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THE IMPORTANCE OF MANAGING CONFIDENTIALITY

By Brendon Falk

Breaching confidentiality during the sales process can have serious repercussions. Many business owners have great difficulty in being discrete for one reason or another. Regretfully, this can have adverse effects if clients, employees and creditors are informed. These parties are inclined to speculate about the future of the business and the commitment of the owner. The golden rule here is to treat the sale as 'top secret' and inform parties only on a 'need to know basis'. Furthermore, it is also important to consider what information is provided to these parties. Listed below are a few considerations and reasons for managing confidentiality with the upmost discretion.

Potential Buyers - Although any prospective buyers are required to sign a non disclosure / confidentiality agreement first, we insist on limiting the amount of specific information provided to them. For example, you would not provide a potential buyer with your client list after the first meeting. What you don't know is that a competitor may be pretending to buy your business, only to diminish your goodwill. Providing them with proprietary information and intellectual property before the sale is complete is very risky.

Employees - If one employee knows, they all know and then the rumours start to circulate. If they fear the business is on the market due to financial difficulties, they will believe their job security is doubtful. They will also begin to speculate about their job conditions under the new owner and this uncertainty can cause them to go job hunting. If they are highly valued employees that end up leaving, the value of your business could be greatly diminished. This is the main reason why it is best that you let them know rather than staff finding out by rumour.

Clients - Clients will naturally be curious as to why your business is on the market. They will even question your commitment to the business (rightfully or wrongfully). In this situation you may lose some of them or at the very least, they will begin watching carefully for adverse changes to the business. The other consideration from a customer's perspective is that you may not be around to provide them with after sales service or to honour warranties.

Creditors - Keep in mind that if suppliers and creditors discover your business is on the market, it may change the nature of your working relationship with them. They may no longer see your business as financially secure. Subsequently, they might change your credit terms or call on you to repay finance extended to the business.

Timing - Finally, when it does come time to break the news, the sale must be presented to in a positive way to all parties involved. If the sale is sufficiently far enough along, it might be a good time to introduce the new owners to employees and key clients. A favourable handover will be ideal for all stakeholders. For that reason is it paramount to continue a 'business as usual' approach once the sale becomes known.

Unfortunately there is no easy way to market a business and maintain complete confidentiality. After all, people need to know 'what' is for sale at some point. Being overprotective can also work against you but first you must weigh up the benefits and potential disadvantages. Accordingly, we highly recommend you discuss your particular situation with us during the listing process so you can make an informed decision about how confidentiality is best managed.

Should you require any further information or assistance on this topic, I invite you to contact me on my mobile 0412 311 803 or by email bfalk@foresightbusiness.com.au.

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