ROCK LAMANNA℠

CODE RED

CODE RED:
12 SELLER MISTAKES

Listen up, Sellers!

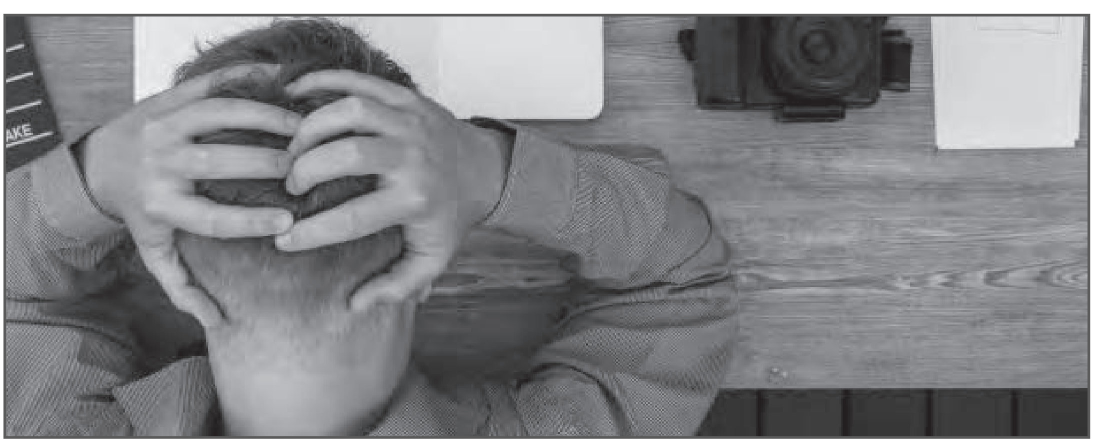
It's time for you take a good hard look in the mirror and find out if you're really, truly ready to sell your print and graphic communications business.

A quick and simple way to make that assessment is to ask yourself if you have made any of the twelve mistakes I outline in the following pages.

Why am I sounding the alarm and calling a **CODE RED?**

If you've made one or more of the mistakes listed here, I guarantee you won't get the price you think you should get for your business.

Far too often, business owners ignore these mistakes. They push through a sale out of desperation, fear, panic, and anxiety – all the wrong reasons. They sell from a position of weakness. And in the end, they don't wind up getting wealthy. They wind up getting weaker.



Get Ready for a **Reality Check**

To help you assess whether you're truly ready to sell your print or graphic communications business, absolute honesty is required on my part and yours. **Be Forewarned:** I'm going to point out things that may make you uncomfortable, maybe even offended.

If that's the case, then I'm doing my job. This report was created to help people who want to succeed. It's for the business owner who realizes that, even if they're at the end of the rope, the climb to success begins with a **Reality Check**.

This may be painful, but there is good news. No matter how bruised and battered you feel after reading the Code Red Seller Mistakes, there is plenty of hope. In fact, if you read the list and assess yourself honestly, you'll probably sell your business – whether it's sooner or later – at a much higher price.

After you read this list, you'll want to take **1 of 2 ACTIONS:**

1. Correct the mistakes you're currently making and get greater value for your business.

2. Seek and match your business with a strategic or financial buyer, confident in the fact that you're organized and prepared to sell. At the end of this report, I'll show you how to take either of those steps. But first, onto **CODE RED:** 12 SELLER MISTAKES.

Rock LaManna

1. You haven't developed your own skills. You haven't hired talent.

I am reluctant to admit it, but many of the business people I've met in my life have simply been lucky. They got into an industry when the going was good, hopping on the gravy train when there was plenty of gravy for everyone.

Unfortunately, that easy path has led those individuals to fail in several critical management areas:

- They don't keep up to date on leadership skills.
- They don't communicate with their employees.
- They don't hire the necessary talent to continue growing business.

Leadership skills are critical.

I have a client who is finally taking stock of his own abilities, and is just now asking "What do I need to do?" He should have been asking that question years ago. Today, it is a highly competitive atmosphere. Now, you need to be the very best to succeed.

Not only do you need to be the best, you need to hire the best. In the past, people were fixated on equipment. They attributed assets to be a sign of a business' worth. No more. Today, your most valuable assets are your people – the source of your cash flow and profit margins. Any buyer will be assessing them very closely.

2. Your organization isn't very well organized.

A buyer is looking for a well-oiled machine that is easy to understand and has airtight processes. You need to be extremely organized to create a company of that caliber.

The first place you'll want to start is with your financial statements. The balance sheet, income statement, and cash flow statement all indicate how effectively a business is being managed. It's well worth hiring a quality CPA to make sure everything is ship-shape. Accuracy and timeliness are critical. You need solid metrics that can prove your success and are accessible at a moment's notice. You may not look at such critical data, but a buyer surely will.

