

SelfInformed

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MAXIMIZING VALUE:

**PREPARING A SMALL
BUSINESS FOR A
SUCCESSFUL SALE**

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It takes significant time and effort to start a small business and maintain success over an extended period. As such, the decision to sell a business requires meticulous preparation. Whether you are a small business owner, micro business owner, or other entrepreneurial venture, taking the right steps toward getting your business ready for sale is critical to maximize its value and ensure a legally compliant and smooth transition. In this article, we will explore the common steps to prepare your small business for a successful sale and continued success for the buyer.





UNDERSTANDING THE MARKET

Understanding the current market landscape provides a great starting point when a small business owner begins preparing a small business for sale. Comprehensive knowledge of the market can help identify trends, assess competitors, and target potential buyers. One common way of analyzing the market is to conduct a SWOT (strengths, weaknesses, opportunities, and threats) analysis. A SWOT analysis provides insight into where a micro business fits in a market and an evaluation of the competitors and other threats to the success of a growing business within the market.

Although an understanding of the market may seem more useful for a business owner that wishes to stay in business, it can also be used to determine the right time to sell. For example, if the market indicates a trend toward a growth stage and the small business is gaining momentum within an industry, it could present a more favorable opportunity to sell. Having an in-depth knowledge of the market dynamics can allow a micro business owner to select the necessary approach and strategy to find the right buyer.

FINANCIAL PREPARATION

Financial transparency is a critical factor when preparing a business for sale. Organization and transparency in a small business's financials help draw interest from potential buyers and streamline the process to complete the sale. Preparing a business's financials before a sale commonly includes organizing the financial records, including income statements, balance sheets, and tax returns. However, it may also be worthwhile to engage professionals to determine a detailed valuation of the business and forecast the future performance based on the current financials.

Potential buyers are more likely to engage in due diligence on a micro business if the financial reports are accurate and up-to-date. When a small business owner keeps accurate financial records, they are also armed with an advantage during the negotiation phase of a sale. For instance, a small business owner could quickly lay out the reasons why their business is worth the asking price and point to key figures in the financial reports. Financial preparation instills confidence in potential buyers and could make the difference in securing the price small business owner desires.



STREAMLINING BUSINESS OPERATIONS

It is no secret that potential buyers want to acquire a well-run small business because it generally allows for a smooth transition and a higher potential for continued success and growth. A small business owner should have documentation explaining the standard operating procedures of their small business and showing how they optimize the procedures. Business owners should always be on the lookout for ways to streamline their operations; however, this often comes from identifying unnecessary overhead and areas with decreased productivity.

A successful micro business operation also typically involves a strong group of employees. Showcasing the expertise, contributions, and achievements of a business's employees throughout the growth of a business can be a positive factor in attracting buyers. Having a strong team enhances business value but also reassures potential buyers that the small business can continue to thrive under new ownership. Any business that can demonstrate organization and efficiency in its operations and show how this was achieved is better set up to attract a buyer because of the potential for continued success under new ownership.



SUCCESSFUL MARKETING AND DIVERSIFIED CUSTOMER BASE

When a micro business has an effective marketing strategy and a strong brand, a micro business owner has the tools to significantly impact the value of the business. Successful marketing campaigns and unique branding should be emphasized to help potential buyers understand the reasons why a micro business has been successful and stands out from competitors. A small business becomes much more attractive to potential buyers when there are assets worth pursuing, such as a strong brand and a loyal customer base.

A loyal and diverse customer base is one of the key assets that potential buyers want to see when deciding to take over a small business. A business owner can highlight their efforts in acquiring and retaining customers from various segments through a creative website, social media profiles, and testimonials from customers, among other examples. In addition, long-term customer relationships that demonstrate recurring revenue streams and stability should be emphasized to a potential buyer. A diversified customer base assures potential buyers of the strong possibility of the continued success of the small business after the sale.





