



# Are You Really Ready to Sell Your Business?

Understanding the 5 Spheres of Owner-Oriented Readiness

GREENHOUSE  
CONSULTING



### **About Greenhouse Consulting**

Greenhouse creates strategic momentum for growth. A true management consulting firm, Greenhouse supports business owners, CEOs and executive teams in their efforts to develop new market strategies, expand accounts, win more in the marketplace, develop and sell new solutions, and build company infrastructure for growth. Greenhouse also helps business owners find and integrate acquisition targets and, when the time is right, prepare their company for sale – all with a singular focus on increasing enterprise value and improving the probability of a successful exit for the business owner. For more information visit [www.GreenhouseFirm.com](http://www.GreenhouseFirm.com)



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## Introduction

If you're reading this, then the notion of selling your business is on your mind. You grew it from a time when all you had were ideas and aspirations. Now it has become a possibility real enough that you're taking the steps to consider what a sale might look like. Will the sale of the company yield sufficient proceeds for what I want to do and how I want to live? How do I get started on the process? What help will I need? The questions are many, but the fact that you're asking them may mean you're ready to start the process. But being ***ready in your mind*** and being ***ready for the transaction*** are two very different things.

*So, two key questions that really matter when it comes to selling your business: Are you truly ready? ... Is the company truly ready?*

As advisors to business owners we have witnessed the good, the bad, and the ugly of sell-side transactions. This guide is meant to be a helpful tool as you move ahead with what is likely to be both the biggest decision and the most important initiative of your professional life. The following pages will take you through what we call "***The 5 Spheres of Readiness***," each section containing key questions that you should answer to gauge the company's readiness for sale.

Some answers will be tough to find and a number of them may lead to more questions. But ultimately, the readiness work done here begins the process of ***maximizing the enterprise value*** of your company and ***improving the probability of a successful exit***. If we can assist you beyond the scope of this eBook then please let us know. We're here to be your guide and partner during this process. Helping business owners achieve their greatest objectives is what we do.

- *The Greenhouse Team*

# The 5 Spheres of Readiness

Owner ready • Value maximized • House in order •  
Organization ready • Transaction plan in place



## Are You Ready?

Many conversations on selling a business start with potential valuation multiples on EBITDA. We believe that the readiness story starts with the owner and proceeds from there. No matter the potential value or the attractiveness of the company you need to be ready to do this.

*The first of the 5 Spheres of Readiness deals with you the owner, your life objectives, and what the transaction promises for you and your family.*

Here are the questions you should explore yourself before going further in the readiness process:

- Are you committed to a transaction within 24 months or just considering it a future option?
- What do you think your company is worth?
- How can you be certain that it is worth that much?
- Do you have a good sense of what your financial situation will be after you sell?
- Do you recognize that you are likely to “take a pay cut” after receiving the transaction proceeds? Do you have an idea of the magnitude?
- Is your spouse committed and ready for the transition to post-company life and income?
- Do you understand the transaction process?

- Do you know how long the process might take, how stressful it might be, and how much work it will require from you personally?
  - Have you considered that the eventual buyer may require an earn out, an equity stake, or a note in lieu of cash?
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## Have You and Your Key People Maximized Value?

Once you have a strong sense of the personal impacts and implications of the sale, it is time to assess the readiness of the company itself. This is where you'll need to take a hard look at the business and be exceedingly honest with yourself about its strengths and weaknesses. Below are the questions to explore related to maximizing the enterprise value of your company:

- Is the company maximizing revenue on current contracts or master services agreements?
- Are account or program managers selling proactively on a regular basis?
- Have you fully implemented growth and improvement initiatives?
- Have you made the most of marketing your solutions or products to current and prospective clients?
- Are your account or program managers maximizing profitability on every contract or sale?
- Have the leaders of your support functions managed costs to reasonable levels?
- Do you have a leadership team in place that will impress buyers?



## Is the Financial House in Order?

This one is perhaps the most obvious of the 5 Spheres of Readiness to most business owners. Yet, it is amazing how many overlook the need to clean up the books and underlying financial processes to achieve a successful transaction.

