PASS

Planning A Successful Succession

BUSINESS OWNER HANDBOOK

Community Futures

Cariboo Chilcotin

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Planning A Successful Succession
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NOTES

THE PURPOSE OF THE WORKBOOK

The purpose of this workbook is to guide you through the key stages of preparing for the sale of your business - from initial thoughts, to preparing for your first steps, and to final success through completing the sale. The Workbook will walk you through the selling pathway and its four stages: Plan, Prepare, Market and Connect.

Planning for a Successful Succession workbook is just that – a work-book! It is designed to be interactive and to encourage you to write down your findings, your ideas and keep track of your progress. Refer to it regularly, plans that are written down are far more likely to be followed and will improve your odds of successfully selling your business at a price you are happy about.

Keep in mind that there are many ways and avenues that can lead to a successful business sale, keep an open mind and explore them all!

CLIENT PROFILE

Business Name: ______________________ Date Started: __________

Address: ______________________ Sector: __________

Key Products or Services: ______________________

Notes: ______________________

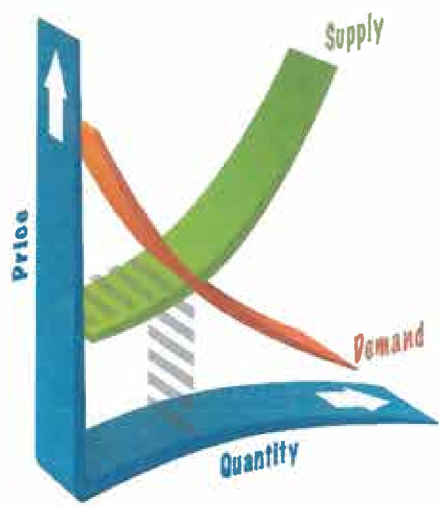
NOTES

INTRODUCTION: PLANNING A SUCCESSFUL SUCCESSION IN A CHALLENGING MARKET

Anyone in business knows that it's not business as usual anymore and the landscape for business sales is no different. If you are thinking about exiting your business over the next few years you will need to understand the challenges you will face to get the best chance of securing a successful sale.

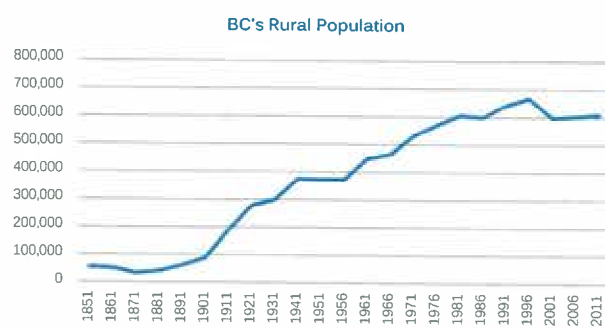
BUSINESS FOR SALE LANDSCAPE

98% of all businesses in BC are small businesses, creating 57% of private sector employment. That's a lot of small business owners and it's estimated that 1 out of every 4 of those owners are going to exit their business in the next 4 years. It's all about demographics, the population is aging and there are fewer younger buyers, which means - it's a **buyer's** market. There are simply too many businesses for sale for the buyers that are looking.



There is a shortage of both workers and entrepreneurs as the population ages, not only in Canada but throughout most western countries. Younger buyers are often encouraged to start businesses rather than buy them, and often would struggle to afford loan payments for the business purchase. Uncertainty along with lifestyle choices are reducing entrepreneurial spirit as well, all of which adds up to – **less demand** for business opportunities.

The unbalanced market for business sales faces additional challenges. Between 1996 and 2001, BC experienced the most pronounced dip in rural population in 150 years of history, and there is no recovery in sight. Population projections indicate an anticipated decline of 12.2% in rural BC for the period of 2011 - 2025. While much press is made of ramped up immigration the reality is that only 5.1% of immigrants reside in rural areas.



A SUCCESSFUL SALE WILL TAKE:

- **Your Commitment** - a sale is likely to take time, possibly a year or longer, stay focussed and committed.
- **Money** - you should plan to spend some money planning and preparing for your exit and marketing your business for sale.
- **An Open Mind** - be open to all offers and get advice from someone you trust and who can give expert advice.
- **Process and Paperwork** - if this is not your strong suit get help from a trusted source.
- **Competition** - remember you are competing for a buyer and it's a buyers market.

IMPROVING YOUR ODDS

It's clear from the statistics that there is a lot of competition for business buyers and not every business will find a new buyer. But as a business owner there is much you can do to improve your odds of achieving a successful transition for you business to new ownership. There are many actions you can take, but these are the most important ones:

1. **Give yourself time** – nothing makes it more likely for you to fail than not to allow time to find a buyer. On average it takes close to 2 years for a business to sell and transition, if you become impatient you are likely to fail.

