

Plan to Sell Ahead of Time

Plan to set-up, plan to succeed, plan to sell. There's no getting away from it - business is all about planning.

At every life stage of your business, you need to be planning ahead to move forward and succeed. Selling your business is no exception.

You need to plan for this event well ahead of time. From the moment you buy or start a business, you should assume that one day you will want to sell it or merge with another business. (Passing your business on to family members still requires a plan - in this case a 'succession' plan - and must begin many years before you want to retire.)

In fact, a business owner needs to give as much attention to detail in selling their business as they would to any other aspect of their business.



When to Sell, When to Plan

Every business has a three-stage life cycle: infancy, development, established business.

The best time to sell a business is during the maturing and developing stage, because here a prospective buyer can see some potential, without having to go through the instability of those first few years.

Start planning two to three years before you plan to sell your business. You need to allow enough time to fine-tune the financial results, put in place appropriate systems and records and make sure debtor and creditor payments are consistently up-to-date. Ideally you want to enhance the value of the key intangible asset in the business, normally known as 'goodwill'. (More about this in a follow-up article).

How to Prepare

Any potential buyer of your business will carry out due diligence - the process of investigating information on a business, prior to a business transaction, for the purpose of weighing up advantages and risks.

Be prepared to give full sets of financial statements, probably for the last few years, to the potential purchaser. They will also want to see cash-flow forecasts, details of creditors, debtors and stock, work in progress and many other details about the running of your business.

Determining the long-term viability of your business is also critical to a potential buyer. You may need to provide sales analysis, customer lists, supplier and subcontractor particulars, as well as details on all your employees.

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Sensitive Information

Because much of the information you supply will be market sensitive, talk to your accountant about whether you should get potential buyers to sign a confidentiality agreement.

Des Knight and Noel Whittaker, in their book *Driving Small Business*, advise these agreements are important to protect your small business.

They say: “There are many cases where a business has given a prospective buyer its client list and the prospective buyer has walked away with critical information.”

A buyer can walk away from a deal at any stage, so it’s important to stay cool and be as prepared as you can possibly be. If this process goes smoothly, you’ll be more likely to impress potential buyers.

Keep Your Business Head

And just because you’ve decided to sell up, don’t slack off on your own attention to detail. It’s important to maintain your business in a consistently excellent saleable state. The business needs to continue:

- to be profitable
- to maintain good cash flow
- to develop its resources - customer base, supplier contact and visibility in the market place
- to maintain proper systems.

At the same time, don’t let your plans for retirement distract you from the business at hand. You have to keep focused. Knight and Whittaker warn business owners not to let their guard down and reveal future plans or impatience to sell, as wily potential buyers may be able to use this as leverage to beat you down on price.

“Always remember the first rule of selling a business: Keep working your business hard until you have the cash in hand,” they say.

Selling a business is complex. Your accountant can provide essential advice during the planning stages and during the actual selling process.



Next Steps - Plan Two-Three Years Ahead

If you’re thinking of selling your business, plan to do it in two to three years’ time, not next week. There are lots of things to get organised before you are ready to sell. First up:

- Talk to your accountant - selling a business is complex, and you need expert advice
- Maintain your business in a saleable state - is your business humming? Are appropriate systems in place? You need to give yourself time to fine-tune your business operation so it can be marketed in excellent condition
- Teach and delegate - does your business rely on you? If so, you need to start passing on skills and delegating tasks well before the time comes to sell
- Keep your business head and continue to maintain performance
- Don’t underestimate the importance of planning ahead

Free Yourself From Your Business

Often one of the complexities of selling a business arises when the business is so reliant upon the person who owns it.

As a business owner your skills and abilities were critical in the establishment phase of the life cycle. But now, as you plan to sell, these need to be passed on and responsibilities delegated. You need to free yourself from your business so it can stand alone.

A potential buyer will want to see how the business has retained these essentials so it can continue to operate effectively without your input. If they feel the business is too reliant on you, they may feel it is not worth as much as you do.