EMBRACING TECHNOLOGY AND INNOVATION

Technology and innovation in a family business is not only essential for the current growth in the market but also for enhancing the attractiveness of the business for a potential sale. Integrating technology in a small business could help streamline business operations and organize many processes within the business. Technology is also useful for accurate data collection and analysis about the small business, the market, and customer behavior. Furthermore, an innovative micro business can hold a competitive advantage that buyers gravitate toward. A small business with many of its data and operations integrated with technology will be attractive to buyers because of the efficiency of the due diligence.

Innovation leads to new and profitable assets that set small businesses apart from competitors. When preparing for sale, a small business owner should highlight any proprietary technology or systems that showcase the business's value. A small business owner should also include potential future innovations of the business that could present opportunities for the buyer to grow. A forward-thinking approach toward technology and innovation demonstrates a small business's readiness to evolve and develop in the future.

ENSURING LEGAL AND REGULATORY COMPLIANCE

It should go without saying that ensuring compliance with all relevant laws and regulations is essential when preparing to sell a micro business. Compliance helps prevent potential risks and liabilities that may arise before, during, or after the sale of a micro business and also demonstrates to buyers that the micro business owner has acted in good faith while running the business. Investors and other types of buyers are generally risk-averse, so a history of legal and regulatory compliance can widen the pool of potential buyers.

Ensuring compliance with laws and regulations typically involves making sure all licenses and permits needed to conduct business are up-to-date. Unresolved legal issues, such as lawsuits, should be resolved or disclosed to the potential buyer. Full disclosure can help build trust with potential buyers and help move along the sale process at a much quicker pace.



DEVELOPING A SUCCESSION PLAN

A succession plan includes the strategy or arrangements for a small business to help facilitate a smooth transition from the current small business owner to the buyer. It typically outlines the steps the business must take to continue operations and minimize disruptions. A well-thought-out succession plan is vital for a smooth transition of ownership.

Having a succession plan in place reassures the buyer that the business is in a good place to continue operations in a relatively similar manner after the sale is complete. Additionally, a succession plan can prevent last-minute disruptions in the deal and decrease the need to reach out to suppliers and other vendors. Mitigating uncertainties in the sale process is always a good way to appeal to potential buyers.



UTILIZING NASE SUPPORT

The National Association for the Self-Employed offers small business owners invaluable support and resources as they navigate the process of preparing their small businesses for sale. NASE provides advice on the valuation of a small business as well as resources available to help small business owners understand how to increase the value of their business. Additionally, NASE has access to professionals who can help with all aspects of preparing a small business for sale. Utilizing the expertise and guidance NASE has to offer can have a significant impact on the sale of a small business.

Preparing a small business for sale can seem like a daunting task, especially for a small business owner that is preparing to sell their first business. However, with an understanding of the market, how to optimize financials, operational efficiency, and showcasing the strength of your business and brand, you can position your business for a successful sale. It is important to remember the time you invest now in preparing your small business for sale will significantly your future and the future of the fortunate buyer who takes over the reins.



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NASE Awards \$28K in Growth Grants to Support America's Record-Shattering Growth in the Small Business Community

Sep 25, 2023

As our nation's small business community continues its record-breaking surge, NASE announced \$28,000 in Growth Grants to seven local small businesses for the second quarter of 2023.

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New Report: Surge in Business Openings Continue in 2023, On Track to Beat Last Year's All-Time High

Aug 31, 2023

Today, Keith Hall, president and CEO at NASE reacted to the Yelp Economic Average report released this week showing, "2023 US business openings on track to beat last year's all-time high."

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New!



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Business
Resources**

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AARP is committed to supporting older entrepreneurs. AARP is collaborating with the NASE as a supporter of the Growth Grants program. The grants are targeting **NASE Members** who are minority business owners aged 45 and older. Through this partnership NASE and AARP are working to provide greater access to capital for business growth.

