

Don't Bite Off More than You Can Chew

By George Whitehead, CPA, Partner

Congratulations! Someone has expressed interest in purchasing your business. If you've been through this process before, you're well aware of what's in store over the coming months. If this is your first time going through a sales process, this is no time to cut corners.

Engage Expert Advisors

First and foremost, surround yourself with professionals who are well-experienced in this arena. You may have trusted legal and accounting firms that may have been serving you well for general corporate matters for many years. If, however, those firms are not well-versed in M&A, we recommend that you engage firms with the requisite experience to evaluate legal, accounting and tax ramifications. These firms will not be inexpensive, but neither is a failed deal due to an overlooked issue by an attorney or accountant.

Under Pressure: Inside/Outside Professionals

Don't underestimate the amount of internal resources that will be required to execute the process. Our recommendation is to consider hiring outside resources to help assemble the myriad of due-diligence requests that are forthcoming from the potential purchasers.

Also, you may need to bolster your finance and operations teams during the sale process. We often see situations where the effort being spent by companies responding to information requests causes them to fall behind on the normal recurring business tasks, like timely monthly closings.

Then there's the stress factor — this process will put a tremendous amount of pressure on your operations and finance teams. All of this work will be in addition to their regular workloads. You will need your employees' buy-in for the process. Incentivize them somehow through bonus arrangements or employment contracts. They may be concerned about what the proposed transaction will mean for their longevity with the company. Lock up critical employees early with an arrangement that will motivate them to put in the time necessary to get the deal done.

Keep Your Eye on Your Business

Remember, the business won't run itself. As hard as this may be, you can't let the demands of a sale process distract you from running the business. Nothing spells "doom" for a deal than declining operating results during a sale process.

The potential buyers and their due-diligence teams will hone in on negative trends and your excuse can't be that "you've been too busy with the transaction to drive sales or clean up the balance sheet." In particular, if a public company is interested in purchasing your business, they will require a very quick financial close.

You have to be able to demonstrate that you've got the basics of running the business down pat.

Don't Overcommit

Set expectations with all involved. We've seen situations where companies commit to unrealistic timetables without considering if they could be met. For example, if a company's audit normally takes 120 days to complete, it may be unrealistic to shave 30 or 45 days off of that timetable. Committing to an

accelerated timetable — and missing it — eventually results in lost credibility with potential purchasers and, possibly, with management in your own company.

Parting Words

Selling a business can be a life-changing experience. Give yourself the highest probability of success by placing the right professionals on your team. Also, don't forget to consider what you'll be doing the day after the sale. It's never too early to start thinking about how you will put the potential sales proceeds to work on your next venture.

Let's Talk

As always, the transaction advisory professionals at PKF O'Connor Davies are available to assist you with your next transaction. For more information, please contact George Whitehead, CPA, Partner at gwhitehead@pkfod.com or 914.341.7086 or any member of the PKF O'Connor Davies' team.

About PKF O'Connor Davies

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