THE EXIT ACADEMY

Psychology of Selling

& Preparing for Life After Exit

Mark Carmichael

The Exit Academy

Lesson Download

Psychology of Selling & Preparing for Life After Exit

WARNING: Selling your business is complex and emotional

As you consider the sale of your business, remember that it can be a deeply emotional experience. A substantial, life-changing event is about to transpire. As part of that event you may lose the professional role through which you have, in some ways, defined yourself. This reality can bring up emotions you have not previously confronted. An owner who has not prepared themselves for the selling-your-business journey, the highs and lows to be encountered, the investigation into your business by third-party investors, the psychological issues surrounding life after the sale – and more – can actually prove an obstacle to sellers in the sale of their very own company.

The Pre-Sale Psychology

We often think of business in terms of hard numbers and hard-nosed decision-making. Selling your company involves those elements, naturally, but for many, the most challenging element is emotional, which can lead to instability during the sales process. You will be confronted with outsiders scrutinizing and assigning a value to your business. Investors will place a price on your years of hard work and you will be parting with something you created through years of toil. This can be daunting. Additionally, you need to consider life without your business–and your business going forward without you. Your business likely has been the focus of a large part of your life for a long, long time. Many owners don't anticipate and/or know how to manage the emotional roller coaster associated with leaving that life. They shy away from thinking deeply about what they want and why they want it. They may end up in a reactive rather than proactive position, missing opportunities or failing to control events to effect the best outcome.

The most obvious advice is simple: prepare yourself for life after the transaction so that once the sales process commences, you can check your emotions at the door.

Clearly, this is often easier said than done. However, knowing the rules before you get in the game, completing The Exit Academy and/or reading The Intelligent Exit book is going to better equip you for the journey ahead. Your M&A advisor should serve as your coach, shouldering much of the work and helping you address key questions that will clarify your thinking and thus your emotional response. The advisor should be able to guide you, remove unnecessary stresses and empower you to focus on those questions you can and must answer.

Here are a few suggestions to consider in managing the emotional journey of selling:

• Use your advisor as the first line of defense in discussions with potential buyers; allow them be the "bad guy" when difficult conversations must be held.

• Talk to your advisor to ensure that you and they are aligned regarding the process from beginning to end. Ensure you're both on the same page. They've been down this road several times before, so take advantage of their knowledge and experience. Explain any worries or concerns you have. Communication is key, so don't be afraid to make your concerns known.

• Understand up front that in a robust exit process the majority of targets will decline to make an offer for your business because their specific strategic priorities do not match with your business. This is not a negative reflection upon your business.

• Deals aren't dead until they are dead. In the majority of transactions, discussions go through peaks and valleys. Don't panic if and when a buyer sends negative signals or goes quiet for a short time. And don't be surprised if a buyer suddenly, and without explanation, withdraws from the process; that's just the way it goes sometimes.

Disclaimer:
This document is produced for information only in general terms and its application in specific circumstances will depend on the particular facts. We always strongly recommend that you seek your own advice from a qualified M&A advisor and when appropriate, from your lawyer, accountant or other professional advisor as appropriate. The content and opinions expressed in this report do not constitute advice whatsoever and neither The Exit Academy, The Intelligent Exit nor any affiliated businesses, staff or other representatives shall be liable for any loss arising from your reliance on any of the information contained in it.

If you're considering the exit of your business, contact us at: **ExitSupport@markcarmichael.com**
We work with ambitious clients who want to make the most of their exits. Business owners from around the world come to us to determine their ideal exit strategies. Our market-leading approach to selling businesses drives the development, implementation and execution of the most effective sell-side strategies designed to achieve extraordinary results. We typically work with businesses with an enterprise value of $25 - $500 million.

©2021 Mark Carmichael – The Exit Academy

• Conversely, a deal is not done until it is done. Don't let the excitement of an executed Letter of Intent cloud your vision. There is still a long way to go. There are significant points to be negotiated between the seller and buyer as the deal progresses through due diligence and drafting of the Purchase Agreement. Celebrate once the money has hit your bank account.

Post-Sale Psychology

The emotional preparedness for life after your business is another issue that should be considered as well. More than one entrepreneur has failed to handle newfound wealth and free time appropriately. Identifying the issues now that you believe may trip you up, and allocating the sufficient time required to reflect and determine the best course of action ahead, is crucial.

