

The Importance Of Timing & Strategy When Selling Your Business— Business Blueprint Interview



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Intro:

Kerry Boulton is Australia's most respected exit strategy advisor and CEO of the Exit Strategy Group. Welcome to this week's segment.

Dale Beaumont:

I've got another important question to ask you, and that is, at what point in the process do you talk to your staff and go, "Hey guys, we're putting the business on the market. We're going to be selling." Do you be open and honest and transparent with them and tell them what you're doing? At the end of the day, you've invested five, maybe 10 years into this, and you want to maximise the result for you. What should you do? When should you tell your staff?

Kerry Boulton:

You know this is really contingent on how you run your business. If you happen to be an open book management-type business, then the chances are that's exactly what you're going to do—tell them, and they'll know all about it. But like most, you're probably not. So generally speaking, it's information you're going to keep fairly close to your chest for quite a while. It really depends on the relationship that you have with your staff. I didn't tell my staff until the last minute, because there was a lot at stake, and I think that that's going to be the majority of small business owners, or business owners in particular—they probably will keep it pretty much close to their chest.

Dale Beaumont:

And what about if you have a couple of really key staff? I know, as you know, part of the sale could be having those staff on a contract just to say they're locked in for the next 12 months or two years, to help win that transition period. So is that something that's a good strategy to do? And you're obviously going to talk to those people?

Kerry Boulton:

Definitely key staff, in particular the people that are going to be the most affected. Understanding how it is going to be from their side is important, and one of the decisions you need to make is how you're going to look after them, what you plan to do, whether, in fact, you are going to say something to them to look after them. A lot of people will be quite happy if there's an exit and there's a little bit of a bonus that goes in the pocket, even if they weren't told about it. But key staff, staff who are key for you and for the business's future, definitely come into the inner circle when the timing's appropriate—not right at the very beginning. I wouldn't recommend that. When the timing is at the stage where you believe that you might have some serious interest in the business, I think then it's key to get those involved.

Dale Beaumont:

Alright, now we're going to go into the million-dollar question, the question that everyone wants to know, and that is: How do you find hungry buyers for your business?

Kerry Boulton:

Well, this comes around to thinking strategically. The most money that you're going to get will be if you can make a sale on a strategic basis, to, say, a larger business that will be able to take yours, put together the customer lists and the business that you're currently doing, and be able to cross-sell and up-sell to that client base. So, you have to sit down and really brainstorm: What other businesses

might be complementary to mine? Not necessarily a competitor. Obviously, that is a strategy—a competitor might buy your business—but who might be a complementary business? As an example, let's take a small cleaning business as a guide. When I say small, let's say the turnover's maybe seven or 800,000—quite a reasonable size.

Dale Beaumont:

Who else might want to talk to the clients that the cleaning business has that they could offer complementary services to?

Kerry Boulton:

Could be a security company, could be security maintenance company...

Dale Beaumont:

Or gutter cleaning...

Kerry Boulton:

You know, think about complementary services that they could offer, and therefore your business—who your clients are and who else wants to sell to those clients?

Dale Beaumont:

Not necessarily the same product?

Kerry Boulton:

Correct, could be a completely different product they have already, but they want to sell their products to your target market.