2. **Don't take your foot off the gas** – a business that is declining is not only worth less every year but quickly becomes very unattractive to buyers.

3. **Put together a plan** – this workbook will take you through a process that will improve your odds of success. The more closely you follow these steps and put in the effort, the better the chances that you will be one of the successful owners who find a buyer.

As an owner you are responsible for the success or failure of your business. That continues through the exit process as well. There are resources that you can and should use to assist you, but you can and should remain in control of the process yourself. This workbook will provide guidance and direction on steps to take and where to find resources to help you at critical points in the exit process.

PLANNING A SUCCESSFUL SUCCESSION

Planning a Successful Succession identifies four key stages: Planning, Preparation, Marketing and Connecting with buyers. With the assistance and support of knowledgeable service providers and professionals you will be able to retain control of your business exit and improve your odds of a happy outcome.

A well-developed exit strategy, in combination with your commitment to the process will help you define your exit goals and focus most effectively to achieve them. You have a choice as to when and how to engage professionals to assist you in this process.

Stage 1: PLAN

Personal Expectations → Understand Your Exit Options → Know Your Business Value → Financial & Tax Considerations

Many entrepreneurs fail to consider when and how they will exit their business until they are too tired of the business to take the time to create a good exit. You will get more from the sale of your business if you take action before you reach this stage in your business life. A good exit plan starts with a frank assessment of what's most important to the owner in the sale itself.

Mistake: Not Trying

31% of business owners are planning to close rather than try to sell their business.

Personal Expectations Assessment

The following assessment is provided to assist you in determining what is most important to you in the sale of your business. When asked what is most important to them, most owners will reply that it's all about the money, yet in many cases that is not all that really matters to them. The approach that you take should be targeted to make sure that you attract buyers that will give you what you want from the sale, so understanding what's important to you is the first key step in planning a good exit.

Rate each statement as to its importance to you in the sale of your business. **Rating (1 = low 5 = High)**

Money:

Getting the maximum $'s no matter who the buyer or how long it takes. ____

Receiving the entire proceeds of the sale right away, with no payout over time. ____

Avoid any vendor financing at all cost. ____

Have all the business assets and inventory included in the sale purchase. ____

Terms:

Having perfect timing and closing. ____

Sale structure, share or asset sale. ____

Working out a contract to continue working in the business to maintain income. ____

Transition:

Having as short a transition as possible where I have to assist new owners. ____

Being offered an opportunity to stay involved in an advisory role. ____

Legacy:

Finding a buyer who is prepared to grow and seek new opportunities. ____

Selling to someone who loves my business and will cherish it. ____

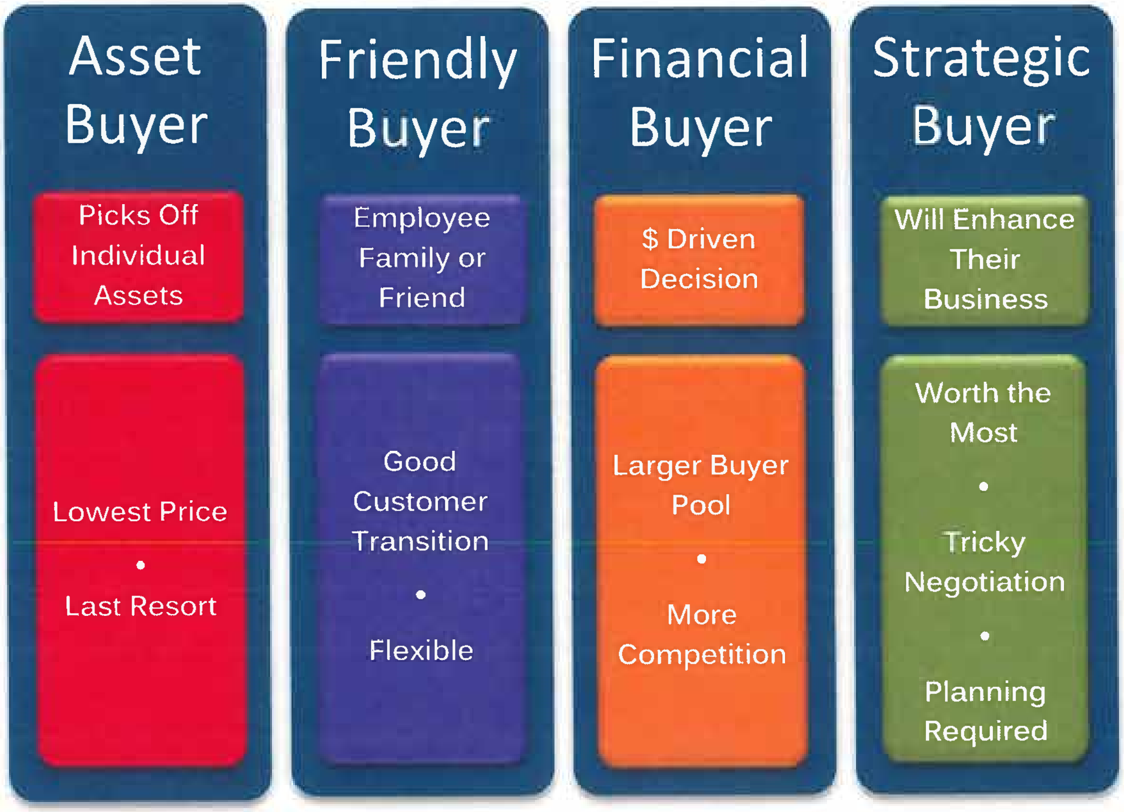
Knowing the buyer will take care of my employees. ____

