The 13 Biggest Blunders Business Owners Make

The following is a list of the biggest blunders that business owners make with respect to succession or business planning. These mistakes can cost hundreds of thousands of dollars. Once made, they often cannot be remedied.

1. **Not having a business succession plan or waiting to long to devise one.** Don't wait, start working on it.
2. **Poor timing.** Developing a succession plan when you are in the hospital, or when the economy is in the dumps is not good timing. Take advantage of those times when the economy, or your business, is up - when you can show a string of strong performance.
3. **Not having an attractive business to sell.** Prior to selling, focus on client/customer retention strategies and tie up key employees with contracts, incentives or loyalty.
4. **Not understanding what your company is worth.** Periodically value your company and develop an understanding of what the key value drivers are.
5. **Focussing on the income statement only.** You have to manage your working capital too – get receivables down, sell off redundant/surplus assets, clean up your operations.
6. **Paying too much tax because of poor income and estate planning.** Hire competent advisors to help you structure your company to minimize taxes and make sure that you have a plan to ensure that your business wealth translates over to your personal wealth.
7. **Not retaining competent advisors.** You need good financial, tax and legal advice and someone to oversee them all (like me).
8. **Not understanding buyer objectives.** Gather as much information on potential buyers and your industry as you can to give you insight into what their objectives are. Then you can package and structure your business to help buyers achieve (or perceive that they will) their objectives.
9. **Only considering competitors or industry members as buyers.** Keep in mind that integration can happen horizontally too – a key customer or key buyer may want to buy you, or someone who just likes your business and wants a piece of it.
10. **Not controlling key information.** Do not disclose information to buyers prematurely – they may use this against you and not buy. You need to use non-disclosure or confidentiality agreements and only disclose when you need to. On the other hand, do not make the mistake of withholding material facts, because that will probably come back to bite you.
11. **Ignoring deal terms over price.** The right price but the wrong structure can be as bad or worse than the wrong price and the right structure. Structure, i.e. the way the deal is structured and the terms and conditions, is very important.
12. **Having an ambiguous Letter of Intent.** It is important to have a letter of intent that clearly states the basic terms of the deal.
13. **Losing focus on your business while trying to sell it.** If you lose focus and the business slides, that may queer your sale, or if the sale falls apart, you've wrecked your business with nothing to show for it.