SMALL BUSINESS KNOWLEDGE AND TRAINING PORTAL

TSBDC.org

AMERICA'S SBDC TENNESSEE

BEFORE AND AFTER A BUSINESS SALE

LESSON TOPICS

1. Pre-Transaction Reminders

The little things, or details, make the big things happen and matter through the pre and post transaction. You need to remember your goals and desires, going into a business sale, because that is the most important thing. This is evident when you start getting into the legal documents and get caught up in going down a rabbit trail, that in the end does not even matter. Another important thing to keep in mind is that you can not do this all at once. The whole process needs to take at least 6-8 months. In that time you will be preparing, getting ready, marketing, getting to the documents, and getting through due diligence. These are all the steps of the process but now you are ready to close.

2. Who to include in the Process

Now it is time to get your COO and CFO involvement, if you have that level of involvement. For a lot of small business owners those roles are all you, but your team of lawyer, accountant, and yourself become very critical in this process. Typically, owners should assign one individual who is detail orientated that can help lead through this process.

3. Operational Issues

Operational issues need to be addressed 6-8 weeks before closing on the transaction. Operational issues include bank accounts, personal guarantees, credit cards, lines of credit, benefits for the employee, the local, state, and federal licenses, your vendors, the software you use, websites, and social media accounts along with passwords. All of these things and many more need to be addressed before day one. Day one includes your town hall meeting which will bring your employees up to date on the transition. As the business owner, you want all of the operational issues addressed before day one, so that that day looks like any other day in the business. This means you had a successful transition.

4. Post-Close

In the first thirty days of the post-close process, nothing is going to happen or change to the business. This will give the employees time to settle with the new information. The business owner who sold , or is transitioning out, will also not be gone in these first thirty days.

30-60-90 day strategic objectives will be created by the business owner that will be assigned to managers and the buyers. This will allow you to track the process and get things checked off and completed.

BEFORE AND AFTER A BUSINESS SALE

LESSON TOPICS CONT

5. Implementation Process

The implementation process is always a struggle in post-close. Financial software, almost always, will be implemented somewhere after the first thirty days. It's one of the first softwares implemented because the company that purchased wants to get the new business on the same financial software as the rest of their companies. It is highly unlikely that your business would be using the same financial software, since most small businesses use QuickBooks and larger companies use enterprise software. The people involved in this process are the bookkeeper and a CFO, if you have one.

Next, would be the operational software implementation, that would begin somewhere after the first ninety days. Some businesses do not have to change their operational software, since they may line up with the operational software of the company purchasing them. If a company has seasonality, then the operational implementation would occur after that busy season. You never want to make that change during the busy season.

Once it hits a year after closing, owners will sit back and be amazed at how quickly the process has happened. Following this process, allows the owner to get to the transition phase, and check off the implementation to-dos. Now the owner is able to get their time freedom back.