Feeling confident the business will flourish with this buyer. ____

Handing the business over to staff or family members. ____

Understand Your Exit Options

There are several different types of potential buyers for any business. Knowing who these buyers are and how your business might possibly appeal to each type is key to maximizing the return for you in your sale. This is the foundation that should determine business value, exit planning and often the best sales structure.



The following questions are designed to help you assess your opportunities within each buyer type.

Asset Buyer:

An asset buyer is someone who doesn't need or want the name and reputation of your business, but just wants to buy some or all of the assets you employ in your business. If you have a lot of value in assets and very little income then this can be an option to consider, particular if there is an advantage in the timing of when you close the business. In most cases though, this option is likely to provide you with the lowest return in comparison to others.

1. Are there enough assets in my business to consider selling them off individually or at auction instead of selling the business as a package?

   ____

2. Do I have an up to date and complete asset list?

   ____

3. What is the likely sale value of the assets in my business if sold alone?

   ____

4. Do I have any assets I can sell off without affecting the ongoing operations of my business?

   ____

5. Will I need multiple buyers and considerable time to maximize the sale value of the assets on their own?

   ____

6. Have I reviewed the financial impact of asset sales compared to a share sale with my accountant?

   ____

Deal Killer: Being Inflexible

Many owners lose out on what could be a good sale by rejecting offers that are not exactly what they are looking for.

Friendly Buyer:

A friendly buyer is someone you know, often an employee or family member who is familiar with the business and would like to be able to take it over. This option is often overlooked by business owners as they make assumptions about the capabilities and financial strength of these buyers. There is also often an aversion on the part of the owner to commit to transition training and potentially providing some vendor financing or being paid out over time. That's unfortunate as these buyers are often the best option for a good transition and the most return for an owner. If an owner is prepared to take the time to work through the details and develop a plan this can be an excellent exit for many businesses, without doubt it is the best transition for most customers and provides great flexibility for the seller.

1. Is there a past, present or potential employee, family member or acquaintance that could be groomed, might be interested and would be good for the business?

   ____

2. Would I be happy to have that person take over my business? Would my customers and employees be happy?

   ____

3. Am I prepared to work with them to transition the business over? How long will it take before they are ready to take over?

   ____

4. Do I have an advisor who can help me sort out my thoughts, the questions I need to ask and the issues I need to consider and provide objective advice and guidance?

   ____

Financial Buyer:

The financial buyer is someone who is simply purchasing the business based on the financial return they will receive for the cost of the business itself. It is a financially driven decision, with buyers looking for a certain type of business that they feel comfortable with. This type has the largest pool of buyers available, but your business is competing against many other businesses and it will only rise to the top if your price and income are better than your competition. Investors fall into this category as well, but most small businesses do not have enough income or independence from their owner to be attractive to investors.

1. Does my business make the kind of return a buyer would be expecting?

   ____

2. Do I have an objective valuation that supports my asking price?

   ____

3. What can I do to improve the return that will have a quick impact and not hurt the long term future of the business?

   ____

4. What are the two best opportunities for my business? Would a new owner find them appealing, exciting and realistic?

   ____

5. Are there a lot of similar businesses that will be up for sale at the same time as mine? Can I differentiate my business so that it stands out to buyers?

   ____

Strategic Buyer:

A strategic buyer will be interested in your business because it enhances their own. Often this is either a competitor or someone who would like to expand into your territory or product/ service offering. This buyer will find the most value in your business, as they often will be able to save costs by combining either rent or other overheads. It can be the trickiest option, requiring much negotiation and planning to make sure you don't expose your business to risk if the deal doesn't work out. Larger companies engage professionals to handle these delicate negotiations, but that is a very costly option and most small business owners simply ignore this kind of buyer. While not the most common buyer, it is worthwhile for many businesses to go through the exercise of discussing this with a professional to see if it may apply to their business.