*Here you'll want to perform a rigorous and critical review, as a buyer would, of overall health of the business as well as specific accounting issues that a buyer might uncover and question.*

Questions you should be able to answer include:

- Are your books in order? Are they audited?
- Have you been calculating EBITDA the way an investment banker and buyer would?
- Do you have valid and defensible pipeline and backlog figures? Is your pipeline management process logical and reasonable?
- Have you completed a credible five-year financial projection?
- Have you addressed all outstanding legal or compliance issues?



## Is the Organization Ready?

Often overlooked is the importance of how the organization might appear to prospective buyers. A highly capable senior team and a well-run operation create positive impressions. Those impressions matter, since good ones lead to fewer questions and potential deal-killers. Also critical is retaining key employees. Losing any of your key people during the transaction process could impact your revenue and client relationships, further eroding your attractiveness to buyers. And, if you're like many owners, you will care what happens to your loyal workforce after the transaction.

*Having your organization and operations in order can impress potential buyers and reduce the possibility of deal-killing issues.*

- Do you have a leadership team in place that will impress buyers?
- Is there a story to be told about the unique talents, capabilities, and characteristics of your workforce?
- Do you know who will be in the inner circle as you prepare for a transaction? Who should be dialed in and when?
- Are there any incentives in place to retain key people until, and perhaps beyond, the sale?
- Have you thought about how to provide a safe landing for loyal employees at all levels?



## Do You Have a Transaction Plan?

Finally, you'll have to treat the transaction process as a project, complete with a project manager, a project team, and a project plan. Careful planning, scheduling, role definition, and individual accountabilities are all critical in this sphere.

*It will also require asking the tough questions about what you and your team can do to enhance operations, increase sales, package up capabilities, and build a better narrative throughout the preparation process.*

Those questions include:

- What form should the transaction plan take?
  - Who should run the transaction process and who should be on the team?
  - How will you hold yourselves accountable for executing the plan?
  - What initiatives should you include in the plan to get your house in order?
  - Are there other initiatives you should include in the plan to drive new revenue and increase profitability?
  - How will you present yourselves to prospective buyers? What should be your narrative?
  - Will you need to supplement the project team with external resources to get it all done?
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## Our Approach

For business owners looking to sell there are so many questions to answer. What it should tell you is that selling your business will be hard. The time and energy you've put into building your business has been the greatest achievement of your life, but now you'll be preparing for the greatest push of your life. That is why you'll need to prepare, perhaps like you've never done before. That preparation will pay off in two very important ways: **Maximizing the enterprise value** of your greatest asset and significantly **increasing the probability of a successful transaction**.

*Yet for all the hurdles, headaches, and hassles, when you're truly prepared – and not just emotionally ready – to sell... it will happen. And it will be incredible.*





Here is the unique value we bring when we help our business owner clients prepare for a sell-side transaction:

- Fresh Eyes:** Leverage the benefit of an outside perspective to find the holes and blind spots before a potential buyer does and the entire sale is put at risk.
- Value Up:** Identify opportunities to build additional value prior to beginning the sales process.
- Sound Planning:** Develop a transaction strategy and plan for a 6-12-month timeframe (longer if needed) and then stick to it when it comes to execution.
- Driven Execution:** Execute on projects and tasks within the plan and attack the readiness countdown checklist according to the timeline.
- Expert Advisors:** Introduce and help interview the right types of other advisors for you, including investment bankers, tax and wealth advisors, and transaction attorneys.
- Ongoing Counsel:** Provide ongoing counsel and advice at every stage of the transaction process.

In the end the deal is the “what.” We focus on the “who,” you the owner, and the achievement of your loftiest goals. That’s the Greenhouse Way.

## Other Examples of Greenhouse Growth Readiness Capabilities

### Maximizing Value

- Account growth training and execution
- Solution development and marketing
- Support to address compliance issues
- Cost reduction

### Building the Case for Bankers & Buyers

- 5-year projections
- Company narrative
- Advisor meetings

### Prepping the Organization

- Organizational redesign
- Change management plan/execution
- Mentoring executives and key salespeople

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