Field-proven results in business sales and acquisitions

What Makes a Deal Close?

For every reason that a pending sale of a business collapses, there is a positive reason why the sale closed successfully. What does it take for the sale of a business to close successfully? Certainly there are reasons that a sale might not close that are beyond anyone's control. A fire, for example, the death of a principal, or a natural disaster such as a hurricane or tornado. There might be an environmental problem that the seller was unaware of when he or she decided to sell. Aside from these unplanned catastrophic events, deals abort because of the people involved. Here are a few examples of how a sale closes successfully.

The Buyer and Seller Are in Agreement From the Beginning

In too many cases, the buyer and seller really weren't in agreement, or didn't understand the terms of the sale. If an offer to purchase is too vague, or has too many loose ends, the sale can unravel somewhere along the line. However, if prior to the offer to purchase the loose ends are taken care of and the agreement specifically spells out the details of the sale, it has a much better chance to close. This means that a lot of answers and information are supplied prior to the offer and that many of the buyer's questions are answered before the offer is made. The seller may also have some questions about the buyer's financial qualifications or his or her ability to operate the business. Again, these concerns should be addressed prior to the offer or, at least, if they are part of it, both sides should understand exactly what needs to be done and when. The key ingredient of the offer to purchase is that both sides completely understand the terms and are comfortable with them. Too many sales fall apart because of a misunderstanding on one side or the other.

The Buyer and Seller Don't Lose Their Patience

Both sides need to understand that the closing process takes time. There is a myriad of details that must take place for the sale to close successfully, or to close at all. If the parties are using outside advisors, they should make sure that they are deal-oriented. In other words, unless the deal is illegal or unethical, the parties should insist that the deal works. The buyer and seller should understand that the outside advisors work for them and that most decisions concerning the sale are business related and should be decided by the buyer and seller themselves. The buyer and seller should also insist that the outside advisors keep to the scheduled closing date, unless they, not the outside advisors, delay the timing. Prior to engaging the outside advisors, the buyer and seller should make sure that their advisors can work within the schedule. However, the buyer and seller have to also understand that nothing can be done overnight and the closing process does take some time.

No One Likes Surprises

The seller has to be up front about his or her business. Nothing is perfect and buyers understand this. The minuses should be revealed at the outset because sooner or later they will be exposed. For example, the seller should consult with his or her accountant about any tax implications prior to going to market. The same is true for the buyer. If financing is an issue it should be mentioned at the beginning. If all of the concerns and problems are dealt with initially, the closing will be just a technicality.

The Buyer and Seller Must Both Feel Like They Got a Good Deal

If they do, the closing should be a simple matter. If the chemistry works, and everyone understands and accepts the terms of the agreement, and feels that the sale is a win-win, the closing is a mere formality.

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