1. Are there competitors who might be interested in buying my business? Either local or nearby communities?

   ____

2. Are there any other types of business that would benefit from buying either all or parts of my business?

   ____

3. Do I know a professional I can engage to guide me through an analysis of potential buyers and how to approach the best candidates?

   ____

4. Am I prepared to work through a tough negotiation if a competitor is interested and wants to grind it out?

   ____

5. Can I protect my business from rumor and harm while working through this option?

   ____

Know Your Business Value

How do you find out what the value of your business is? Most owners have an idea, but every seller can benefit from having an independent valuation completed by a professional. A professional business valuation is a process and set of methodologies which take into account three key perspectives on your business, including: asset values, income value and market value.

Business valuation results start with assumptions about buyers. Every business has a different value for different buyers, so the most likely buyers for a business must be considered as well as other factors. Buyers want a well-oiled, predictable money-making machine.

A good business valuation is also based on market factors such as location, economic conditions, and actual sales of comparable businesses, locally, provincially and nationally.

Business Value Assessment

The following assessment is provided to assist you in understanding some of the factors that will make your business more or less attractive to a buyer. Each of these factors has an effect on a buyer's perception of the value of your business.

Financial Performance – a buyer is looking for the future cash flow and profit from the business. Past performance is an indicator of what that will be, but risk for future income slippage will also be considered by the buyer.

1. Are you artificially reducing your profits by expensing anything to your business that benefits you personally?

   ____

2. Are there expenses that could be reduced to improved profitability for a new owner?

   ____

3. Have you slowed down in recent years because you are content with the income the business is producing and you value lifestyle more than increased income?

   ____

Growth Potential – a new buyer often has energy and drive and sometimes money to improve a business, but may not have enough market information to know what the best opportunities are.

1. What are the two best opportunities for your business to increase income quickly?

   ____

   ____

   ____

2. Are you prepared to assist a new owner in understanding these opportunities and perhaps assisting them in a consultation capacity if they wanted the help?

   ____

3. Does your business need an infusion of working capital for investment in order to grow?

   ____

Dependence – a business will be perceived more favourably if it is not overly reliant on any one customer or any other single factor.

1. What % of your sales comes from your top customer?

   ____

2. What % of your sales comes from your top 3 customers?

   ____

3. Is there a supplier who provides you with something that you cannot continue if it were to stop?

   ____

4. Can the business function effectively without your presence?

   ____

5. Are there any employees who can stand in for you?

   ____

6. Are there procedures documented that can help train new employees or a new owner if necessary?

   ____

Mistake: Value Misunderstanding

Most owners fail to understand how their business is worth more to certain buyers.

Customers – repeat or recurring revenue enhances the perceived value of many businesses in the minds of buyers.

1. Do you have repeat customers?

___

2. What % of total sales is repeat?

___

3. Does your business have any customers on contracts?

___

Differentiation – businesses that have a unique or niche market will be perceived as having less risk and therefore more value for a buyer.

1. No local competition?

___

2. Specialized product or service that brings customers to you?

___

___

Mistake: Not Planning

83% of business owners don't plan their exit until they're ready to leave, but a good exit can take 1 - 3 years to achieve.

Circumstances – there is a big difference in potential sale value for a business that is positioned as part of a well-planned marketing effort to attract many interested buyers and a business that is a "fire sale" for an impatient or health challenged owner.

1. Are you willing to invest time and / or money in putting together a professional sales package that positions your business in its best light?

___

2. Will your business be marketed to a wide variety of potential buyers?

___

3. Are you prepared to give the process enough time to play out to find the best buyers for your business (potentially up to 2 years)?

___

4. Does your business look tired when viewed through the eyes of a buyer?

___

5. What can you do to spruce it up?

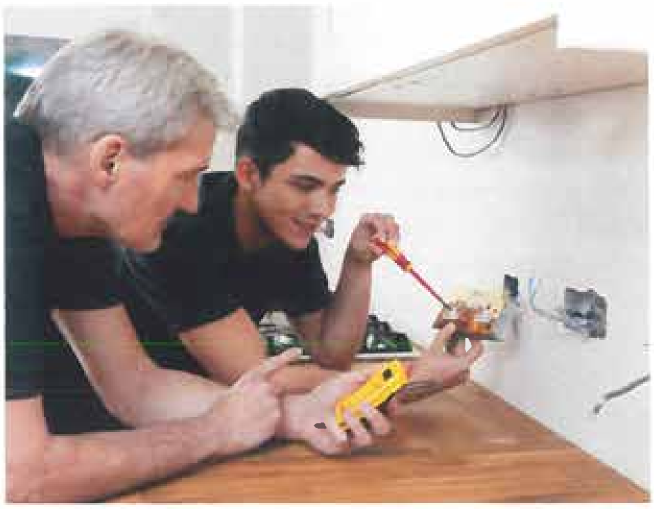
___

___

___

Financial & Tax Considerations

There are several types of sales, depending on the structure of your business. Many times owners get focused on only looking at one type of sale structure, to the detriment of the process and potential outcome. As a business owner you should do your homework to ensure you are looking at all your options, which will help you to make good decisions about your sale and offers that come to you. Your accountant can give you advice about your own situation.