Next, take a close look at your processes. Do you have ironclad systems in place that can be trained to new staff and new management? Remember, you're turning over the keys of the car to a new owner. You'd better make sure you have a nice owner's manual waiting for them.

3. You’re not allowing enough time to sell or transition properly.

For what I’m about to tell you, I want you to take a deep breath and sit down. In fact, you might want to lie down for this one.

Most businesses take 24 months to sell. Minimum.

No matter how desperate you want to sell, there are no buyers who will speed through a closing just to get you the cash you want. You’re better off liquidating and closing the doors than thinking you’re just going to turn something around in two to three months.

Selling a business takes time. This is a process, not an event, and it starts a long time before the deal occurs, and it finishes long after the closing. For a truly successful transition – the kind of win-win scenario you need for long term success – you should plan on some level of involvement after the sale as well. Even if you have everything ready, any transition requires some hand-holding, so factor that into your timeline. Give yourself enough time to complete the transaction. **Otherwise you’ll wind up spending more time spinning your wheels than closing a deal.**

4. You think you can sell the business by yourself.

You're about to fall into the trap of the entrepreneur.
Every classic entrepreneur believes they can do it themselves. Whatever the business, whatever the task, they have such supreme confidence in their own ability. To their credit, many talented owners like you could figure out all the intricacies of selling a business.

But should you undergo such an endeavor, particularly when you'll need to keep your own business running strong?

As someone who participates in business transitions every day, I can tell you these are time vacuums, even for those of us who have been doing this for decades. **It's a long, arduous process, even with a learning curve.** To try to complete this on your own while you run your business would require a minimum of 20-hour days for well over two years – if you get lucky and find the right buyer.

There's nothing wrong with being a self-learner, but choose the areas that make the most sense. This is definitely not one of them.

One more thing to keep in mind: No matter how successful your business might be, most buyers don't like a one-man show. Unless you have a team assembled to support you, they'll immediately discount your business by 30 percent.

5. You're selling without positive profits or well-managed cash flow.

Let's pretend you're looking to buy a house. Your realtor takes you to a property where you see a decrepit old house, literally falling apart. As you walk through the house, you see the inside is just as bad as the outside. Finally, the realtor tells you the homes in the area have been depreciating for five years.

What will be your first reaction? If you're smart, you'll probably run for the hills. If you decide you want to buy the property, however, you will certainly ask for a rock-bottom price.

Buyers will do the same thing when they look at your business. First, they'll want to know if you're profitable. Second, they want to know if you have positive cash flowing. **These are critical barometers.**

By showing these financials in a clear, organized fashion, the conversation can begin on your terms.

6. You have too many underutilized assets.

There was a time when the assets meant much more to a business than they do today. If you have a seasonal asset, it can lie dormant for a while. But if it sits month after month, then you've got a problem.

Today's smart buyer will take a look at your asset turnover. This key indicator will help them determine how much of your assets are helping to generate profit. You need to get those underutilized assets off the books.

7. You don't understand your financials.

Your blood has probably begun to boil on this one. Of course you know how to read a balance sheet or a cash flow statement, and you're aware of your own personal net worth.

But I'm not talking about just reading numbers here. I'm referring to real analysis of your balance sheet, income statements, and cash flow statements. I'm talking about pinpointing not only where to increase, or where danger signs or problems lay, but also how to improve your overall return on equity.

This is no easy task. It took me years to understand how to read between the lines of financial statements. **Don't waste your time trying to do the same.**

Instead, surround yourself with a very smart and capable team of people such as CPAs, tax experts, legal counsel, and a business advisory team. Get people on board who can help you understand your financials, objectives, and how to achieve your legacy plans. They'll help you throughout the process.

8. You have no vision and no marketing strategy.

So you think you've got that covered? You've got a vision statement. And some time, a few years ago, you hired a marketing consultant to write a marketing plan for you. All that stuff is filed away. Somewhere in your desk? Or did you put it in the filing cabinet?

You can see the challenge. I'm not talking about a couple documents you gave lip service to a few years ago.

I'm talking about a true vision for your company. A grand plan for where the marketplace is headed, and how you're poised to capitalize on it. You also need a marketing plan with the strategies and tactics that are going to help you achieve your goals.

These cannot be old documents filed away in your desk. These need to be living, breathing ideas and actions that guide your company. You also need your team to buy in on the plan, and be unified to make it happen.

Remember, the past only matters to you. Your buyer is looking at the future. They want to see what your business can be, not necessarily what it has been. They also want to see that you're marketing strategically. For example, no single account in your customer base should be greater than fifteen to twenty percent of your business.

