5 THINGS *not* to do when selling a business

By Andy Stockett

Selling a business isn't as straightforward as selling a house. For most owners, it's a once-in-a lifetime, complex event. And there are many common pitfalls that can cost you time, money and headaches. Avoid these missteps, and rely on a solid team of advisors to maximize value and increase the certainty of a sale.

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1 Opt for a DIY approach

How many times have you sold a business? This isn't the time to make first-timer mistakes. Hiring an investment banker or M&A advisor can help you determine what your business is worth and how to position it. They'll drum up competition and ultimately increase your purchase price. Most buyers have experience with numerous acquisitions – level the playing field by having an advisor in your corner.

2 Take the first offer

What could be better than a buyer that comes to you with an unsolicited offer? Simple: Getting several offers as a result of running an organized "sales process" that includes a broad outreach to strategic buyers, private equity funds and family offices. We've seen instances where the ultimate purchase price is as much as 80% higher than the initial offer thanks to competition.

3 Fail to have your finances in order

Nothing can torpedo a sale faster than inaccurate or incomplete financial statements. If your financials don't capture inventory balances or proper revenue recognition or expense accruals, a buyer will lower the valuation for the risks he's taking by relying on those shaky statements – and may even walk away from the table. It pays to shore up your accounting software and the CFO/controller position.

4 Use inexperienced legal counsel

Selling a business is a complex transaction that involves intricate legal, financial, tax and regulatory considerations. Using an inexperienced attorney can expose you to risks you won't be aware of, slow down the sales process and leave you with poorly negotiated terms or a blown-up deal. A good corporate attorney can save you taxes and provide peace of mind when you sign that 90-page purchase agreement.

5 Wait until you have to sell

Don't wait until a health issue, the loss of a key customer or an industry downturn forces you into a sale. Selling when your business is humming and there are active buyers will increase your negotiating position. This will result not only in a higher valuation, but an orderly transition that will benefit everybody involved.

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