Another consideration is how your business will be affected by the sale process. Employee and customer effects must be considered, you don't want business results to be impacted negatively as it is critical to keep performance high while going through the process. There are ways to manage the process; you should seek out professional advice about your own situation. It can also take time to make the changes necessary to maximize your business sale.

Finally, financial need often becomes a driver of the sale process, which can lead to a poor outcome for owners who ignore market value or unconventional financial options and stubbornly stick to one type of offer or price. Research and assess your answers to the following questions before you embark on your business sale.

1. Do you have an immediate need for the full financial proceeds of your sale or can you wait to be paid out over several years? (Sometimes this can lead to a greater payout over time if structured correctly with appropriate safeguards).

   ____

2. Do you have real estate that will be part of the sale? Have you researched options for selling the business separately from the land / building to determine your best options?

   ____

3. If your business is incorporated do you have any assets that are owned but not currently used in the business? This can affect capital gains outcomes.

   ____

4. If your business is incorporated have you discussed the financial impact of a share sale or an asset sale structure with your accountant?

   ____

Stage 2: PREPARE

Prepare Financials → Evaluate Assets → Growth Opportunities → Operational Procedures

Prepare Financials

Buyers will always ask to see financial statements prior to making a purchase commitment. Usually the last 3 full years are sufficient, although if there have been significant income swings or changes to the business a buyer may want to go back further. If your business is incorporated then the income statement and balance sheet will be required. If you are in a proprietorship or partnership you will need to supply income statements and an asset list. It is particularly important to have understandable financial information for buyers who are new to business ownership. Most small business buyers are owner-operators who are not familiar with how financial statements work in a small business. They are very likely to perceive problems and risk in your financials so you need to be prepared for questions and patiently and clearly explain. To see if your statements are ready for show, ask yourself:

1. Do I have 3 years of financial information that I can provide to a buyer?

   ____

2. Are there assets included in my balance sheet that I don't want to have as part of a sale?

   ____

3. Does my financial information come across as clear and positive to someone who doesn't know much about my business or does it take a lot of explaining before people understand?

   ____

4. What can I do to clean up the way my financial information is presented to make it look more attractive to a buyer?

   ____

   ____

   ____

5. Is my insurance, WCB, payroll and any other requirements up to date and in good standing?

   ____

Evaluate Assets

Assets are a key part of value in a business sale, but there are many pitfalls that can work against a seller. It is key to be flexible and to understand how a buyer is looking at your business to ensure assets don't sink your sale. A buyer may not want all the assets you have in your business, they might not understand how they add value. They may also not be able to afford to carry all your assets, particularly if the income level isn't substantial enough for them to manage loan payments and pay themselves an income. This can be an issue in cases where land and a building are included in the sale along with the business or when the buyer is really only interested in a particular part of the business rather than all of it. Ask yourself these questions about your assets to determine if you are ready to deal with a buyer:

1. Do I have an asset list that shows all major assets long with their current market value?

   ____

2. Are all of my assets in good working condition?

   ____

3. Do I use all of my assets in normal day-to-day work or are some of them under-utilized or not used at all?

   ____

4. Would I be willing to reduce my price by removing some assets from the sale and recapturing that money by selling the assets separately if required?

   ____

Mistake: Overvalued Assets
Doesn't matter how much you paid, market value is in the eye of the buyer.

