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Hope—Friend or Foe?



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We all need hope, especially business owners! It is this hope that sets us apart, overcomes setbacks, fuels the desire, and keeps us focused. Without hope we would not have made it this far, right?

But hope can also be an enemy, a slow deadly poison that will eat away at your dreams of successfully exiting your business one day.

How does hope poison your dreams of exiting your small business?

1. It Creates a False Summit.

Wikipedia's definition:

In mountaineering, a false peak or false summit is a peak that appears to be the pinnacle of the mountain, but upon reaching, it turns out the summit is higher. False peaks can have significant effects on climbers' psychological states by inducing feelings of dashed hopes or even failure.

Not preparing your business for sale but rather relying on the hope that there will be at least a few buyers willing to purchase your business can leave you vulnerable to unscrupulous business brokers.

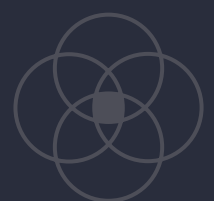
Once you come to the realisation that selling your business is not simple and that time is against you, these brokers will use your hope against you. Their only aim is to get as much money off you as possible by saying they can sell any business and yours will be no different. In that moment it will sound all too appealing. However, all they will do is simply list your business for sale on their website, maybe a few other directories, and make a few phone calls or send out an email.

Why would they do this?

Firstly, by signing you up they will normally receive an upfront fee—let's call it a "marketing fee". Once this fee has been paid there is very little motivation to actively sell your business. Secondly, listing your business for sale (even though they probably know it's unsaleable) on their various websites will help attract more potential buyers, which they then can redirect to those businesses that might stand a better chance of actually selling.

These types of brokers are after quantity rather than quality and will say virtually anything to get you to sign the dotted line.

Other business brokers use valuations to get you signed up. They will use every trick in the book to increase the value of your business, and they may even convince you that your business is worth a lot more than it really is.



If your hope of exiting your business is not unpinned by how the market values your business, you may fall prey to the highest offer pitched. Most buyers and investors will quickly see how overpriced your business is and not even bother to make contact.

2. You Hope. You Wait. You Fail.

Business owners are the hardest-working people I know. There is constant juggling, spinning of plates and fires to put out. It is all too easy to leave getting your business ready for sale to the last minute. The problem is, once you decide to sell it is often too late.

This comes down to two key reasons:

1. **There is no sense of urgency.** What are the consequences of not getting your business ready for sale this financial year? Probably nothing. Will it have a negative effect on your personal life now? I highly doubt it. You will probably find everything will go on as normal. However, if this way of thinking carries on, before you know it, 10 or 15 years have gone by and it then becomes a priority.
2. **It takes longer that you think.** I advise my clients it usually takes up to five years to get a business ready for sale, including the actual sales process. Why five years? Well, most investors/buyers will want to see at least three to five years' worth of financial accounts. To get the most favourable deal you need to demonstrate positive trends in your sales, profits, and other key areas. The five-year period allows you to do this.

Although you will not feel any effects of not getting your business ready for sale now, you will definitely experience the negative impact when it comes time to sell or if you are forced to exit, which will happen to everyone in two owners. I also appreciate five years does seem like a long way away, but if you break it down, it is only 60 months. I do not know about you, but time seems to be flying by these days!

The earlier you start to get your business ready for sale, the easier it will be and the more likely you are to benefit from a higher valuation and quicker sales process.

Looking at the marketplace, there is a perception that over 80% of businesses never sell. I personally believe that number to be higher.

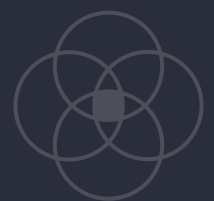
Note: *It always pays to be ready!*

So, How Do You Make Hope a Friend?

How do you avoid becoming one of the 80% of business owners who cannot sell their business? What can you do now to give yourself and your family the best options available?

You must take **ACTION NOW!**

The sooner you can start, the better and easier it will be for you. Here are a few steps to get you going:



If this is you and you are not quite sure how to start, I recommend following the following steps:

1. Understand your current business, personal, and financial positions.
2. Determine the amount you need to sell your business for to reach your personal and financial goals.
3. Determine the value of your business. You can find out more by going to www.businessbydesign.co.uk.
4. If there is a gap between what your business is worth now and what you need it to be worth at the point of exit, start building value and close that valuation gap.
5. Determine your target buyer.

In the hustle and bustle of running a business it is very easy to take your eye off the ultimate end goal—successfully exiting your business. Keep focused and do not be afraid to ask for help.

Would you like to make sure your business is ready for sale? Learn more about how we can assist you. Please contact Cliff at Business By Design for a free confidential phone call to see how we can assist you.



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