

Turn Deal-Breakers into Deal-Makers

From *Today's Business Scene*, a newsletter for the privately held business

All too often, just as the sale of a business seems to be set, the deal suddenly craters. Bad karma? No. There is nothing mystical about the roadblocks to a successful sale. In fact, the chief deal-wreckers are all too real to business brokers, all over the country. In responding to a survey about why sales don't close, these professionals offered reasons so similar that a "paradigm of failure" began to appear. Buyers and sellers should be aware of the components of this paradigm and the negative role each plays in influencing a business' sale. Fortunately, most negatives have a positive "cure."

Of course, all the knowledge and expertise in the world can't offset those nebulous problems beyond human control—natural disasters, environmental issues, death in the family. However, understanding the following make-or-break situations is one way to transform deal-breakers into deal-makers.

#1 - DISCLOSURE

Deal-Breaker: Sellers who fail to disclose issues that affect the sale of the business are merely postponing the inevitable. Problems have a way of surfacing, poking up abruptly through the delicate ground of a budding agreement. This is neither the time nor place for surprises. The buyer, predictably, will beat a hasty retreat. Trust between the parties has been jeopardized, and the deal is history.

Deal-Maker: Sellers naturally wish to maximize the value of the business for sale. However, the "pitch" must include the down side as well as the up. Being open and up-front from the outset is crucial to the success of the sale. Business brokers responding to the deal-breaker survey said repeatedly that they could work through almost any problem, as long as it was disclosed as soon as the selling process began.

#2 - PRICE

Deal-Breaker: All too often, the buyer agrees on price and then comes to the conclusion that the business was over-valued. What was the source of this "revelation?" Perhaps the reaction was gut-level; perhaps it resulted from a closer look at the seller's figures. No matter: the deal is out there on the precipice. Unfortunately, the perception now is that the seller wants more for the business than the buyer feels it's worth.

Deal-Maker: Nothing is more conducive to the success of a sale than that the business be fairly priced. Once that price has been set, second in importance is making sure that the financials support the seller's claims. The buyer must believe in the value at every stage of the selling process. In fact, both parties must feel that they are involved in a good deal. The business broker can help achieve that good-deal feel by making sure that the seller as well as the buyer understands the marketplace.

#3 - TIMING

Deal-Breaker: The selling of a business is a complex and time-consuming process. It isn't surprising, in the case of both the buyer and seller, for impatience to set in. Buyers continue to request more and different data about the business — right now! - and sellers grow increasingly tired of providing it. Both sides wonder why everything is taking so long. They have involved their attorneys and/or accountants in the process, so shouldn't the deal be moving right along? The sale of a business isn't going to happen overnight; however, it shouldn't drag on to the point of putting the deal at risk. In many cases, the outside professionals that the buyer and seller are using may not have experience in the business-selling process, thus are unable to effect a timely conclusion.

Deal-Maker: Both buyer and seller should involve only those who are knowledgeable in the business closing process. Most outside professionals, such as attorneys and accountants, are not. A business broker can assist both parties in choosing professionals who are experienced in this area; those who will make helpful instead of harmful members of the deal-making team.

At **Arthur Berry & Company**, we have sold over 750 private companies like yours. With nearly 25 years of successful sales, we have earned the trust of Idaho business sellers statewide. It is not an endeavor to be taken lightly, and we don't.

So, when it comes time to sell your business, you want to put it in the very best hands. We have the experience and resources to sell your business quickly, efficiently and for the highest possible price. We appreciate the hard work and sacrifice that you have put into your business. We can help you make that dedication count by finding a suitable buyer who will carry on your dream.

Call Today - 208.336.8000

www.arthurberry.com

Turn Deal-Breakers into Deal-Makers

Continued from Page 1

#4 - COMMUNICATION

Deal-Breaker: In the selling process, there will almost always be points at which the buyer and seller do not agree. In some cases, as amazing as this may seem, the two parties realize that they were never in agreement. When they thought they were on the same page, they were really chapters—or volumes—apart. The failure to communicate can be fatal to the successful closing of the sale.

Deal-Maker: A business broker is often referred to as an “intermediary” - and for good reason. These professionals are not only experts at marketing a business; they also know how to bring both sides to the table. They are skilled at the Three Es of the selling process: educate, elucidate, and eliminate misunderstandings.

#5 - SELLER'S COMMITMENT

Deal-Breaker: The ultimate killer of a sale is the seller who has a change of heart. Enthusiastic at first, with big dreams about the next step, the seller begins to drag his feet and then plants them firmly inside the door. Selling a business taps into deep emotions, since a business often comprises the seller's life work, and it isn't unusual for sellers to change their minds. Or perhaps they never made up their minds in the first place. Just as some buyers are “tire-kickers,” sellers can be equally guilty of merely testing the marketplace waters. They are curious to see what price the business might bring, when—and if—they one day decide to sell. Needless to say, the latter category of seller is enemy number one to the selling process.

Deal-Maker: Sellers must commit themselves to the decision to sell before putting the business out in the marketplace. Questions concerning this decision can often be resolved by consulting the business broker about the pros and cons. If doubt remains, the business broker can judge the seriousness of the seller's hesitation and decide if the process should move forward. Is the seller committed, or not really ready to sell? A business broker can distinguish between the two, but the prospective buyer may not be able to—until the selling process is well underway.

#6 - BUYER'S COMMITMENT

Deal-Breaker: Sellers aren't the only ones susceptible to cold feet. Buyers can also change their minds. Owning a business has never been more the American Dream than in today's shaky corporate climate; still, the financial risk, the requisite long hours and hard work, the big leap from being an employee to employer can set off the exit alarm in a buyer's brain.

Deal-Maker: The business broker makes it a point to understand the emotional cloud that surrounds the prospective buyer and dispel it with the clarity that comes with being properly informed. The professional intermediary has the marketplace facts, figures, and general experience to help the buyer get beyond emotions. With proper guidance and relevant information, the buyer can see that the dream and the reality aren't mutually exclusive. Cold feet give way to the warm handshake—and to another successful sale.