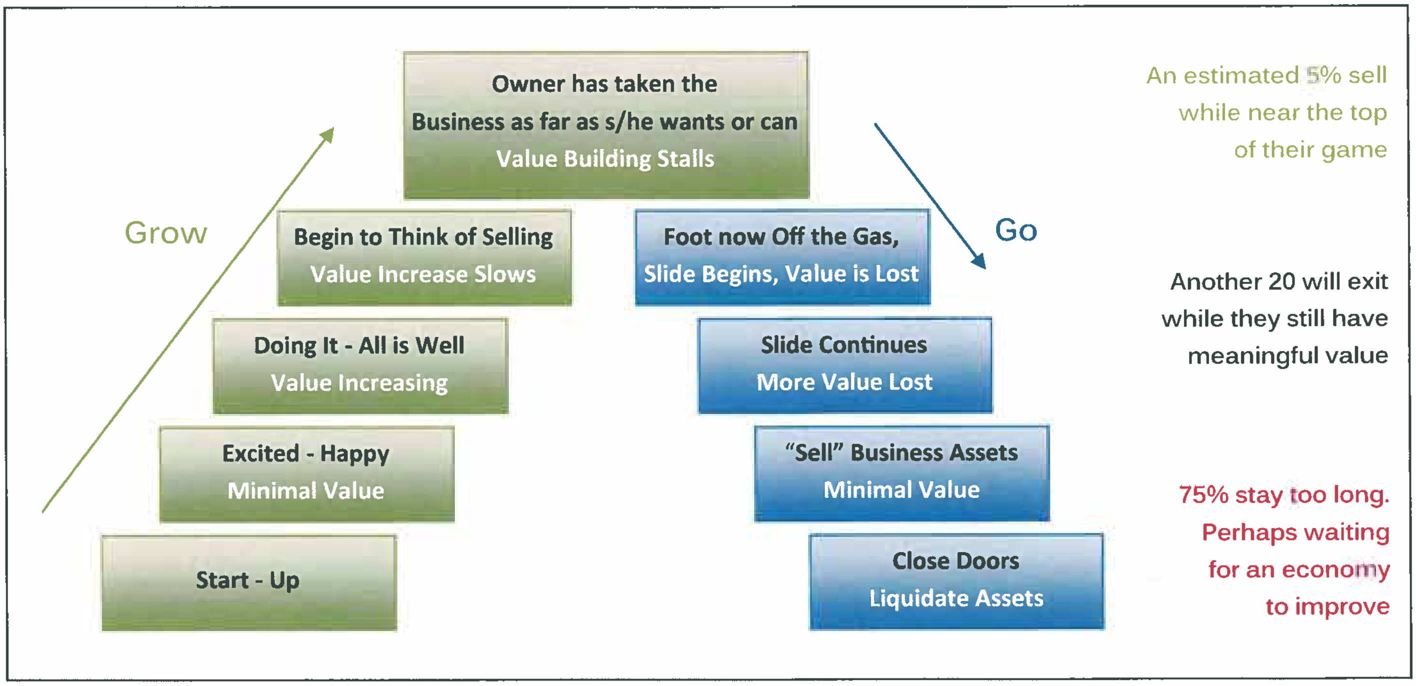
Mistake: Financial Confusion
Cluttered, hard to understand financial statements can destroy a sale.

Growth Opportunities

Buyers are focused on how much income the business will generate for them in the future. Growth opportunities are very helpful in mitigating any risk concerns on the part of the buyer. They are generally optimistic about their chances of success and as an owner you are in an excellent position to help them see some of the opportunities that they could benefit from. Unfortunately this is the single biggest mistake that most owners make; they let the business slowly fade before finally making the decision to sell.

Operational Procedures

It is important that your business processes, skills, customers and all daily details transfer easily and smoothly to a new owner. Small business owners generally put little time or energy into putting procedures down on paper (or e-files). This can be a struggle for buyers, particularly if they have come from a career in a larger company where there are operations manuals and company procedures. Most of the time this can be dealt with by providing training and transitional help, but some businesses have more complexity and could benefit from more formalized guidelines. Ask yourself:



What are the two best opportunities to grow my business that a new owner could capitalize on?

1. ______________________________

____

____

2. ______________________________

____

____

Mistake: Letting Things Slide

Only 5% of business owners sell while the business is at or near peak performance.

1. Do I have any procedures that are laid out and can be provided to a buyer?

   ____

2. Am I willing to provide training to a new owner, and how much time will be required to train someone?

   ____

3. Does a new owner need some technical skill to buy my business, and if so, how many buyers are out there with those skills?

   ____

4. Are there any employees I have who can provide the knowledge and / or technical skills required and let me off the hook for training? If so, how do I make sure they stay around through the selling process?

   ____

Stage 3: MARKET

Determine Best Buyer → Marketing Package → Engaging Service Providers → Advertising Plan

Determine Best Buyer

We previously discussed the different buyer types for your business. While you should remain open to any buyer that comes your way, marketing efforts need to be focused on getting your opportunity in front of the kinds of buyers that are most likely to give you what you want from your business sale.

Write down potential buyers in each category and rank which is the most likely buyer type for your business.	
ASSET BUYER (Picks off Individual Assets)	**RANK:**
FRIENDLY BUYER (Employee, Family or Friend)	**RANK:**
FINANCIAL BUYER ($ Driven Decision)	**RANK:**
STRATEGIC BUYER (Will Enhance Their Business)	**RANK:**

Marketing Package

Buyers are all looking for information about your business before they are willing to make an offer to purchase. No one knows as much about your business as you do, which can make it more difficult to know exactly what information to provide to the buyer. It's also very likely that you will have other things that are pressing when a buyer calls and you may not remember everything and certainly won't enjoy repeating the same information every time you get an inquiry on your business. It is also very important that your information is laid out in a way that appeals to the buyer.

