**Navigating the Complex Process of Selling Your Business**

*Properly preparing for and maneuvering through this once in a lifetime process will have a huge impact on its outcome*

*By Lance R. Tullius*

Most business owners start their business with an eye on the future. Then once they’ve started it, they operate and manage it with that same eye on the future. That future represents the point at which they will sell their business, and presumably, or rather hopefully, reap ample benefits for all that they’ve put into the business. But by no means is it a guarantee that they will in fact sell their business for a huge profit, let alone any profit. Many a number of variables and circumstances have to fall into place for a business to be sold successfully. Some of these are within the control of the business owner and some are not. We’ll focus on those within our control.

We’ll break the process of selling a business into two steps: Preparing and positioning the business for a sale and then actually executing the sale itself. As with any major milestone objective, proper planning and preparation are vital. And if you haven’t already begun to do this, no matter how far a sale might be into the future for you, you should start now. It’s never too early to start. There are many questions to ask yourself, but two are particularly significant, one all-encompassing and the other very straightforward.

* How can I build or shape my business to have the greatest appeal to the buyers that will be the best candidates to buy my business?
* What type of corporate structure will allow for the best transaction outcome?

I’ll address the latter question first, given its general simplicity. As a privately owned business, you will almost always have the greatest opportunity to sell the business successfully when the business is incorporated as an S-Corporation. That’s not to suggest it’s impossible to do so under a different corporate structure, but simply much easier with the S election. Without going into exhaustive detail (you should consult your accountant on this subject in any event), buyers overwhelmingly prefer to buy the assets of a company rather than the stock. Selling the assets of an S-Corporation, given its nature, results in a tax event at one level, the personal one. On the other hand, selling the assets of a C-Corporation for instance, triggers two tax events: one at the corporate level and then another at the personal level when you remove the proceeds from the corporation. If you’re already a C-Corporation and decide you want to change, which I think is a good idea, you must be mindful of certain “look-back” provisions that prevent you from capturing the full benefit of such a change for certain periods of time.

As to the first question, when I refer to planning and preparing for a sale, I’m not suggesting you need to determine the date at which you will likely sell your business. In fact, the more flexible you can be with respect to that date, the better. And some might say they never plan to sell. But it’s a fact that none of us will be around forever, and as such, at some point, someone else will own your business. So whether that’s going to be a family member or someone you know, or a third party buyer, it behooves you to construct a business that is as valuable as possible. Therefore, you should focus on building your business to have maximum appeal to the market.

As an absolute starting point, you have to be able to validate the appeal of the business. That means you have to be able to produce timely, accurate, and relevant data. To do that, you need systems and protocols. Like it or not, data and analytics in this day and age drive value. If you want a premium value for your business, you must have them. This does not mean that you have to be a technological expert, only that you must access people and talent that are. There are plenty of these type of folks out there these days. All businesses should have systems and protocols in place that allow them to most efficiently manage and measure the business at numerous levels. Then you must diligently manage the process for inputting data and of course use the data. Systems and reports mean absolutely nothing if they’re not managed and used properly.

Now let’s move to the process of actually selling your business. And let me start by emphasizing a fallacy that most take for granted. Many, if not, most business owners go through at least one failed attempt to sell their business prior to actually closing a deal. And many of those that close end up being ones that the business owner regrets for various reasons. So do whatever you can to avoid ending up in this lot. A failed transaction, either before or after it closes, is typically costly, both financially and emotionally.

To maximize your opportunity to achieve a successful sale, there are a number of things to be mindful of. First, hire a quality, experienced advisor to help you navigate the process. No matter how experienced and skilled you might be in selling or acquiring businesses, this move will almost certainly pay huge dividends. I could go on and on regarding this one topic, but will simply say that as a business owner you have a heavy emotional investment in your business that has likely been built up over many years. A good advisor facilitates business transactions like this every day and will bring valuable objectivity that you need to secure the best transaction possible.

Second, while it might seem counterintuitive, you don’t need to contact tons of buyers to generate the best deal. In fact, I would argue the opposite. There’s a fine line between too many and too few buyers, and I believe there’s more risk when on the side of more buyers. Perception is reality in this regard, and if it is perceived that the business is being aggressively and widely “shopped”, it is possible that interest will diminish. I have seen the best outcomes result when it is perceived by prospective buyers that the business owner has taken a very deliberate and thoughtful approach as to who will represent the best pool of potential buyers. And this can absolutely be done without adversely impacting the competitive nature of the process. Another benefit to this approach is that it’s easier to manage confidentiality, which should be important to every business owner.

While there is much more that could be discussed to selling a business successfully, I’ll close with two parting thoughts. First, I suggested earlier that in planning and positioning your business for a future sale, it’s not necessarily important that you have a time frame in mind for when this event will take place. Flexibility in this regard gives you strength in that it allows you to be able to take advantage of great market cycles and sell when the going is great. Remember earlier when I said that some things are within your control and some things not when it comes to successfully selling your business. The economic climate and market conditions at any given time are not within your control. So if you have the flexibility to take advantage of a good market, you will be better for it. They say timing is everything.

Lastly, do not forget that everything starts with good planning and prep work. You really do have the opportunity to almost scientifically construct a business that is exactly what the market that will pay you for it most wants. Don’t miss this important concept. And if you nail the preparation part of the process, the actual sale itself will be far easier and the outcome much more satisfying.

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