OAKLYN CONSULTING

Negotiating the Best Deal: A Checklist for Business Sellers

info@oaklynconsulting.com

https://oaklynconsulting.com

We all have our talents. Some of us can sink a 3-pointer from half-court; others of us can balance a stack of flat rocks on a hiking trail.

Just because you've successfully built a business doesn't necessarily mean you have a natural aptitude for easily selling it. For one thing, the appeal of certain businesses can be extremely selective, with a pool of potential buyers in the single digits, and as few as one. In addition, sometimes sellers tend to bring too much salesmanship into the process when what buyers really want are solid facts on which to base their decision.

Every deal is different, and there's no one-size-fits-all method to ensure you get top dollar for your business. However, there are a few best practices that business sellers should follow to increase their chances of a positive financial outcome in the shortest possible period of time.

01

Do your homework.

How much is your business worth? You may have a specific dollar value in mind, but the actual answer is “what someone will pay for it.”

Don’t let your pride in your business as it currently exists prevent you from envisioning how it could be even more valuable in the hands of a prospective buyer. Know that the price you ultimately receive will be based on the estimated return on investment from the buyer’s post-deal business plan.

Maybe you have a locked-in supply contract that has been instrumental to your success, but could allow a buyer to reach a new set of customers that were previously inaccessible. If you can manage to make your business scarce and valuable to a buyer, you’re on the right track. In order to develop and validate that plan, though, a prospective buyer needs quantitative and qualitative information about your business to give them an accurate picture of your strengths and weaknesses.

Like the exhaust port on the Death Star, even a strong business has its weak spots, so don’t try to gloss over them; all you’ll do is slow the process and potentially tank a promising deal. Be ready to clearly present the good and bad, giving any necessary context.

02

Create a list.

Somewhere out in the world, one buyer is significantly more interested in your business than anyone else, and possibly willing to pay significantly more. Identifying them might require some brainstorming (a process best done in partnership with a trusted advisor like Oaklyn Consulting, of course). Think creatively about who you do business with, both as a customer and as a supplier, and also consider whether other companies in your sphere — either competitors or complementary businesses — might see the benefits of combining.

As you compile your list of prospects, you want it to be as long as possible, but you also don't want it to be composed of wishful thinking; this isn't a list for Santa Claus. Actual buyers matter, and generic categories of buyers do not. Once you have your top prospects identified, score/rank them to help focus your energies on the most likely candidates.

03

Defuse bombs before they go off.

When you invite guests over to your house, you take time to tidy up first. You pick up the kids' toys. You dust the shelves and furniture. You put away those dishes in the drying rack.

In much the same way, when you invite a prospect to discuss a potential sale, having an "untidy" business is, at best, going to raise an eyebrow. At worst, it might dissuade a buyer from wanting to have a serious discussion, reasoning that if one aspect of your business is amiss, others might be as well.

Look around for potential red flags and address them before you start making overtures to prospective buyers. That can mean messy financials; careless legal, employment or insurance compliance; or informal client or vendor relationships. Even disorganized files can present the appearance to a buyer of self-generated confusion.

04

Sell the business as efficiently as possible.

Once you're prepared to share the information potential buyers/partners are looking for, go talk to them face-to-face and qualify their level of interest. Before you enter the negotiation process, make sure you've considered the range of potential outcomes and planned how you'll respond.

You might receive an offer that meets or exceeds your expectations, and if so, great. If not, make sure you've mentally established your "walk-away" price beforehand — the point at which it's not worth it to continue moving forward.

If you've taken all the steps above, you should be well positioned to get into and out of the market quickly, which should be your goal. Not doing so can waste time and energy while creating risk for your business. The longer you remain on the market without a buyer, the less leverage you have to command the price you're looking for.

Your partner through the negotiation process.

Finding the right buyer might seem like looking for a needle in a haystack, and it sort of is. But at Oaklyn Consulting, we're a pretty efficient metal detector. When we work with business sellers, we help them consider their business's potential appeal to buyers they might not have considered, then assist them in working through any unexpected factors that might hamper their success. Finally, we negotiate on their behalf.

Everyone has their talents. One of ours is helping clients make the best possible deal in selling their businesses.

OAKLYN CONSULTING

https://oaklynconsulting.com/

info@oaklynconsulting.com

888-983-1617

info@oaklynconsulting.com   https://oaklynconsulting.com