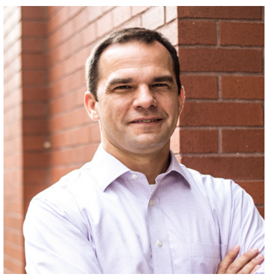
The limitations of a CEO

Despite the talents that a business owner brings to selling a company, the process usually isn't something one person handles all alone. There's simply too much to do, and it can be difficult to carve out time around the normal responsibilities of running a business.

continued next page

In addition, a business owner might have other reservations about starting the sales process. Some might not know what the future holds for them or whether they want a continued role in the company working for the new owner. Others might not want it to be known that their company is for sale, though this level of secrecy seems peculiar for people who are of retirement age – it would be weirder at that point if an owner didn't have a plan to sell.

To work through these questions and others related to a company sale, it's customary to seek out an investment banking professional who's familiar with the M&A process and can serve as a sounding board. By combining this guidance with their own abilities, company owners can help set the conditions for a sale that allows them the next chapter of their choosing.



Frank Williamson is the founder of Oaklyn Consulting, a consulting firm that helps investor groups and private businesses, from startup to middle market, with mergers, acquisitions, capital-raising, investor relations, succession and other strategic corporate finance decisions. Oaklyn Consulting does not work as a broker but as an extension of clients' boards and management teams, charging time-based fees for investment banking advice.