Different messaging appeals to different buyer types, which makes this exercise extremely important. Having a professional looking information package to provide to buyers is worthwhile on many levels. It provides the "sizzle", giving buyers an opportunity to visualize life owning the business. If properly done it will also answer many questions about the business that buyers have, saving you the time and trouble of repeating yourself. It also makes it much easier for the buyer to provide the information required for accessing financing.

Mistake: No Staging
Most owners fail to spend the time or money to position the business in its best light.

Mistake: No Sizzle
Many business sellers do a poor job of communicating the value and opportunities of the business to the buyers.

1. **Customer information** - Contracts? Multiple revenue streams? Geographic reach?

2. **Facilities information** - Lease? Square footage? Positives?

3. **Asset information** - Equipment? Office assets? Other?

4. **Employee Information** - How many? Skills / Experience?

5. **Operational Information** - How does the business actually work?

6. **Location Information** - Many buyers are not local, what makes your town great?

7. **Visual Information** - Pictures tell the story better than words. What can you show buyers about the business?

Service Providers

There are resources available to assist you in your business sale. Business Brokers and REALTORS(R) can help you to market your business, for which they take a commission. Business Advisors are available to assist with services ranging from business valuation to marketing and sale mediation services; these are generally provided on a fee for service basis. Your accountant may provide information on the value of your business, and a lawyer can help you with the actual sale of your business. As a business owner it is up to you to determine what resources you feel are most appropriate to assist you in the sale of your business. Every situation is different, and it is important that you feel comfortable with the service providers you work with. This isn't something that makes sense to do alone, but you need to make sure that whoever you choose is **qualified**, **objective** and will provide good **service** and **value** for you in the selling process. You also need to understand clearly and exactly what services they will be providing for you.

Some of the questions to consider asking when evaluating your service provider options are:

1. Have you dealt with sales for my type of business before? How often?
2. Are you familiar with my community and the market for business sales?
3. What is your business background?
4. Have you been personally involved in running, buying and selling businesses?
5. Are you available to answer questions by email, by phone?
6. What range of services are you able to provide and what are the fees?

Finding and working with a professional will help you to avoid mistakes that may harm your chances of a successful sale. An experienced sounding board will provide significant benefit to you in the process of your sale and you will have a better outcome than trying to do it on your own.

Understand the difference between Types of Services Providers

Business Broker	REALTOR®	Business Advisor
Usually provides business valuation	Limited business valuation depending on their experience	Provides business valuation
Listing on broker's site, may be confidential	Listing on MLS Commercial site	Advises multiple independent listing sites for you to use
Handles negotiations	Handles negotiations	Provides advice to you on negotiations
Creates marketing package	May create marketing package	Creates marketing package
Often up front fee and substantial commission	Substantial commission but may be less than broker	No commission, fee for service, some are expensive some are reasonable
Provides documentation for sale	Provides documentation for sale	Provides documentation for sale, depending on experience
Manages your sale	Manages your sale	Assists you to manage your sale
Primarily focussed on larger businesses	Primarily focussed on businesses with real estate component	Focussed on all business no matter how small

Accounting Firms	Lawyer / Notary
Can provide valuation services. Smaller firms may not have much market information. Larger firms may be quite expensive. Your accountant will be able to make changes to your financial statements if required. Larger accounting firms provide expense review services.	Legal services will be able to execute the sale of the business and ensure all closing requirements are met.

Advertising Plan

Whether you are using a Business Broker or REALTOR(R) to sell your business or if you are doing it yourself, a well thought out advertising plan is important for a successful sale. Unless you experience success with a strategic or friendly buyer, this is your main way to get your business opportunity across to potential buyers.

A good advertising plan will consider websites as well as other marketing possibilities. Buyer's today primarily search for business opportunities either online or through local community connections if they are focused on a particular community. Here is a summary of the most popular business sale websites.

Common Websites that Market Businesses for Sale

This list is not exhaustive but provides commonly used sites. In Stage #1 you learned about buyer types. You should chose sites that will market to the buyer you hope to attract.

