Please take a moment to review the valuable content in our newsletter.

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Risky Decisions…

Owning a business is a goal for a lot of people. The desire to own is often driven by developing or introducing a new or better product or service where there is a need. It is also often the desire of an entrepreneur to be in control and to not work for someone else.

Starting a business can be very risky. Will it work? How long will it take to become profitable? How much money will be needed? Is this the right time? These questions also deter potential business owners from taking the first steps to establish their goal. There is an alternative to starting a business though, ACQUIRE AN EXISTING BUSINESS!

There are several reasons to explore buying versus starting a business and it's all about risk! An established business has existing products and/or services, customers, suppliers, employees, and most important, history! An existing business can be examined because it has history, current status, and expectations for the future. Risky? Of course, but more often than not less risky than starting a business.

If you or someone you know is considering starting a business, we can provide an objective review of the prospect and an evaluation of the risks and rewards. We can also introduce businesses for sale. Considering ALL options will help to evaluate the risk of whatever path is chosen.

We look forward to being able to offer services to help you achieve your objectives, whatever they are. As always, feel free to get n touch to discuss anything as all – no cost or obligation!

Inadequate Preparation for Due Diligence
Part 1 of 2

With proper preparation, negative surprises during due diligence can be eliminated or minimized and business sales can be relatively painless. ***"Proper preparation!"***

Historically, many transactions fall apart during due diligence because negative surprises arise. Trust Issues from Inadequate Disclosures before Due Diligence, are the key to surviving the process. The goal is to eliminate foreseeable setbacks by disclosing any negative issues early, before due diligence ever begins. Disclosure allows you to present not only the problems faced by the business but also possible solutions and opportunities for improvement. Buyers will appreciate your candor and you will begin to earn their trust.

You should start preparing for due diligence when you begin considering a decision to sell. Identify and resolve as many obstacles and issues as you can before putting your business up for sale. For those that you cannot resolve prior to selling the business, disclose the issues and position them in the most favorable way. To avoid surprises (deal killers), you should also disclose problems that you are unable to adequately position as opportunities.

Voluntarily provide a comprehensive due diligence package

The key to surviving due diligence is preparation. Discuss the contents of a standard due diligence list with your intermediary and other advisors. Determine which items apply to your business and are likely to be requested by the buyer. Once a mutually agreeable offer has been negotiated, surprise the buyer by voluntarily providing a due diligence package you have prepared that addresses most of what you anticipate will be requested. If the package contains more information than the buyer might request, so much the better. You will earn the buyer's trust. Then, if and when unknown negative surprises arise, your trustworthy relationship will be a huge benefit in finding ways to resolve setbacks.

Respond to due diligence questions on a timely basis
The passage of time always works against the successful closing of a business sale transaction. If you or your advisors are slow in responding to a buyer, it creates a harmful impression in the buyer's mind: "Why is the seller taking so long to respond? What's going on? Are they manipulating information? Have I uncovered something they do not want to discuss or disclose?" If you are unable to respond quickly, it is extremely important to immediately communicate why, and when the buyer can expect a response.

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NEXT ISSUE
Inadequate Preparation for Due Diligence Part 2
CONTACT US

Treat the buyer as your largest customer

It is important to be completely open, cooperative, and straightforward. Think of the buyer as your largest customer and make their needs your top priority. In this one transaction, the buyer of your business is buying more than your largest customer ever bought in one transaction! Arriving at the due diligence stage is one of the best moments in your life. You may be within mere weeks of the biggest payday you've ever had. If you have properly prepared, due diligence can feel like an administrative process that enables you to confirm to the buyer just how great your business really is!

NOTE: This was part 1 of 2 of Inadequate Preparation for Due Diligence. Part 2 will be in our February newsletter.

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