Selling a business: Why it pays to appoint an experienced Transaction Project Manager

This post explains why appointing an experienced Project Manager dedicated to the sale of a business is a smart move for a Seller.

Selling a privately-owned business involves much hard work for owners and their management teams and this should not be under-estimated. A Seller wants to achieve a successful outcome and the highest value it can from the deal and so must commit significant effort to the process. At the same time, day-to-day operations must continue to perform well and managers remain focused on their jobs. However, a sale process always demands large amounts of management time and can easily distract from the "day job", so running the risk that business performance can be affected. A drop-off in performance will not be viewed positively by potential buyers and could also impact value. In the Corporate world, where M&A activity is frequent, Corporate Development professionals are usually employed to manage such situations. However, elsewhere this type of role does not exist in-house typically and the demands of managing the Sale would most likely fall on the management team.

Appointing expert external advisors – corporate finance specialists, lawyers and accountants - is undoubtedly essential – and whilst they will use their expertise to steer the Seller through the difficult process, providing insight and guidance in complex areas and helping to maximise value - there is still a mountain of work that can only be done by the Seller themselves, not least the sourcing and the delivery of information and data about the business that is requested by the advisors in order to market the business effectively and needed to prepare the Information Memorandum.

Next there are the long lists of due diligence questions submitted by the Buyer and their own professional advisors to be answered by the Seller. Typically these questions will cover a very broad range of business areas such as Finance, Tax, Legal, Human Resources, Intellectual Property, IT, Sales & Marketing, Operations, and more and answers will need to be provided by the appropriate managers from within the business. Although the focus of a financial buyer or a strategic/trade buyer may be different, both will typically use due diligence teams who will generate large volumes of questions and expect a prompt turnaround. Once again, the Seller's advisors will guide and filter these requests in an orderly fashion but the responsibility for providing the answers and supporting documents and data still rests with the Seller. A competent Transaction Project Manager would expect to handle this, gathering and co-ordinating responses and ensuring appropriate "sign-off" before release.

Then, there is the population of the Data Room (these days an electronic or Virtual Data Room) usually maintained by the Seller's lawyers, but again relying entirely on documents provided by the Seller. The extent of information and level of detail in the Data Room requires discussions between Seller and their advisors but should be balanced, providing sufficient information to enable potential Buyers to work-out a fair value but also limiting the amount of sensitive commercial information disclosed to anyone other than the ultimate Purchaser. Conversely, a poorly assembled Data Room with significant information gaps may sound alarm bells to potential Buyers that there may be other weaknesses in the business. A balanced Data Room can still run to the tens of thousands of pages of documents, scanned, indexed and uploaded and is an important task that a competent Project Manager can handle.

An experienced Project Manager appointed by the Seller can help to smooth the process, acting as the prime point of contact, filtering and co-ordinating information flows and so relieve the management team of a significant part of this burden, allowing them more time to focus on managing the business.

Indeed there are advantages in appointing the Project Manager early in the process. Unpleasant surprises can derail a sale and deflate perceptions of value. Consequently it is advisable to get organised for the sale process as soon as the decision has been made to sell a company.

Most advisors recommend a pre-sale check-up (sometime called sell-side due diligence) to review the internal systems, processes, organisation structure and personnel to ready the business for sale (such as a separation exercise if the company is part of a group structure and is to be sold- off as a stand-alone business) and then make pre-emptive changes which a Buyer might value. This also includes 'housekeeping' on things like key customer and key supplier contracts, ensuring that the company holds properly executed versions and avoid frantic chasing around in the midst of a deal. Few companies in my experience are perfect in this regard and a good Project Manager can facilitate this exercise and spot some of these imperfections and pre-empt matters before they become problems which can affect Buyer's confidence and trust.

When it comes to appointing a Project Manager for this task, most businesses are unlikely to have a spare senior manager in-house with the 'bandwidth' or previous transactional experience to take on this demanding, additional full-time Project Management role. Indeed, taking into account the sensitivity of documentation that is normally asked for by Buyers means there may be particular advantages for owners in appointing an independent, objective and dedicated individual to handle the disclosure of confidential and sensitive information.

The benefits to the process of bringing in an expert Project Manager from outside easily outweigh the costs of doing so. Such an appointment is a 'win' for the Seller, for their professional advisers and even also for the Buyer-side.

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