3 Things Entrepreneurs Should Consider Before They Sell

The process of selling a business is a life-changing event which encompasses a great deal more than many people realize. While we have published a white paper and shared general insights on this subject in the past, the following three recommendations more specifically relate to entrepreneurs, and go beyond traditional best practices and protocols that might also apply.

1. Have a plan on what you want to do next.

The weeks after a business sale can be disorienting. For most entrepreneurs, their social circles, their identities, and their schedules are built around their companies. When you transition from founder to employee, even if that outcome is financially lucrative and the role is a dream, it means suddenly you may find yourself with a large amount of free time. Many founders express that even though the exit is exciting and may include an incredible financial gain, they feel a sense of loss. Make sure you take the time to plan the months following the acquisition and reassess your goals (reconnecting with friends, getting healthier, traveling, hobbies, charity work, etc.).

2. Pay attention to the value of your time and negotiate accordingly.

Most acquisitions come with lockup agreements for the management team, and it is easy to think you can tough it out in any scenario for a few years. However, time is the most precious resource you have, especially as an entrepreneur. Depending upon your personal goals, life stage, etc., be realistic in framing your acquisition agreement to match the amount of time you truly think you can stay happy as an employee. Know yourself well enough to have an idea about what matters to you and negotiate for those things in your new role. The objective is to make it enjoyable and make it more likely you will want to stay. Otherwise, consider your compensation package and perhaps take more upfront, knowing it is unlikely you will be there going forward.

3. Build a trusted circle of people before the acquisition and have the right team in place.

If terms of the acquisition are publicly announced, suddenly there will be a great deal of people who know your financial status and a large number of requests will start coming your way for investments or charitable giving. Having the right team around you in advance (wealth manager, accountant, advisors, attorneys, family and friends that you know well) helps to not only optimize your position during the negotiation and sale, but also helps to ensure that you make smart decisions and build a portfolio with purpose. Taking this approach prevents you from ending up with a random collection of business investments and charitable cause investments that do not align with your overall goals.

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