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PLANNING & GOALS

The start of a new year is often when businesses start planning for the upcoming year. Most if not all businesses should plan for what they hope to accomplish during this time frame, and potentially even further into the future. Goals are something that aren't always the focus of the planning process, but we could argue that having defined goals helps the planning process and provides something to be measured against.

Sometimes goals for a business are obvious and assumed or not even stated. We've all seen plans that include growing Revenues, being more profitable, paying down debt, expanding, etc. Are those goals? Yes, in most cases they are. What about personal goals? Goals, that in some ways relate to owning a business and could be of greater personal value to the business owner. We've advised a lot of business owners that aren't anywhere near retirement age. They are ready to sell for a lot of reasons although sometimes those reasons may not be defined. But everyone that sells does look ahead to try to see what their life will be like after a sale.

For some business owners, a goal might be a plan to exit a business. All business owners will eventually exit their business. Some businesses will transfer to family members, some will sell, and yes, some owners will go out when they pass. There is nothing wrong with any of those scenarios, but what would be the result if more strategic or forward planning and goal setting to improve the personal life of the owner was applied?

Setting personal goals can and perhaps should involve envisioning what achieving those goals looks like. Selling a business for most owners is a major life decision. Maybe something to be considered is "When and how will I exit my business?" "What should I be doing now to make that happen or allow that to happen in the best way possible?"

Here are a few first-hand examples of owners considering selling and their decisions.

A. Several years ago, a business owner was planning to sell the business to his son. He

Confidentiality Breach and Employee Suspicion

Maintaining confidentiality in the process of selling your business is absolutely critical. Although there are numerous overwhelming reasons to use a professional intermediary when selling your business, confidentiality would be very near the top.

If you try to sell the business yourself, it is almost impossible to maintain confidentiality. Experienced brokers know how to control confidentiality. A breach of confidentiality can have a significant negative impact on your employees, customers, suppliers, competitors, lenders, and buyers.

Employees have a fear of the unknown (the prospective buyer). If they learn of a potential sale, they may begin looking for another job. Even worse, they may contact a competitor to inquire about job openings and inadvertently mention the sale of your business as their reason for looking elsewhere! This is a big one!

If competitors hear rumors of a possible sale of your business, they will not hesitate to add fuel to the fire. You can fully expect them to be more aggressive in attempts to poach your customers and you shouldn't be surprised if they mention the rumored sale in the process of talking with your clientele.

Customers who hear rumors also fear the unknown aspect of dealing with a new owner. Will a new owner raise prices? Will a new owner maintain quality? Just in case, as a backup, customers may try your competitors. Who's to say if you, or your prospective buyer, can keep a customer long-term if that occurs?

Vendors, suppliers, and lenders who hear rumors may get nervous and wonder why you are selling. They may fear you are having financial difficulties and tighten your credit terms. For instance, maybe some suppliers allowed you 45-60 days to pay your invoices. In response to rumors they may demand cash on delivery, or a strict 15-30 day payment policy. Lenders may consider calling in a note on a minor technicality.

Buyers and their advisors become very concerned about confidentiality breaches

Buyers know they must maintain good relationships with employees, customers, and suppliers. If things begin to deteriorate before a transaction closes, it may never close. A

wanted to travel and get away from running it. He came to realize that if his son became the owner, he wouldn't really exit the business as he would continue to be involved due to his personal and family dynamics. He is now selling to an unrelated buyer.

B. It's often hard for owners to let go. Three years ago, we met with the owner of a small manufacturing business – his age – 95. He said he wasn't ready to sell. At that time his wife's health was not good, so he was taking care of her and still running the business, which was declining. He is now 98, his wife passed, his health is not good, and his family is dealing with the sale as he's not able.

C. Family dynamics can often influence exiting a business. A few years ago, we were advising the owner of a business that was looking to sell. We had a very good offer from a qualified buyer and the closing was set. The owner looked ahead and saw his family in a different light. His son going off to college, his wife wanting to but unable to return to her prior profession. He determined that all of that "change" was not what he saw as best for his family and thus he declined to sell. Unfortunately, Covid showed up, his business literally disappeared, and he was forced to liquidate his assets.

What would looking ahead and setting personal goals have done in the above situations? Looking back, would the owners make the same or different decisions?

Advising business owners that are in the business sale or acquisition process is our specialty. Whether you are considering selling or looking at an acquisition, we are available to discuss business value and options to either buy or sell a business.

Contact us today to start a discussion, of course with no cost or obligation.

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breach of confidentiality is not a big deal breaker, it's a huge one! And the business value can plummet quickly once a breach has occurred. And it may be difficult to recover.

Professional intermediaries know how to control confidentiality through "blind" advertising, prescreening buyers for qualifications before releasing information, obtaining confidentiality and/or non-disclosure agreements from prospective buyers, and releasing confidential information in phases as the sale process progresses.

Don't be your own worst enemy by creating your own breach of confidentiality

Sellers frequently create their own confidentiality issues. The business world is often a very small one, and anyone you tell without stressing the absolute importance of confidentiality may mention it to someone else. Voila! Pretty soon, an employee enters your office and asks if you are selling your business!

It is best not to tell anyone, other than your spouse, CPA, and attorney, that you are selling your business. But, even with them, you must stress the importance of confidentiality. Try not to tell your best friend, your children, siblings, or your parents. If you must, you need to absolutely stress the importance of confidentiality and scare the heck out of them! It really is that critical.

Employee Suspicion

As strongly worded as the previous paragraph is, by now you realize you should not tell your employees. However, handling employees requires extra caution. When the broker or buyer is to visit your facility, it's best accomplished after hours when employees are not present. If a visit does occur while employees are present, have a rock-solid story that all parties are aware of.

Some buyers will demand to talk with employees as part of due diligence. It's worth fighting to see if you can convince the buyer that it cannot happen. There is never 100% assurance a transaction will close, and in most instances, you can persuade a buyer to forego that aspect of due diligence

Once you have made the decision to sell, always be prepared to handle the question "Are you selling your business?" It may come unexpectedly from an employee, a customer, a supplier, etc. You should expect it - it is likely to happen at some point.

NEXT ISSUE

Lack of Required Approvals from Stakeholders

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