Long-term careful planning therefore is critical to the success of the sale. The process of transferring skills and expertise cannot roll-out in just a few weeks.

View Complaints as Motivators for Change

Let's be upfront about mistakes - we all make them!

When running a business we put systems in place to try and avoid them, but no business is perfect.

Your mistakes can often result in customer complaints. In fact, you'll get complaints even when you didn't make a mistake. That's the nature of being in business - you can't please everyone all of the time.

The important thing is how you deal with those complaints. If you hide them under the carpet and pretend not to hear, you're going to annoy your customers. And annoyed customers go out of their way to tell others about your poor service.

Instead, front up to complaints and do something about them. Customers are generally reasonable if they see something is being done at the highest level.

Positive for Business

Try to always view complaints as positive feedback for the business. Every complaint could potentially change the way something is done for the better. It's good to keep the business on its toes and be open to change.

A complaint procedure system would look something like this and could be adapted as appropriate:

- Complaint form - staff would offer the form to any customer who wants to make a complaint
- Receipt letter - customer receives this within 48 hours of making the complaint, advising the matter is being investigated and that results will be reported back by a certain date
- Investigation - a staff member not involved in the original dispute investigates the situation to work out what happened, and makes a recommendation to move forward
- Report letter - customer receives this from the owner or managing director, explaining the situation and advising what the business intends to do about it
- Follow-up phone call - a call from the managing director would show the business is really taking the complaint seriously

By taking responsibility for your mistakes, you're showing the world you are doing something about them. This way you earn a lot more respect from your customers.



“When you make the decision to sell your house, you take the trouble to clean it, paint it and polish it so it makes the best impression on potential buyers. Similarly, when you put your motor vehicle on the market, you have it cleaned and detailed before presenting it for sale.

Selling your business is no different - you must present it in the best possible light.”

“Driving Small Business. How to make it. How to Keep it.” By Des Knight and Noel Whittaker.

Be sure to read each article with the mindset “How this could apply to our business”. Thinking of it that way will guarantee that you get value. Also make copies for each team member. To really make sure something positive happens, work with your business development specialists to talk your team through ideas.



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Systems for Business - Where are They Needed?

Imagine two businesses - one with excellent systems in place, the other with none.

Imagine the differences! A business with good systems conjures images of efficiency, success and effective teams, while a business without systems simply spells disaster -inefficiency, customer frustration and possibly even falling profits.

Successful businesses put in place written procedures for all activities of the business. They are the backbone of efficiency, but they're also important for customer servicing.

Customers appreciate receiving the same excellent service every time they do business with you. That's only possible when systems and procedures are in place to ensure consistency across the board. If it's written down, each staff member can complete a task in the same way as the staff member before them.



Detail is important. Don't overlook the importance of creating procedures for:

- telephone calls - how staff answer; how long the phone can ring before being answered; whether the telephone has priority over visitors, etc
- telephone messages - recorded or personal messaging; time limits for returning messages, etc
- facsimile messages - header sheets; follow-up phone calls, etc
- correspondence in
- correspondence out

You want anyone new to your team to be able to pick up a procedure manual and know what to do. Training is still required for new people, of course, but a written procedure ensures there is only one way of doing the task.

You'll also need procedures for:

- ordering and receiving stock and stocktakes
- balancing of cash registers and banking
- meetings with staff, staff appraisals
- gross profit reports on trading activities weekly
- daily writing up of cash books/computerised records
- checking of creditors' invoices
- authorising of creditors' invoices for payments
- payroll records
- time worked records for staff
- payment of wages
- PAYE
- ACC
- income tax

The above pertains to most businesses, but each business is unique and will need its own particular systems and procedures in place. Start now to streamline your business.

An important Message

While every effort has been made to provide valuable, useful information in this publication, this firm and any related suppliers or associated companies accept no responsibility or any form of liability from reliance upon or use of its contents. Any suggestions should be considered carefully within your own particular circumstances, as they are intended as general information only.

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