

Preparing to Sell Your Business: 4 Essential Steps to Maximize Your Exit Value

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After participating in hundreds of business acquisitions and divestitures over my 25-year career, I've developed a comprehensive understanding of what separates successful exits from disappointing ones. The difference often lies in methodical preparation rather than luck or market conditions. If you're thinking about selling in the next few years, these strategies can dramatically improve your final outcome. Below, I outline four evidence-based strategies that consistently deliver superior outcomes for business sellers.

Step 1: Start Strategic Exit Planning Early to Build a Stronger Deal

Successful business exits rarely happen by accident. My most successful clients typically dedicate 12-24 months to structured exit planning. This preparation period delivers measurable advantages:

- Advisory Team Assembly: Engage your professional network early—your CPA, attorney, wealth advisor, and commercial banking partner should all contribute to your exit strategy. Each brings unique perspectives on tax implications, legal considerations, and post-sale wealth management.
- Objective Assessment: Consider bringing in a specialized business consultant to perform a comprehensive diagnostic of your operation. These professionals can identify value detractors that might be invisible to you after years of operation.
- Market Timing Optimization: A longer runway allows you to time your exit to coincide with favorable industry conditions or economic cycles, potentially increasing valuation multiples.

Step 2: Financial Statement Clean-Up

Many privately-held businesses operate with tax efficiency as their primary financial objective strategy that often obscures true business performance and diminishes apparent value. A successful transition requires a paradigm shift:

- Financial Record Standardization: Implement professional bookkeeping practices that create direct reconciliation between your management accounts and tax filings. For QuickBooks users, this means consistent categorization, regular reconciliations, and proper treatment of capital versus

operational expenses.

- Cash Flow Optimization: Begin operating with profitability visibility as a priority. My clients who demonstrate two consecutive years of growing, documented profitability typically command valuation premiums compared to businesses with volatile or declining results.
- Transparent Addback Schedule: Develop a comprehensive, defensible schedule of owner benefits and non-recurring expenses. This document should clearly identify:
 - * Owner compensation
 - * Personal expenses processed through the business
 - * Family member compensation
 - * One-time legal, accounting, or consulting expenses
 - * Depreciation/amortization adjustments
- Supportive Documentation: Ensure every item on your addback schedule is supported by verifiable documentation. This substantiation builds buyer trust and facilitates a smoother due diligence process.

Step 3: Document Your Operations to Reduce Buyer Risk

Businesses that operate on undocumented internal processes or owner intuition present substantial risk to buyers. Systematic documentation transforms this risk into quantifiable value:

- Standard Operating Procedures: Document core processes across all functional areas of your business—sales, operations, administration, and customer service.
- Customer/Vendor Relationship Management: Create comprehensive profiles of key accounts, including relationship histories, contract terms, and communication preferences.
- Proprietary Methods: Formalize any unique methodologies, formulas, or approaches that deliver competitive advantage. These become valuable intellectual property during valuation.
- Training Systems: Develop onboarding and training materials for every key position, demonstrating to buyers that success isn't dependent on specific individuals.
- Technology Documentation: Catalog all systems, software, passwords, and digital assets with clear usage instructions and integration points.

My clients who implement comprehensive documentation typically experience faster due diligence periods and encounter fewer deal-threatening discoveries.

Step 4: Reduce Owner Dependence to Increase Buyer Confidence

Businesses overly dependent on their owners typically sell at a discount compared to organizations with distributed leadership. Implement these strategies to reduce key person risk:

- Leadership Development: Identify and cultivate second-tier leaders who can demonstrate operational competence during buyer meetings and due diligence.
- Customer Relationship Transition: Methodically introduce key team members to important clients, gradually transitioning primary relationship management responsibilities.
- Supplier/Partner Relationships: Diversify vendor management responsibilities across your team, reducing exclusive reliance on owner relationships.
- Formalized Organization: Develop and implement a clear organizational structure with defined roles, responsibilities, reporting relationships, and succession plans.
- Decision-Making Distribution: Institute operational systems that don't require owner input for day-to-day functions, demonstrating to buyers that the business can sustain momentum during transition.

Conclusion: The Return on Preparation Investment

In my experience, business owners who implement these four strategies realize substantial returns on their preparation investment. While market forces and industry trends certainly influence business valuations, preparation remains the single most influential factor within your control.

Whether your next chapter involves retirement, a new venture, or more family time, a well-prepared exit ensures you get there on your terms.

Unfortunately, too many owners find themselves forced to sell due to unexpected health issues, family circumstances, or market disruptions. These reactive sales typically result in compressed timelines, limited buyer pools, and significant value erosion.

By partnering with an experienced business broker who understands your industry dynamics and can guide this preparation process, you position yourself to maximize transaction value, accelerate the sale timeline, and ensure the business legacy you've built continues long after your departure.

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