

# How to Sell a Business in 5 Simple Steps: A Guide for SMBs



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In all honesty, there's nothing simple about selling a business. The road to a successful sale is often rocky, with plenty of detours and wrong turns along the way. There might be a missing bridge or two. But every journey begins with a first step — and with that in mind, here are five steps on how to sell a business:

# 01

## Figure out who you're going to sell your business to.

If you've ever watched your friends immediately tune out when you try to explain what you do for a living, you may have accepted the fact that your business is not for everyone. And that's okay. Across the entire business world, there may only be a handful of potential buyers for your particular business. It's just a matter of finding them.

- Think about the landscape where your business operates and imagine everyone else in your industry who could benefit from combining their operations and yours.
- Think broadly about customers, suppliers, competitors (those who lose when you win), complementors (those who win when you win) and potential new entrants.
- Learn who has a track record of buying companies like yours.

This list is your starting point.



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# 02

## Figure out what your business earns in the eyes of a buyer.

For small to mid-sized businesses, sometimes one year's financial results aren't necessarily like all the others. Maybe you were trying to minimize taxes rather than maximize profit. Maybe your business purchased equipment that could be depreciated rapidly. Or maybe you're making financial decisions for your business that aren't profit-driven, but reflect other values, such as employee relations or social impact.

Buyers understand that life is usually not steady from one year to the next. They are focused on what past results tell them about the future, so they need to understand the steady view of your business's financials, minus all the noise and weird stuff. In evaluating your business, buyers will look at your run rate earnings, assuming that you're maximizing profits and are using generally accepted accounting principles (GAAP).



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# 03

## Qualify potential buyers' interest.

Think of this step as the business-world equivalent of a “Do you like me? Check ‘yes’ or ‘no’” note passed to a grade-school crush. You’re never going to know unless you ask, but because you don’t want the world to know your business is for sale, you have to be discreet about it.

There are two relatively easy ways to ask:

- Reaching out directly from one business owner to another. Say something general and noncommittal, like “I’d like to talk to you about how we might do business together.”
- Get somebody to call on your behalf and vet who’s interested enough to engage in a confidential discussion. (Just to be clear, we at Oaklyn Consulting are that somebody.)

However, this step is handled, and it’s usually a quick conversation. Most people aren’t interested, at least not right away. But a small percentage might be willing to talk further.



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# 04

## Negotiate toward a deal with the best buyer.

After you have a short list of serious prospective buyers, you'll begin a parallel negotiation process with all of them, which can be a recipe for confusion if you don't have your head on straight. That's because as you answer the individual buyers' questions, you may be sharing important information with some but not others, which can affect how comparable their offers are.

If you don't give people enough information to formulate a meaningful offer (meaning the good news and the bad news) or keep track of what information you've shared with whom, you're going to end up with bids that could be more fantasy than reality and, in any event, impossible to compare. Your goal is to negotiate the best deal, compared with your next best alternative. So, as you work through the steps of how to sell a business, reality about all your alternatives beats fantasy every time.



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# 05

## Implement the deal through legal contracts.

Once you've settled on your deal terms, you'll need a lawyer to help put them into effect. The lawyer's job isn't to tell the client what the business terms should be or whether they're fair or not. Their job is to write up a contract that will transfer the ownership of your business in a legally valid way, with money moving from one bank account to another and a binding set of processes for any disputes that arise.

To put it another way, lawyers are responsible for building a sturdy box, and businesspeople are responsible for what goes in that box. So take that responsibility seriously.

### **How to sell a business (and not a dream)**

If both buyer and seller have been responsible throughout the process, your deal probably will make it across the finish line. But if one of you has been less than candid, or sloppy in some way, your deal has a good chance of falling apart.

As you begin the process of selling a business, consider these five steps as a basic roadmap. But every journey needs a good navigator — and that's our basic role at Oaklyn Consulting. If you're wondering how to sell a business, we can be your guide through the process. It may not be exactly simple, but we can at least make it simpler.



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