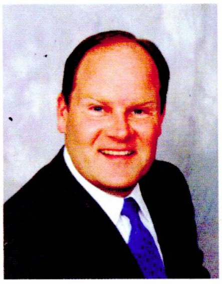
Selling Your Business? Here's How to Make it More Marketable

By *Gary W. Herviou*



"You don't have to see the whole staircase, just take the first step."
Martin Luther King, Jr.

If you're thinking of selling your business in the short or long term, it's not too early to take some easy, practical first steps that will make your business more efficient, more profitable, and more attractive to buyers.

Some small businesses run on inertia and "the way things have always been done" approach. This may be fine in the short term but is severely lacking in the eyes of potential buyers.

It's critical for all business owners to embrace new resources and technologies to improve systems within the firm, which can positively impact the business in many ways: daily operations, financial oversight, executive decision-making, and profit margins. Improved marketability equals higher valuation and maximum financial benefit at closing. Remember, as a business seller, you must think like a buyer.

Here, some recommendations:

1. Improve Your Financial Oversight – Be sure you're on top of the company's financial picture. Working with a trustworthy bookkeeper is essential to monitoring performance on a regular basis. Do you use an internal financial software package daily? Do you receive monthly income statements and balance sheets? Do you receive weekly receivables and collection reports? Do you have a payroll service to streamline that process? Do you properly track inventory? If not, then your ability to track financial performance and make forward-looking decisions is greatly compromised.

2. Refresh Your Brand – If you don't have a website for your firm, get one. It can be simple—a few pages that convey your story, describe your products and services, and state your unique selling proposition (USP) and competitive advantages. What separates you from the pack and why should people buy from you? In this age, a company without a website is a company without an identity.

3. Review Your Lease – If you rent office space, it's vital that a formal lease be in place, not a month-to-month "handshake" agreement. Negotiate terms that are sustainable in the long run and that will be attractive to a new owner. Moreover, it's important to have a good working relationship with your landlord, as their cooperation may be needed to complete a transaction that meets SBA lending criteria.

4. Track Your Monthly Performance – At the beginning of each year, map out the anticipated performance of your firm over the next 12 months. Based upon your history and industry expertise, you can fashion a month-by-month forecast for revenue, associated product/service costs and fixed overhead/administration costs. This will show you the anticipated net income by month and for the full year. This way, you can compare the actual monthly performance against your initial projections—a powerful tool that allows you to adjust on the fly if needed and make decisions that will guide the company accordingly.

Thoughtful planning and a proactive approach with these basic components in place will result in a healthy firm, an efficient sale of the business, and a fulfilling experience for the business owner that fully realizes the goals identified going into the process.

Gary W. Herviou is Vice President at A Newmann Associates.