

Selling your Business

There are two basic stages in selling a business. The first is preparing your business for sale, and the second is negotiating its sale with a prospective buyer. It's important to focus on both of these areas.

Preparing your business for sale

Take a good look at your business as if you were the buyer. Be aware of your strengths and weaknesses.

You need to prepare and implement a detailed plan of action to get the business ready for close examination by potential buyers.

Some of the key issues to address are:

- Make sure your financial records have been kept accurately and in detail. Consider switching to a computerised accounts system, if you have not already done so. Be ready to explain any unusual figures.
- Ensure that all legal documents relating to your business are up to date and accurate. These may include leases, hire-purchase agreements, client and supplier contracts, staff contracts, patents trademarks etc.
- Target your more obvious weak points and bring them up to par with the rest of your business. This may involve renovation your business premises, expanding your client base, updating equipment, balancing stock levels etc.
- Be honest with your staff – let them know that you're planning to sell, and that you'll do your best to ensure that they can continue with the responsibility to senior staff members – it's best if the business doesn't appear to depend too heavily on your own involvement.
- Prepare detailed information on your business – cover everything, such as day-to-day operations, information on your competition, relevant industry information, research and development issues and a history of your business.

The negotiation process

There are many highly skilled business brokers who specialise in buying and selling businesses. Negotiating can be stressful, so to make sure that you get the best possible value for your business, keep in mind the following points:

- Be honest, realistic and reasonable when negotiating the sale of your business. We all want to buy low and sell high, but a fair market value is what both sides should aim for. Don't hide anything about your business – make sure that any flaws are brought out into the open right from the start. You'll lose the trust of the buyer by being dishonest.
- Be positive – focus on the areas of agreement, be friendly, and listen carefully to what the buyer tells you. You may be able to resolve any conflicts before they damage your position.
- Don't drag out the negotiations – the longer it takes to come to agreement, the more time the buyer has to change his or her mind about the deal.
- Make sure that all agreements are put in writing and signed by both parties.

Professional advice

During this process you will benefit from involving your usual professional advisors including your accountant and lawyer. Your accountant may be able to present your financial records in a way which is both easy to understand and attractive to prospective purchasers.

Your lawyer can ensure your rights are protected and that no unexpected legal or regulatory issues arise which may damage the saleability of your business.