[Click Here to Learn More!](#)

Apply for a NASE Growth Grant sponsored by AARP today. There will be three winners each quarter awarded a \$4,000 grant to support the growth of their business. [Sponsorship Showcase](#)



The following post is adapted in part from the author's latest book, *NO BOSS! The Real Truth about Working Independently: 12 Lessons from 30 Years of Bossing Myself Around*.

SELF-EMPLOYMENT: What Stays the Same When Change is All Around Us

The appeal of self-employment is being taken seriously by companies around the world. Post-pandemic hybrid work models are enabling longer-term work from home. Digital nomad visas in 20+ countries facilitate work from anywhere. Internal talent marketplaces are giving employees more flexibility and choice in what they do and what they learn – even as artificial intelligence is automating tasks and creating content with growing potential to replace the work that some freelancers do. Employment-related change is at a fever pitch.

While there is inestimable value in working for a great purpose-driven company that truly values your abilities and provides a steady paycheck and good benefits, the majority of jobs working for others are no match for the many rewards of successful self-employment. But what is “successful?” Ironically, though we’re surrounded by change, self-employment success factors 10 or 20 years out are likely to stay much the same as they are today.

A stable outlook for self-employment success factors. We all have our own definition of success, with some variations of a formula comprising financial rewards, honoring a passion, intellectual

stimulation, and emotional and psychological well-being from personal achievement and the joy found in the work itself. However you define it, four success factors that were operative yesterday will still be operative tomorrow, and beyond: (1) knowing your “why,” (2) clarity on, and alignment with, drivers of satisfaction, (3) fitness for the work and lifestyle, and (4) ongoing attention to burnout prevention. Each are briefly explained below.

Knowing your “why.” The real truth about *why* each of us seeks independent work is not always easily accessible. For some, it’s money. For some, it’s control. For some, it’s ego gratification. For many others who tend to be most successful, it’s passion and meaning. Sure, it can be a combination of all those things, but aligning your work with your values, with purpose, and/or with a passion will never go out of style as a success factor. Authenticity is key, in work as in life, to be our best. So staying connected to the *why* – what it *really* is that drove you toward self-employment – powers us through our days. That requires deeply confronting whether you were, or are, running *toward* a vision rather than running *away* from a soul-sucking job or a boss you hated.

Clarity on drivers of satisfaction. If your self-employment journey isn't going as well as you had hoped, and not just financially, chances are that the work itself – or your approach to it – is out of alignment with your “drivers of satisfaction.” Alignment with these drivers should be periodically self-assessed to diagnose what needs to be different to improve things for you. That requires clarity on what those drivers actually are. When we think about what, for each of us, are the factors that drive how we feel about our work lives, there are usually five to ten drivers that can significantly impact our perceptions and emotions and, ultimately, our effectiveness. Several of those drivers, beyond money, will be abstractions. As examples, factors like “being in control” or “feeling highly valued by clients or customers” can mean many different things and must be unpacked and more clearly defined for clarity on your definition of what it is you're really after. Control over what? How you work? When you work? Who you work with? And what makes you feel highly valued? How much you're paid? Effusive thanks? How much repeat business? How many referrals? When you drill down on each abstract driver to make it more concrete and specific to you, it's easier to isolate the gaps between how things are and how you would like them to be. Then those gaps can be addressed with an action plan.

Fitness for the work and lifestyle. Successful self-employment requires great self-knowledge, and brutal honesty in assessing your strengths, weaknesses and anxieties. If things could be going better for you, it may not be because of misalignment with drivers of satisfaction, but rather due to misalignment between who you really are and the unique demands of self-employment. There is no shame in deeply confronting whether you're a good fit for the volatility of independent work and its potential for chronic financial insecurity, the loneliness of being the boss (even if only the boss of yourself), the social isolation if you're an extrovert, or the impacts on your family. It's simply not for everyone. That said, those of us who keep doing it know that it's all worth it.

