10 MISTAKES WHEN SELLING YOUR COMPANY

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INTRODUCTION

Are you thinking of selling your company? Are you prepared enough to avoid making any of the possible mistakes? Do you know how to manage them?

When it comes to selling a company, it is always important to put aside personal interests, since these can affect business development. We are talking about a complex process that requires appropriate advice that conveys trust, transparency and confidentiality.

The sale and purchase of companies is a lengthy procedure where you can easily make mistakes that can lead to the process' failure.

To try to avoid this, in this article, we discuss the 10 mistakes you should never make if you want the sale of your company to be a success:

INDEX

1. Failure to carry out a reliable valuation of your company.
2. During the sales process, changing the interests or motivations for which you have decided to sell.
3. Negotiating with a single buyer.
4. Failure to manage the process with confidentiality.
5. Dealing with the process alone, and not hiring consultants.
6. Neglecting the business during the sale.
7. Focusing the operation locally.
8. Failure to consider, where appropriate, that there are other minority shareholders.
9. Wanting to sell in a hurry.
10. Not planning the process.
11. Related articles.

FAILURE TO CARRY OUT A RELIABLE VALUATION OF YOUR COMPANY

You cannot start selling your company without knowing how much your company is really worth, as you will not be able to reasonably argue the price to your potential buyers. You could be asking for a price beyond your means, or you could be unaware that your company's real value is higher than what you are asking for.

In the following article, we would like to explain **the keys to this activity and the most common valuation methods used in the market**, to encourage you to carry out this important process in the most professional way possible.

DURING THE SALES PROCESS, CHANGING THE INTERESTS OR MOTIVATIONS FOR WHICH YOU HAVE DECIDED TO SELL

A good seller has to reflect beforehand on why they want to sell their company, and what they want to do after selling it. If you are not clear on this, it can be detrimental when it comes to selling your company, as the buyer may notice strange things in your attitude and become concerned. They may also interpret your insecurity as insincerity, and the buyer may start to doubt you and your company. This triggers the perception of risk and inevitably lowers the value they see in your company.

INDEX

NEGOTIATING WITH A SINGLE BUYER

When you negotiate with a single buyer and they find out, they may take advantage of the situation. They will start to play with time, drag out deadlines and ask for more and more concessions.

The search for the best buyer and a good negotiation are key elements for a successful sale that reflect the business owner's effort and work. It is not only necessary to find a concrete offer but also a buyer who transmits confidence and peace of mind to the entrepreneur.

Therefore, it is essential not to make the mistake of selling the company to the first company or investor that makes an offer. The business owner should not make this decision without a thorough search and analysis of all possible offers and opportunities.

Finding the right buyer for a company is often a complex, time-consuming and frustrating process. It is, therefore, essential to answer the following questions:

- What are the different types of buyers?
- How do you know if a company is likely to be of interest to a buyer?
- How do you find the ideal buyer?

FAILURE TO MANAGE THE PROCESS WITH CONFIDENTIALITY

The sale of a company has to be a confidential process in which the business owner, accompanied by financial advisors, **shows the company only to those who have a real interest and capacity to buy the company.** Therefore, you should not give the sale of your company to several intermediaries as it will be challenging to maintain the confidentiality of the sale process.

You should be **accompanied by an advisor**, and only one advisor, during the whole process, who will work with you and take care of confidentiality. Otherwise, after a year the whole market will know that your company is for sale.

Also, the fact that it has not been sold will create a negative perception of your company. Rumours and uncertainty may increase, which would lead to the market saying that your company has been for sale for a long time because it has problems, which in turn would result in the value of your company starting to fall. Company sales processes need to be fast and targeted at genuinely interested investors.

Lack of confidentiality may cause the buyer to abandon the purchase operation and generate an absolute lack of confidence in the market about your company's future.

It is essential to know how to correctly manage two critical aspects of handling confidentiality when selling a company.

In the internal environment, we find that many business owners make the mistake of communicating this decision to their staff or their close circle without taking the necessary care. When this happens, the likelihood of losing competitive strength increases, talented employees feel a lack of drive and look for other career opportunities, and the situation snowballs into more serious consequences such as the closure of what could have been a magnificent organisation.

It is, therefore, imperative that the employer communicates this to the right people at the right time. A positive attitude must also be maintained within the company independent of the intention to sell. This will keep your employees happy despite the change, and if the profitability of the company is maintained, the organisation will be easier to sell.

DEALING WITH THE PROCESS ALONE, AND NOT HIRING CONSULTANTS

The sales process takes many hours and a lot of work. During this process, you must focus on taking **the right steps to improve your company** to be ready at the time of sale. Suppose you go into the transaction without advisors. It will be very difficult to maintain confidentiality, carry out a rigorous search to find the best buyer, and at the same time, take those improvement measures.