That type of strategic thinking needs to be apparent in both your vision and your marketing plans. You've got to be able to show them why you're such a great investment for the future.

9.

You're Uncommitted, Unmotivated and Uninspired

It takes a tremendous amount of energy and resources on the part of the seller and the buyer to ensure a successful transition. You can't pursue this with "one foot in."

Both you and the seller need to be entirely committed to the process to make it work. You both have to be highly motivated and trusting to create and collaborate in a win-win situation. It's the only way everyone profits over the long run.

You also need to be inspired, not only about what your business has done, but also where it's heading. I know firsthand of people who have sold their business after they've grown "tired" and no longer have the will to compete.

Well, guess what? If you don't have the will to compete, how do you honestly think your business will look? A buyer will immediately see a company that looks as tired as its owner, and your price will plummet accordingly.

10. You're failing to generate new sales.

I alluded to this earlier with a reminder about remaining profitable and keeping a positive cash flow. The driving force behind both of those financial benchmarks is sales.

If you decide to sell your business, you're going to encounter a relentless stream of distractions. You'll be pulled in multiple directions, and embark on the roller coast ride of a lifetime. My advice is to avoid as much of it as you can.

Focus on what you do best: Building your business.

It's why people are interested in you in the first place, and why they'll remain committed to you until the day you sell. If you stop improving and trying to grow, your price will shrink proportionally.

11. You've chosen the wrong advisors.

To allow you to focus on profitability, you'll need to bring together the right professional advisory team to focus on the process of selling your business.

I recommend the following trusted and proven professionals for this endeavor:

Finance Team	**CPA/Tax Advising, Investment Banker, Real Estate Professionals, Insurance Advisor**
Business Consultant and Transition Specialist	**Deal Flow, Strategic Transitioning, Industry-Specific Experience, Access to Qualified Buyers**
Legal Counsel	**M&A Specialist, Estate Planning**
Personal Coach	**Post Close Transitions**

I know what you're thinking:

How will I afford all of this?

These are the people who can help prevent costly mistakes. Their costs can be structured as part of the deal. Be selective, however. I know of an advisor who bailed once the deal closed, taking their fee and running for the hills. That advisor wasn't there to help with the needed transition afterward.

You need to understand the quality and the integrity of the specialists you're retaining.

Consider the following criteria for your Dream Team:

- Years of marketing experience (minimum 10)
- Respected, networked, capable, and trustworthy
- Referrals (previously engaged clients and other professional advisors)
- Number of successful industry transactions and success ratios
- Integrity, competence, and passion for a successful close
- Experienced facilitator and negotiator

12. You've got baggage.

Buyers don't like baggage.
You absolutely must address any outstanding issues with your financials. Do you have pending litigation? Does your business or real estate have any environmental concerns? These issues have to be dealt with before any buyer will consider your company for a potential acquisition.

So what's next?

I have been helping guide strategic transitions in the printing and graphic communications business for over 45 years, and I have observed the following **negative behaviors** among owners who *unsuccessfully sell their business* ***for much less than they're worth.***

In almost every case, the owner is:

- Uneducated on the process
- Impatient with the process
- Not focused on a win-win scenario for both the seller and the buyer
- Unrealistic about the asking price and the true value of the offering
- Not disciplined and not in full control of the overall outcome
- Frustrated because he/she has hired the wrong advisory team for the transition

These feelings are normal, but they're not constructive. They're also not necessary. **You've got options.**

The CODE RED has been issued.

I mentioned at the beginning of this report that one of two things would occur:

1. If you've made the mistakes listed here, you'll want to correct them and work toward a higher valuation for your business.

The right growth strategies and process modifications can result in drastic improvements. They can lead you back to the land of increased sales, profitability, and a positive cash flow.

2. If you haven't made any of the mistakes, you'll want to match your business with a qualified buyer, confident in the fact that you're ready to sell.

Now that you're ready to sell, it's critical to match yourself with the right buyer. To embark upon this journey, you must align yourself with the right advisors. Build your transition team, and make sure you engage people with competence, integrity, and passion.

The Code Red has been issued. Take it seriously.

The success of your business depends upon it. For help in any of these areas, contact us for a free 30-minute consultation.

Rock LaManna
LaManna Consulting Group

Rock LaManna is the President and CEO of LaManna Consulting Group. LaManna Consulting Group helps printing company owners and CEOs use their company financials to prioritize and choose the proper strategic path.

Based on an approach that provides quantitative and qualitative analysis, LaManna Consulting Group provides industry-specific guidance on how to:

- Grow a printing business
- Unite with a strategic or financial partner
- Make a strategic acquisition
- Create a succession plan

Throughout his career, Rock used this approach to build and sell his own companies, as well as help countless owners complete successful strategic transitions.

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