SITE	WEB ADDRESS	COST	CONSIDERATIONS
Kijiji and Craigslist	www.kikiki.ca / www.craigslist.ca	Free	Not business focused, listing can be easily lost and will be more frequently seen by customers, employees and general public. Generally only appropriate for very low cost businesses
Real Estate	www.realtor.ca	Free or fee	Listing is free if your business is realtor listed, otherwise fees apply. Site contains many commercial buildings, for lease, land as well as businesses so listing can be lost
Government	www.britishcolumbia.ca/invest/opportunities/	Free	Good site for investment opportunities, smaller businesses can get lost
Non-profit	www.ventureconnect.ca	Free	Business only for sale site, BC regional area focus. Unlikely employees or customers will see listing as site attracts specifically business buyers and sellers. Best place to start. Site feeds 2 BC Government sites
Other sites	https://canada.businessesforsale.com/ www.businesssellcanada.com/ https://www.businessesbuysell.ca	Monthly Fees apply	Business for sale sites, Canada or North America wide

Be prepared to give yourself time for your sale, any professional you engage to assist you with your sale should have ideas on advertising and be prepared to adjust the plan over time if results aren't forthcoming.

Stage 4: CONNECT

Strategic Buyers → Networking → Community Resources → Negotiation & Documentation

Strategic Buyers

Whether or not to attempt to engage with potential strategic buyers is a decision that should be thought about carefully and discussed with a good sounding board. There are risks to opening up discussions with competitors or other potential strategic buyers, but there also can be significant rewards. Prior to having any conversations about this possibility it is important to be clear in your own mind about what you are prepared to do for transition, or post sale involvement. This potential buyer is often dismissed by business owners simply because it's complicated. That can be a mistake in certain circumstances, but this clearly is an option that should be pursued carefully and with professional advice.

Mergers are not generally considered by small business owners but in the right circumstances that option could be attractive to a strategic buyer. A merger usually will mean that little money will change hands but your business could be taken over by another firm and you are paid at least in part through shares in the larger company. Many entrepreneurs are uncomfortable with losing control in this way, but in certain circumstances it could be a good option to consider.

Networking

Another avenue to explore is the network of contacts you have built up over your years in business. Community contacts, association contacts, and service providers all are potential referral sources who can tell business buyers about your business.

Community Resources

It takes a village to sell a business. Buyer migration is an important segment of the business buyer market. While international buyers provide great stories and good public relations for a community, the reality is that in BC only 5% of immigrants choose to settle outside of Vancouver.

Buyers moving into your community from other parts of BC and other provinces of Canada provide a larger pool of potential buyers for your business. Many times buyers looking to move away from larger centres will choose the community based at least to some degree on where the best business opportunity fit is for them.

Community attraction is important, and your marketing will need to emphasize what is appealing about your community. Lifestyle is important, and also community support services, from business service providers, welcome services and how business friendly your community is. To assist buyers from outside the community in feeling comfortable with your business and the community it is helpful to put together a list of service providers who are familiar with your business.

Service	Company	Location	Contact	Available at:
Bank				
Insurance				
Accountant				
Lawyer				
Landlord				

Negotiation & Documentation

If you are dealing with a REALTOR or Business Broker they will lead the negotiations with the buyer. If you are handling the sale on your own, a business advisor should be used to assist you in negotiation with the buyer.

Mistake: Waffling

Not being clear on exit timing and details frustrates potential buyers and impedes good planning

Sales are emotional events and many times sellers react with frustration or anger as things come up in negotiations that make them feel like the buyer is trying to take advantage of them. It is also extremely helpful to have a knowledgeable resource like an advisor who can suggest ways around an impasse that will work for both the buyer and seller.

Creating a win / win is the goal of all offers for your business and having an experienced advisor / resource can make the difference between success and failure. Business negotiations take time and most fail to come to closure, having experienced help will improve your odds of the buyer following through with an ultimate purchase of your business.

Lack of documentation sinks many many deals. While business owners are usually comfortable dealing verbally until everything is settled, unfortunately in reality that process doesn't work very well. Small but important details aren't covered and later in the process they become significant sticking points in the sale.

Deal Killer: Poor Communication

75% of business sales fail to close, many times due to lack of information / responsiveness from the business owner

Most buyers need to access financing, and documentation is absolutely necessary for financing institutions. Not having the agreement documented as you work through the process slows things down for the buyer in obtaining financing, and the longer the negotiation and financing process drags on the more likely that the buyer will have a change of heart.

Friendly buyers often are the worst examples of this. The owner feels things should be flexible and the buyer / employee / family member will understand because they are part of the business. But this leads to misunderstandings and frustration on both sides. Nearly every friendly buyer sale will fall apart very quickly if it is not documented with a time frame and agreement on details by both parties.

Caution: Greed has a Price

Many owners decide a good strategy is to price their business above its market value for several reasons including "let's give it a try" and "this gives me negotiation room" or "the extra will pay the commissions on the sale". While that is your decision, it has cost many business owners as they refuse to give in on the first offer they receive and then find themselves taking 20 - 30% less a year or more later. Remember it's a buyer's market and if you aren't ready to accept a reasonable market value offer you're better off not listing your business until you are ready to negotiate to realistic market value when an offer comes.

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Community Futures

Cariboo Chilcotin

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