

Tidewater Group, Inc.

Concerns when Selling the Company

(Point of View 36)

Sellers Concerns: Most owners' are concerned about competitors and employees finding out that the company is for sale. Sellers worry that the competitors will use the information against them when talking to customers. Worse yet, the company will be subject to rumors that will effect sales. In addition, their sales representatives will have to spend time answering the rumor. They will become discouraged and less effective in their sales efforts. This will result in lost creditability and sales.

Who should be told and when: Experience has shown that the most effective method for handling the issue is to be up-front with employees, brokers and customers. It is better that they hear the information from you than from a competitor. However, it is important that you "position" the information in a positive light. Generally a casual mention of the issue and the correct positioning will put the matter to rest and enable your employees to respond to questions in an equally casual way, thus defusing the questions. Whatever comment is made should provide a creditable response to the question --- Is the company for sale?

- ◆ One client was comfortable saying that "Everything is for sale but my dog." This comment fit with his flippant personality and was true.
- ◆ A more reflective comment that we advise our clients to make is: "The company is looking for additional financing in order to take the firm to the next level." It is a short step from looking for additional financing to receiving an offer that was too good to pass up, and this only becomes apparent when the transaction is completed.
- ◆ A third approach is to indicate that the company is seeking a "merger, in order to gain competitive strength." Most people consider a merger a combination of equals, with minimum change. This is true of employees, outside sales organizations and customers.

Customer concerns: Most sellers are very concerned about what customers will think and do. Today, acquisitions are so common that most customers won't think much about it. Their concerns will be: Will I still be able to buy the products? Is my price going to go up? Will the product still be top quality? Remember the company is attractive to the buyer, because they desire the additional sales, profits and customer lists, formulae, brand name and other "non-financial" assets. The acquirer will want to preserve and protect what they have spent good money acquiring.

Employee concerns: These concerns generally focus on: Will the company be moved? Will I still have a job? Will a lot of changes take place that will effect how I do my job? Assure the employees that you are negotiating these very issues and indicate that you expect a positive conclusion. Remember, the buyer's interest in the company is because of the value they place on growing the company. It would be fair to say that you fully expect the majority of jobs, if not all jobs, to be maintained --- and this is usually true.

4019 Bishop Court
Wilmington, N. C. 28412

www.thetidewatergroup.com

Email: wzimmerman@ec.rr.com or

Phone: 910-793-9224

Fax: 910-793-9366

Bill@thetidewatergroup.com