# Gut Check

## When your head says you're making a great business deal, make sure your stomach agrees

There is a critical and often overlooked aspect of selling an LBM business that can cause just as many problems as a failure to agree about price and terms. It is not an item on any attorney's or investment banker's checklist and it is seldom discussed openly in meetings surrounding a pending deal. That critical element is the emotional aspect of making the decision to sell a company that may have been founded by the current owner or held in a family for generations.

I once heard the story of a selling business owner during the era when closing a transaction meant signing an endless stream of documents in a lawyer's office. In the midst of signing, the seller excused himself and disappeared with no communication with anyone, including his wife, for two days. After having made his peace with the notion of selling the company, he apologized to all parties and reappeared at the lawyer's office to consummate the transaction. Needless to say, it is better to address the emotional aspect of a sale well in advance of such a personal crisis.

The emotional issues surrounding the sale of a company are fairly obvious. If the current owner founded the business, they likely have poured their heart and soul into it for years. If the business was founded by prior generations, that question can weigh even more heavily. Most selling owners take comfort in the fact that they, and the members of prior generations of owners, want whatever is best for the company. Often, that means joining forces with a larger organization.

The only way to assure oneself that the chosen buyer is the best one to continue a business's legacy is to do the proper reverse due diligence on the buyer. That is why, as the date of closing a transaction nears, buyers and sellers begin to interact directly more often, without the presence of intermediaries. Selling owners should talk to others who have sold a company to the buyer in the past. These references, some of whom preferably will no longer have an economic connection to the buyer, can serve as an indicator of how it will be to work with the buyer after closing. It is particularly important to ensure that the level of control over the business that the seller is willing to give up matches the buyer's expectations.

It is also critical that the selling owner have a plan for how their life will look after the deal. The second wave of astronauts to walk on the moon learned from the struggles suffered by the earlier astronauts who had failed to make a plan for what happened after the moon. It is the same for business owners. Many utilize their newly-created liquid wealth to enter other business ventures. Because of the nature of the building industry, many selling owners pursue their interest in real estate as developers. Others use a portion of their proceeds to found small private equity funds. This keeps them engaged in growing businesses, without having all of their capital at risk.

Other selling owners seek seats on the boards of directors of public and private companies. These roles can be a great way to utilize hard-won skills without a full-time commitment, as can a volunteer position with a nonprofit group like the Service Corp. of Retired Executives. These groups bring top-notch talent at no cost to budding entrepreneurs. Most retired business owners find these and other philanthropic activities to be among the most rewarding work they have performed in their career.

Along with doing what is best for their company, selling LBM owners have an obligation to themselves to use their chosen fork in the road to write an amazing new chapter in their own story.

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