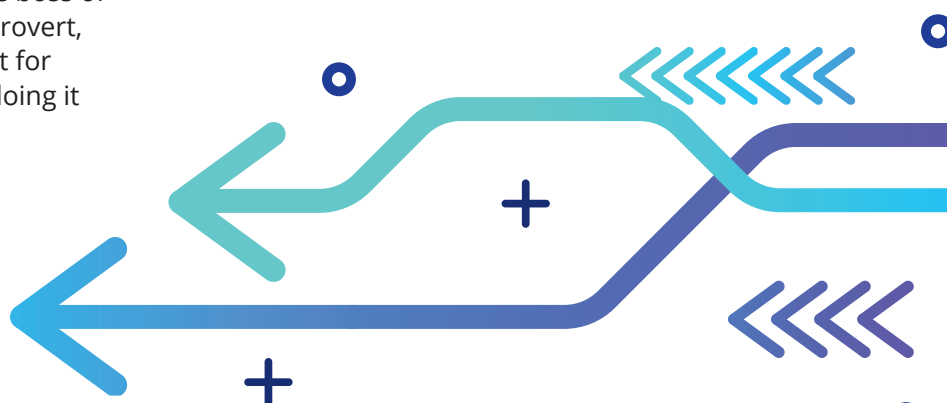
Ongoing attention to burnout prevention.

When it's all on you as your own boss, it's easy for self-employment to become the ultimate burnout trap – unless you take precautions. Countless highly capable entrepreneurs with great vision have thrown themselves into work only to flame out early, never to recover. Sustaining independent success for the long haul requires ongoing self-nurturing and, perhaps counter-intuitively, moderation. A powerful self-nurturing cocktail of habits is part rest, part mindfulness, part consciousness and part gratitude. Rest, because self-employment is a marathon, not a sprint, and research clearly shows that productivity unravels without adequate rest. Mindfulness, because stillness or meditation or long walks allow us to be present in the moment, reduce worry, and refresh and restore our capacities. Consciousness, because even a one-person business can derive enormous energy from being purpose-driven for the greater good. Gratitude, because self-employment is a privilege that the majority of people in Western society never experience as a career (even though a recent Dartmouth College study found that 70 percent of full-time employees would rather be working for themselves). And the science shows that gratitude practice reduces stress, boosts optimism and increases sleep quality.

Antidote to unpredictability. The world of work has become ever more dynamic and turbulent. But there is stillness in the eye of a hurricane, and these self-employment success factors are pillars of constancy within the maelstrom of change.



Steven Cristol
Meet the Author





GOVERNMENT ON THE BRINK OF SHUTDOWN

On October 1, 2023, if Congress doesn't reach an agreement, the government will shut down. This would be the country's 22nd government shutdown in five decades. Government shutdowns have become an unfortunate recurring event in American politics. Since 1995, there have been five government shutdowns, all of which have had negative consequences for the American people.

The impact of government shutdowns extends beyond immediate inconveniences. They can have long-term economic consequences, affecting businesses, workers, and families across the country. The uncertainty surrounding government operations can lead to decreased consumer confidence and investment, which can hinder economic growth.

The 2018 government shutdown delayed over \$2 billion in federal loans to small businesses as the Small Business Administration was unable to make new loans. Delays such as these disrupt not only the day-to-day operations of small businesses, but

they put budgets in limbo, resulting in business owners putting off necessary purchases or hiring additional staff. The impacts of government shutdowns are especially damaging for small businesses because they don't have the same resources as large companies to absorb even short-term losses. Most small businesses operate on tight, carefully planned budgets and even minor disruptions can threaten stability.

It is important to note that government shutdowns are not inevitable; they are a result of political choices. The failure to reach a compromise on federal spending reflects the deep ideological divisions within Congress and the broader political landscape.

We are hopeful that our elected officials will seek resolution to this issue and work in a bipartisan manner to avoid a shutdown while also addressing the fiscal health of the United States.

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