



By Wayne A. Simpson CPA, CBI, M&AMI
Utah Business Consultants

Keep it Quiet - Confidentiality Critical to Business Sale

As you prepare to put your house on the market, you get the word out to as many people as possible. The “For Sale” sign is placed in the front yard, you invite people into your home during an open house and you put ads in the newspaper and online. You want everyone to know your house is for sale.

However, that’s not the case when selling a business. Place an ad that your business is on the market and people start to wonder. It creates an air of uncertainty that can be detrimental to your bottom line and put the company in jeopardy.

To increase the likelihood of a successful sale of a business at an optimum price, keep it confidential!

What’s likely to happen if people find out the business is up for sale?

Employees get nervous. They begin to worry if their jobs will disappear or if they’ll get along with a new owner. Some may even quit before you have a chance to reassure them and it will probably be the good employees that leave. They’ll start looking for jobs that make them feel more secure.

Losing key people is serious, particularly during the sale process. Key staff members provide valuable continuity and business knowledge that buyers are looking for. Lose them and potential buyers may be lost too.

Customers begin to wonder. They may become concerned whether the business has problems that could threaten their supply chain. They may start questioning if they’ll get the same quality from the new owner.

Competitors will spread the word. Once the competition finds out, rest assured they'll let your customers know and use it as ammunition to bring that business to their company. It opens the door for them to steal business from you.

Vendors and creditors may tighten terms. You may be working with terms of net 45 or more to benefit your own cash flow. But once creditors learn that the business is for sale, you may find those terms tightening or notes unexpectedly called due.

On average, a business sale takes nine months to one year. If even some of these changes occur early on, the impact can be dramatic. You'll find that you're not only running a business, but you're busy putting out fires.

A buyer wants a successful operation with few changes until he or she can make those changes. Too many question marks translates to greater risk and lower purchase offers.

Confidentiality is crucial no matter the size of the company or the type of business. To maintain confidentiality, use a professional who understands the process – use an intermediary. An intermediary will market the business in a confidential manner, while providing just enough information to attract the buyers you are looking for.

The intermediary should be diligent in screening inquiries to be sure competitors aren't out there fishing for details. The intermediary should only be sharing your identity after determining that a potential buyer is seriously interested and is qualified. Those serious and qualified buyers should also be required to sign a binding confidentiality agreement that holds them accountable for leaking information.

You want to maintain your business as usual for as long as possible. Keeping the sale confidential until the time is right will help you to minimize uncertainty and maximize the sale.

Wayne A. Simpson CPA, CBI, M&AMI is a Managing Partner at Utah Business Consultants and a Certified Business Intermediary with the International Business Brokers Association and a Merger & Acquisition Master Intermediary with M&A Source. Utah Business Consultants is a full-service Business Brokerage and Valuation firm.