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Approaching your business as if you're an investor

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When you build a business from the ground up, it means more to you than dollars and cents. It's an embodiment of your vision and years of hard work.

Moreover, your company is a community; as a business owner, you're the leader. A time comes when you need to consider a future for your business that doesn't involve you.

While having a strong attachment to your company can give you the motivation to work hard, it can become a roadblock to understanding its appeal to potential buyers.

Investors look at your business as an asset. As you prepare for the possibility of selling your business, the most important thing you can do is adjust your mindset when it comes to decision-making.

Here are some thoughts on how to do that:

1. Take a step back. Seeing your business in context might require you to take a step back from the day-to-day obligation of being responsible to customers: working *on* your business rather than working *in* your business.

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When working *in* your business, you constantly respond to the daily needs of customers and employees.

When working *on* it, you focus on building systems and processes that make it a better business, one that can run without you. That can mean, for instance, making sure you have long-term legal contracts with customers that can be transferred if your business changes hands, or creating standard operating procedures.

Hone in on your business's biggest risks and mitigate them.

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2. Solidify your five-year plan. Business owners, as a rule, don't have the luxury of thinking too far into the future. Many have a general plan in place for the next few months; many fewer might have thought out the next year or so. And, if they don't absolutely need to stop and think about these things, they're probably not going to.

Good investors, on the other hand, are constantly thinking five to seven years into the future. They're glad to invest their money in a promising business, but only if they think there's a good chance of a sizeable return.

How are you in a position to persuade an investor to give you money if you don't know where you'll be in five years? Impressing investors requires telling a story — but not a fictional one. Nobody can tell the future, but we can create a few plausible scenarios based on the trends today. Then, by testing a business plan across those scenarios, we can see how resilient it is.

3. Tell investors the good and the bad. The biggest thing that makes investors pause is uncertainty. When a risk can't be quantified, investors get nervous. They never want to hear, "It can't be estimated."

Investors aren't averse to negative facts about a business. But, they do want to know those things up front so they can consider them in context.

Hearing a new piece of bad news late in the process is a big red flag. It comes down to trust — if they're given reason to believe you're not being transparent, it can cause them to think about other things they may have forgotten to ask about … and that risk can't be quantified.

4. It's all about the numbers. The overarching question for an investor is, "How do I make sure I get my money back?"

Business owners need to consider all the things that will make it easier for investors to see that as a reasonable possibility. How can they feel confident that your history of success will continue? If things go wrong, how bad could it get?

Because we're dealing with money people, a lot of it comes down to numbers. By nailing down everything within your control, and clearly articulating what the unknowable future could look like (and how risky that version of the future is), you can give your business its best shot at drawing attention from a worthy investor.

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