

Who do you tell when you're going to sell?

Once you've decided to sell and initiate the sale process, one early dilemma you may face is who should you tell?And when?And what should you say?

In a nutshell, you want the business sold but don't want anyone to know it's for sale.....or maybe just the actual purchaser. This ideal breaks down when we want to create a competitive process.

There are circumstances when it may be attractive for owners to offer the business for sale to one purchaser only.

For the majority of situations, here is advice we offer regularly:

First consider and rationalise the risks. Who can hurt you? Typically the risk areas are staff and customers. Eg customers may leave you, staff may leave you and competitors may be predators poised to seize both.

Although such concerns may be well founded, in many cases owners can become paranoid about these risks. Generally, the more hands-on the owner is, the more risk there is when a change is proposed. So, first assess and rationalise the risks involved. Remember Mark Twain indicated he had faced many problems in his life, most of which never actually happened.

Often the actual risks are minimal and the real issue is the owner coming to terms with selling. Some owners don't want to believe they are actually selling, because it creates too many unknowns or issues. Not telling anyone allows them to shut it out of their minds and forget they are actually doing it. Advice: "There is nothing wrong with selling your business! Every successful business person will do it some day."

The biggest concern is that someone who trusts you might find out from others. This could place you on the back foot and make you wish you had told them earlier. Although Confidentiality Agreements are signed by prospective purchasers, you must assume they are of no value and that prevention is the best cure, just as with safety. Kleinhardt adopts this approach to confidentiality, which is why we offer to pass every respondent's details by our clients for approval before they can receive an Information Memorandum.

Even if you don't tell your staff, they may know or find out anyway; and usually from the owner. 90% of communication is non-verbal, so you never have to say anything to actually tell them!

We often come across situations where the owners delude themselves that their team hasn't been 'officially told', so it's business as usual. They are half right. Generally, although their key staff know or strongly suspect, they generally play



ball and continue on as though they did not know. However, if you haven't been a model employer, this is the time when your chickens may come home to roost.

Here is a menu of ways to tell your team and when:

- Tell no-one until the business is under contract; This may work, but generally astute staff would have cottoned on by now if you haven't already told them one way or another; Purchasers often ask if staff know and feel more comfortable if they do know and are still there;
- Tell no-one until the sale is under way and purchasers are in motion; Even then, you may not want inspections during working hours, so as not to distract your team from their work;
- Tell only your key people. They will become instrumental in the sale process anyway, as new owners will need to know who is staying and establish a mutual degree of comfort. They may also become key attractions to purchasers, which assists bringing the process forward;
- Tell them early and tell them everything; Go outright, run it up the flagpole; tell your team and all your customers you are retiring. If you are past normal retirement age, they will have expected this, be genuinely happy for you and offer to assist you and the new owners;
- De-sensitise timing: tell them you are interested in phasing yourself out and will start looking for investors, and that this could take a long time and that you do not plan to go anywhere in the short term; Meanwhile, we will work feverishly in the background to make it happen as quickly as possible.
- Emphasise the positives: In many cases a change of ownership provides an opportunity for staff to move into blue sky, with a larger organisation with expanded career opportunities and scope to move around; Promotion is often on the cards for your managers; A new corporate owner with greater financial capacity, growth plans and expertise in other fields often creates much excitement throughout businesses which had been held back by owners in retirement or sell mode;

Many clients believe that their industry is the worst, that their competitors are far more nose-y, predatorial and prone to gossip than in any other industry. In truth, all are about the same, as they all contain people.

The ultimate decision is however your choice.