

Avoid These Business Sale Myths

The typical business owner will only sell a business once. Understanding the complex process involved will help produce the best results. But don't fall prey to the myths that can derail or seriously affect a potential sale.

Myth #1 – I Can Sell It Myself

Many owners believe they're qualified to sell their business without professional assistance. Many owners are entrepreneurs and the key salesperson for the company. But selling a business is not like selling a product or service.

If you're looking to sell on your own, confidentiality is lost. If word of a potential sale gets out, there are definite risks of losing clients, employees and favorable credit terms.

Do you really have the time to run your business and compile marketing materials, advertise, screen buyers, give tours and facilitate due diligence?

When you're looking to sell you want to put even greater emphasis on running your business, boosting your sales and not taking on new challenges.

Myth #2 – I'll Sell When I'm Ready

Certainly, an owner wants to be sure he or she is mentally and emotionally prepared to sell. But personal readiness is just one factor. Economic factors can have a significant impact on the sale of a business.

Sale prices can be affected by industry consolidation, interest rates, unemployment and many other economic measures. Talk with a professional and aim to sell when your personal goals and market conditions align.

Myth #3 – I Know What it is Worth

Some owners will base the company value on what they need for retirement. Others will tell you they want \$100,000/year for "sweat equity." Still others utilize industry multiples.

A third party valuation is a good idea for anyone seriously considering the sale of their business. An outside valuation will include a thorough analysis of the business and the market it operates in. This will provide a solid understanding of the company's growth potential, not some vague industry average.

Myth #4 – It's Like Selling a House

Preparing to sell your house may take a few weeks, then you want to get the word out to everyone that the house is on the market. Once you get a satisfactory offer, you sign on the dotted line, turn over the keys and move on.

Selling a company is much more complex. A successful business sale usually requires a great deal of pre-planning, at least a year and maybe as long as three years to drive sales, develop key staff, document the operations and control expenses.

The average house will sell in less than four months, while the average business sale is nine months to a year.

Even after the business is sold, the seller can be expected to put in at least a few months, and possibly years of transition time, helping to make the new owner a success.

Sound sale strategies will bring you the optimum price the market will bear. Go to market with realistic expectations by getting a professional valuation and using a professional business broker or intermediary.