Some issues to consider:

• **Acknowledge that selling your business may require a re-creation strategy.** Selling your business may be the high point of your career–at least from a financial perspective–but the emotional experience is comparable to retiring or leaving a job you've been devoted to. Long before you get to the stage of concluding the sale of your business, make certain that you knowingly accept that this will be a transition phase–one in which you may have to rethink and re-plan the life ahead of you. Acknowledge that it won't always be easy. For starters, others may act differently toward you if they are aware of the financial details of your sale. Finding the right balance for yourself and your family in a post-transaction environment may take time; for some, it takes longer than anticipated. Two useful resources worth checking out are LifeLaunch by Frederic Hudson, and Chapters by Candice Carpenter.

• **Find a good personal coach.** Selling your business means a great deal of focus on your business and the money you will receive. It's easy to get caught up in the mental preparation, but there will be other factors to consider, such as financial planning; whether you wish to establish a charitable organization or family trust; and donations to your church, alma mater, or favourite cause. There will be tax planning issues to contend with. Your last will and testament will require updating. The list goes on. You may wish to consider having someone on your side who supports you as a person, who separates themselves from the myriad of issues you will be contending with, and who provides guidance and structure for the path ahead. Seek someone who can challenge you, serve as a voice of reason, and aid you in defining your life goals and strategies to achieve them. Coaches can be an invaluable resource in this context. For several entrepreneurs that I know personally, coaches have made a considerable difference in their overall quality of life after a sale.

• **Develop a game plan for the first 6-12 months.** A few years back, we sold a business for a client for whom the amount of money involved was life-changing. Three days after the deal concluded and the money was in his bank, I rang to see how he was doing. Do you know what the first thing he said to me was? "What do I do now?"

He was a very creative guy with a passion for life, so he soon developed a plan for himself, his wife and his kids (more on this below). My point is that his reaction is not uncommon. Too often, entrepreneurs fail to consider life after exit. Although my firm's role is not to develop such strategies, the issue inevitably arises often in discussion. I endorse developing a straightforward game plan for at least the first six months following an exit, with a limited number of grounded goals to pursue. I say "grounded" because the temptation to "splash out" is often too great for many newly minted entrepreneurs. They reward themselves with a lavish yachts, homes, private jets, etc. I'm not saying that such individuals shouldn't spend as they see fit; after all, they've earned it and the money is theirs to do with as they will. However, in working over the years with every type of entrepreneur imaginable, I would say everyone who has remained grounded in the months after the sale has benefited from doing so.

Here's what my client shared with me as his "to do" list for the first months after his sale:

1. Reconnect with my wife and kids: make them breakfast each day, be home when the kids get home from school, have Sunday family movie days on the sofa.

2. Make sure all of my personal finances in order.

3. Take my sons on a two-week camping/fishing trip.

4. Take my wife on a second honeymoon wherever she wants to go. For a month.

5. Buy an old Corvette to restore with my boys.

6. Find two new start-up opportunities to invest and get involved in.

• **Gain knowledge from entrepreneurs who've travelled the exit road before you**. There's an interesting white paper (which I hope soon to include as a download from The Intelligent Exit website; for now, though, you can Google it) titled *Life After An Exit: How Entrepreneurs Transition to The Next Stage,* written by Eugene Lang of the Columbia Business School (sponsored by Credit Suisse).

Also, speaking with entrepreneurs is a powerful way to gain valuable insight. Your M&A advisor may be able to connect you with others willing to speak with you. If not, look to join a peer group such as Tiger21, an excellent networking resource with numerous entrepreneurs who've exited their businesses successfully.

After so many years of dedication, sacrifice and focus on creating your business, you may find it strange to face a reality that stands in stark contrast to your previous life–one in which you may search for new opportunities and possibilities. My advice: don't fight it, embrace it. Life is what you make it and you've created a fortunate situation. What are you passionate about? What are your unfulfilled goals? Adapt the mindset that you can make the rest of your life, the best of your life.

Disclaimer:
This document is produced for information only in general terms and its application in specific circumstances will depend on the particular facts. We always strongly recommend that you seek your own advice from a qualified M&A advisor and when appropriate, from your lawyer, accountant or other professional advisor as appropriate. The content and opinions expressed in this report do not constitute advice whatsoever and neither The Exit Academy, The Intelligent Exit nor any affiliated businesses, staff or other representatives shall be liable for any loss arising from your reliance on any of the information contained in it.

If you're considering the exit of your business, contact us at: **ExitSupport@markcarmichael.com**
We work with ambitious clients who want to make the most of their exits. Business owners from around the world come to us to determine their ideal exit strategies. Our market-leading approach to selling businesses drives the development, implementation and execution of the most effective sell-side strategies designed to achieve extraordinary results. We typically work with businesses with an enterprise value of $25 - $500 million.

©2021 Mark Carmichael - The Exit Academy