

The Point of No Return (In the Sale of Your Company)



** POINT OF NO RETURN - The point beyond which one must continue on one's current course of action because turning back is physically impossible, prohibitively expensive or dangerous.*

You are the owner or CEO of a company and have recently put it up for sale. The process is well underway and it is consuming every available minute of your day. You think that you are in control and can stop the sale process if it does not move in the direction you desire. That is correct, until... The Point of No Return ...when turning back is impossible because of the damage it will inflict on your company.

If you are contemplating the sale of your company, you need to be prepared to engage in a life-changing event. The sale of your company is an emotionally, physically and mentally challenging process. It will occupy your business and personal life for a long period of time. It may also be the one event in your life that secures your financial future. But even with thoughts of riches, do not start this process if you are just kicking the tires. Do not start the process unless you are committed, are likely to get a fair price, to accept a fair price, and to close a deal.

Selling your company is like standing on the edge of a cliff with one foot dangling over the edge. One little push and you are in free fall with no way to get back to where you were. Once you start a sale process, it is hard to stop. There are points along the way where stopping the sale will not have a detrimental impact on your company. However, you can reach a point where a change of direction is not possible without causing serious damage to the very company you are engaged in selling.

The sale process is a series of overlapping steps:

1. Management, board and investor strategic discussions
2. Engagement of professionals including lawyers, brokers, bankers, accountants, & consultants.
3. Research regarding prospective buyers
4. Preparation of teaser promotional materials

5. Initial presentations to interested parties
6. Identification of potential buyers
7. Entertaining offers
8. Narrowing to short list of serious opportunities
9. Finalization of offers
10. Due diligence
11. Agreement drafting and negotiation
12. Regulatory filings
13. Close of transaction
14. Post-close activities

You will be involved in every step of the process with little time to dedicate to daily operations. While you are attentively addressing deal issues, there will be a secondary set of distractions that will further tax your time availability. These distractions include quashing employee and customer rumors, managing investor or board expectations as well as vendor and other relationships. All of these non-deal distractions add to the momentum of pushing the deal forward.

Employees

While sale transactions are meant to be confidential, it is hard to keep things quiet. Employees see the “suits” in conference rooms and in constant meetings with senior management. Word of mouth spreads rumors around an organization quickly and has an impact on employee morale. Social media outlets compound the dissemination of often incorrect and sometimes bizarre information. This information usually includes only a few facts and a large amount of unsubstantiated and grossly inaccurate information such as pending mass layoffs.

Managers often jump to conclusions that their positions will be redundant and envision that they will be casualties of the transaction. They may become distracted and set their sights towards their next position.

Customers

Customers are not insulated from social media exposure. Also, during due diligence the potential acquirer will have had discussions with some of your clients leaving them to establish their own opinions of the potential acquirer and how they may be impacted. These discussions fuel rumors in the industry. Competitors get wind of the information as well and have a habit of spreading more rumors about the negative implications of the pending deal or the precarious financial position of your company. This misinformation creates distraction for your operational and sales teams who are trying to carry on normal day-to-day business. Operational discussions and new sales presentations often get misdirected to discussions about the rumored transaction. The misinformation is compounded by the fact that middle managers and sales staff often are not in the loop and don't know how to respond and sometimes handle these situations inappropriately.

Board/investors

Boards and investors are usually involved at the beginning of the process in meetings with bankers or brokers when the potential sale sounds the most promising. They aren't always involved during each step of the sale process, especially after due diligence, as some of the company's warts become exposed, and deal economics may not be as attractive as hyped at the beginning of the process. Managing their expectations is another force that fuels the momentum of the transaction.

As the process moves into later stages you will realize that there are many forces pushing the transaction forward. Even if you wanted to stop the deal, the implications might be very harmful to the company. When you reach that Point of No Return you are destined to complete the transaction even under less favorable terms. Keeping your eye on the process, managing internal and external expectations, and having an honest perception of the progress you are making and the direction in which you are heading will help in a transaction process that doesn't unknowingly put you over the edge. There may not be one specific point where it is obvious you are at the Point of No Return, but in retrospect, those markers are often easy to identify. Knowing when you are arriving at that point and making a go / no-go decision before you move forward is the only way to maintain control of your destiny.

*** POINT OF NO RETURN:**

Wikipedia, the free encyclopedia - The point beyond which one must continue on one's current course of action because turning back is physically impossible, prohibitively expensive or dangerous.

Merriam-Webster - (1) The point in the flight of an aircraft beyond which the remaining fuel will be insufficient for a return to the starting point with the result that the craft must proceed; (2) a critical point at which turning back or reversal is not possible.

Dictionary.com - (1) a point at which an irreversible commitment must be made to an action, progression, etc; (2) a point in a journey at which, if one continues, supplies will be insufficient for a return to the starting place.

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