

Thinking of Selling? Start Early, Build Your Team

Article By:

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As 2018 looks to be a favorable M&A environment, many business owners may come to the conclusion that it is time to sell the family business. While it is true that some businesses sell as a result of an offer that comes “out of the blue,” the reality is that most sales occur as a result of a well-designed process intended to maximize value for the seller. Sellers should consider allocating considerable time preparing for a sale, sometimes as much as a year. A well-run sale process can take considerable time as well. The time is well-spent though, as thorough preparation and an organized sale process typically lead to higher valuations and quality buyers.

One of the most important things a business owner can do when preparing to sell a business is to assemble the right team of advisors. Having the right team in place prior to starting the sale process is one of the best ways to insure both maximum value and execution certainty. The team should include an attorney, an accountant, an investment banker and a wealth manager. Each advisor will play a key role in planning and executing the transaction and ensuring post-sale success.

- The sale team will provide critical advice on matters such as:
- Conducting an initial diligence review that will identify gaps that need to be completed;
- Setting a realistic valuation on the business;
- Identifying potential buyers with a high likelihood of successful execution;
- Responding to due diligence and information requests from buyers;
- Structuring a transaction for tax and liability protections; and
- Dealing with sale proceeds to ensure that a seller’s post-sale goals are met.

Building a team that the owner trusts and is comfortable with is essential, since that team will be providing critical advice and guidance on what is likely to be one of the most significant events in the business owner’s professional life.

In the case of a family-owned business, in particular, the sale also may have wider-reaching effects on various extended family members whose personal and professional lives have been tied to the business, sometimes spanning many generations. So the principal owners may need to spend time preparing the family for the sale as well. It is also important to note that while the sale planning and process is ongoing, someone needs to keep an eye on managing the business and making sure that it delivers the expected results. The right advisor team should free up the business owner and management team to continue to execute on the business plan with minimal disruption.

As we move into 2018, any owner that has an eye on selling should be thinking about putting the deal team together sooner rather than later in order to address any potential issues with the business (such as accounting issues that might need to be dealt with before getting too far into the calendar). Businesses sell for many different reasons- for example, the buyer wants to add a product line, get access to a customer list, or own the intellectual property tied to the business. There is no single “magic bullet” or piece of advice that applies in all situations. But having a seasoned, experienced team in place to advise an owner is the best way to insure that the owner receives guidance that can be relied on so that the owner can make the best decisions around a sale.

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