Don't do it alone! Buyers bring in very experienced advisors**. Use professional advisors yourself**: there are many pitfalls in the process of selling a company!

Consultants know this and can help you avoid these traps. Count on them, trust them and **do not let the buyer cheat you**! Often, the buyer will want your advisors to be absent, and they will tell you that it is better not to talk to them because all they do is make the process more difficult. Advisors only bring problems to lousy transaction processes, and they help improve these processes, defending and **protecting your interests during the negotiation of a company's sale**. They have experience in this because they have been involved in many prior transactions.

Therefore, it is essential to use advisors who have real experience, not intermediaries, and who are professionals in financial and corporate operations. Selling a company is a very complex process in which there are many elements to watch out for and manage. **Never put yourself in the hands of intermediaries; put yourself in the hands of advisors.**

There is a wide range of "advisors" from facilitators, brokers and consultants to auditors, lawyers etc. that are likely to appear in a transaction. But because they do not have a profile suited to the dynamics of a business transaction, many transactions have turned out to be unviable. This process requires very detailed and specific knowledge of techniques and dynamics that **only financial advisors** dedicated to companies' sales and purchases can handle.

For this reason, when you think of advisors, you should look for those where the nature of their service is in line with their profession. In this instance, the best advisor profile is those who are specifically dedicated to the sale and purchase of companies.

NEGLECTING THE BUSINESS DURING THE SALE

As we have already mentioned, the process of selling a company is a long process that requires a lot of effort, so the fact that an entrepreneur would undertake this task alone is madness.

"We remember a client whose buyer was pressuring them to sign an offer with a price, but the offer they had been made was on the company's value and not on the value of the shares. The company's debt had to be subtracted from the company's value and once it was removed, the value of the shares was very low. If our client had agreed to sign such a deal without understanding the difference between the value of the company and the value of the shares, they would have committed themself exclusively to an unsuitable buyer who had also put in place a penalty clause in case our client left the negotiations, which would have trapped them in a very complicated sale."

FOCUSING THE OPERATION LOCALLY

The second main mistake in selling a company is to only focus on selling the company locally. The best buyer is probably not in your country and probably not in your area. The best buyer for your company may be in another country.

You have to take a broad approach; you have created a lot of value over many years, and it doesn't make sense to mis-sell or sell the company quickly to the first individual who shows interest or to the first one who comes up with some money.

Look for somebody with the best fit, and the best ability within that fit to pay your company's real value. It is unlikely that the potential buyers in the area will happen to be the ones who will create the most value for your company, nor the ones who will pay the most for it.

FAILURE TO CONSIDER, WHERE APPROPRIATE, THAT THERE ARE OTHER MINORITY SHAREHOLDERS

All shareholders must agree with the company's sale; otherwise, the sale operation may be jeopardized, and all the effort and costs invested may have been wasted. They must be involved in everything that affects the company.

WANTING TO SELL IN A HURRY

Every day we see in our daily lives that when we do something in a hurry, things end up going wrong, and we lose time that we will never get back. The same thing happens with your company's sale; wanting to sell as soon as possible weakens your negotiating position and your search for the best buyer. Your buyer will notice the rush; it will make them lose confidence and will give them weapons to press their demands.

NOT PLANNING THE PROCESS

The sales process must always be planned. Otherwise, you can lose value at every stage. Disorder only brings risks and surprises that lower the company's value, lengthen the process and the complexity of selling your company, and greatly increase the possibility of failure.

Due to the complexity of the process, the delicacy of what is at stake and the specific dynamics that a corporate operation requires, the recommendation is to continue with this process in the hands of a team of professional advisors whose experience and track record overcome these main barriers. So, if you are interested in selling your company, contact us, and we will help you.

The desire to sell a company can come about for various reasons. For example, the desire to embark on another adventure, the feeling that "you've done it all", tiredness of a long and exhausting professional career etc. Remember that the process of selling a company starts from the moment the entrepreneur first considers the idea. To avoid making mistakes, the support of highly professional advisors with a high level of transparency and a successful track record in past corporate transactions is essential.

You should pay close attention not to make any of these mistakes. It is very beneficial to have expert advisors such as our ONEtoONE Corporate Finance team during the process to have a successful sale.

INDEX

RELATED ARTICLES

If you found this information useful, you can find many other related topics in the following articles:

- How long does it take to sell a business?
- The 10 most common mistakes when selling a company
- How to find the ideal buyer for a company
- Who is your ideal buyer?

ONEtoONE Corporate Finance has offices in Europe, the United States, Latin America and Asia. We are a global group specialized in **international middle-market M&A advisory**.

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