

# Some Do's and Don'ts of Selling a Business



# Some Do's and Don'ts of Selling a Business

---

## DO'S

• **DO prepare several years in advance** by developing a customer base that is diversified and not dependent upon one or two key customers. In addition, take care to have a product line which is varied and not concentrated on one or two items. Have "clean" financial statements for several years adjusted to show the true historic earning power of your company. A depth of proven management and clear succession should be in place. Settle any pending litigation or conflicts, including environmental issues. Unresolved disputes can cool a buyer's ardor.

• **DO plan to devote a considerable amount of your time** to the selling process. A typical transaction takes six to twelve months from start to finish, and discussions of this importance can not be delegated. Be sure you know the real current market value of your business. You may need professional help in this regard.

• **DO have highly experienced and qualified advisors**, i.e., legal, tax and accounting, to help you as the deal process unfolds. They must have experience in handling mergers and acquisitions, a specialized area of accounting and legal practice. And do retain a seasoned intermediary who knows all the alternative ways of structuring deals, to bridge gaps between buyers and sellers and who will know most of the qualified prospective buyers. When you are at this point, leave your emotions out of the deliberations.

---

## DONT'S

• **DON'T think that selling a company is easy**, because it isn't! Don't assume that a buyer who approaches you is the best candidate. A discreet and careful screening and canvassing of the market is the only sure way to ferret out the right purchaser - the buyer who needs your business and will pay a premium for it. Don't take for granted a prospective buyer's claims that financing is not a problem. But instead, be sure at the outset that you are talking to a firm that can demonstrate its financial capabilities. Don't expose yourself and your company directly to the marketplace. Confidentiality is very important - with employees, customers and competitors.

• **DON'T negotiate directly**, but through an intermediary who can mediate, act as a buffer, and carry on "sidebar" conversations. Don't let too much time elapse between meetings with an interested buyer. Once the process starts, keep it moving, or you may lose momentum and affect your business and the morale of your employees.

• **DON'T delegate important aspects of the deal** to underlings - and don't let the buyer do so either. It is important for key players to stay in touch and to develop confidence in each other, and engage an investment banker who understands your business and has knowledge of your industry.

---

Reprinted with Permission from:  
*M&A Today* Jan/Feb 1995  
Authored by: Peter A. Ulin