

This article is part one of a three-part series that guides business owners around the process of selling their business.

FIVE ESSENTIAL STEPS TO TAKE BEFORE SELLING YOUR COMPANY

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Selling a company is a big decision that involves careful planning, strategic thinking, and thorough preparation to reap maximum rewards. Whether you're a seasoned entrepreneur looking to move on to the next venture or a business owner looking to retire, putting your company up for sale requires a well-executed process to ensure a smooth and successful transition. Calibrating towards that next chapter starts with thinking about the legacy of the business. Put bluntly, the entrepreneur needs to stop thinking about working in the business, and more about working on the business. The goal is to ensure that the foundation is strong, and the appropriate processes are in place so the owner can start stepping away from daily tasks and ultimately becomes unnecessary for day-to-day operations.

Ideally, the first step is assessing your situation and reflecting why you want to sell, whether you are ready, and if this is the right time. Here are the essential steps to guide owners through the process:



1 ASSESS MOTIVES

The emotions around selling a business are often the most important factor for reflection and the decision to sell can come from many places. Retirement is a big one. Or maybe you want to prioritize family time. Sometimes there's a struggle to sell when the business has been in the family for several generations. Or maybe you planned to pass the business on to your kids. Some entrepreneurs only want to sell a portion of the company to allow a staged approach to exiting. Unfortunately, as many as 50 per cent of business exits are involuntary due to death, divorce, illness or other reasons.

According to estimates from the Exit Planning Institute, 80 to 90 per cent of business owners have the majority of their financial wealth tied up in their companies, which makes the decision to sell much more stressful and important. Understanding your motives will help you set realistic goals and communicate intentions effectively to potential buyers.

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2 TIMING AND FINANCIAL PREPARATION

Once you decide to sell, consider whether it is the right time to sell. Market conditions, industry trends, and economic factors all impact valuation. Accurate and well-organized financial statements are an essential part as well. Work with accountants and financial advisors to ensure that your books are in order and obtain an independent valuation of your company. Address any outstanding debts or liabilities and resolve any pending legal or financial issues that could raise concerns for potential buyers who will scrutinize your financial records.

RESOLVE ANY PENDING
LEGAL OR FINANCIAL
ISSUES

3

OPERATIONS AND STRATEGIC PLANNING

A well-functioning business with opportunities for future growth is more attractive to potential buyers. Deliberate management, that includes annual strategic planning, identifies opportunities to increase operational efficiency, market share and profitability, all of which demonstrates proactivity and leadership. Planning provides a guide for action, improves resource utilization, sets performance standards, and allows for ongoing assessment and flexibility to change course as necessary.

Designing a robust strategic planning process that addresses the work required to position and sell the business, including the timing, resources and challenges of selling a business, is critical. This means making tough decisions about prioritizing objectives to meet exit goals within an ideal timeline. The need for the right mix of preparation, facilitation and collaboration are key to delivering a strategic plan that inspires action, is realistic and assists in successfully positioning and exiting a company.

The more an organization streamlines operations, identifies and rectifies inefficiencies, and ensures standard processes are well-documented, the more it presents as a well-managed organization. Reviewing all systems, including information technology, sales processes, customer service procedures, and human resources policies all require review and evaluation. A clear and organized operational structure establishes stability and enhances the perceived value of your company.

MAKE TOUGH DECISIONS
ABOUT PRIORITIZING
OBJECTIVES TO MEET EXIT
GOALS

4

LEGAL AND COMPLIANCE REVIEW

Engage legal advisors who specialize in mergers and acquisitions to facilitate the transaction. Having a clean legal standing increases buyer confidence and makes the transaction smoother. Arranging any contracts or exclusivity agreements with suppliers and customers can also increase perceived value.

Thoroughly review your contracts, agreements, leases, licenses, and permits to ensure they are up to date and in compliance with relevant regulations. Address any legal or compliance issues proactively to avoid surprises during the due diligence process.

5

STRONG MANAGEMENT TEAM

Having a competent and reliable management team in place adds credibility to your business and assures potential buyers that the company will continue to thrive under new ownership. If necessary, invest in training or recruitment to strengthen the depth and range of your management team. Putting the right team in place demonstrates proactive contingency planning and helps ensure the wellbeing of staff during and after the transition.

Potential buyers want to see a well-run organization with strong leadership who are executing on opportunities for growth through sound management and annual planning with trusted professionals, which also protects the company from the risk of an involuntary exit due to unforeseen circumstances.

CONCLUSION

Selling a company is a challenging endeavor that demands careful consideration and strategic planning. By taking these essential steps before putting your company up for sale, you'll increase the likelihood of a successful and mutually beneficial transaction. Remember, seeking guidance from professionals experienced in mergers and acquisitions can greatly assist you in navigating this complicated process.

[Watch for the next article in this three-part series that prepares sellers for the sale process.](#)

HOW WE HELP



At Baker Tilly (Canada) Capital, we know one of the most important financial transactions for a business owner is the sale or merger of their company. It's a process often laden with high emotion, stress and unforeseen pitfalls. And while an exit should mark a triumph, if not properly managed, it can also mean a lifetime of work is devalued or diminished. In most business transactions, the main difference between these two outcomes is the quality of the advice received during the sale.

That's where Baker Tilly (Canada) Capital comes in. We specialize in delivering expert and attentive financial service our small- to mid-market clients need. Our dedicated team is experienced and flexible, focusing on providing sell-side advisory, including tax and valuation services.

At Baker Tilly (Canada) Capital, we will be in your corner every step of the way and will help you realize your earned success.

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Incite is western Canada's growth strategy firm specializing in market and brand strategy, M&A communications and integration services, and strategic planning. We work with owner-managed companies at every stage of a transaction to solve complex problems, make informed decisions, and build actionable plans that unlock new opportunities for growth.

Confidence is key when stepping into a merger or acquisition; Incite partners with organizations looking to ensure the time is right to sell. We work closely with founders, owner managed companies, and management teams to drive pre-exit growth and value creation. This can include strategic planning, market and business development strategy, deal readiness assessment, and brand assessment and enhancement. Incite partners with clients to ensure the organization is ready and the time is right. .

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