

The Entrepreneur's Lab Video Series: Due Diligence

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Due Diligence, exchanging information and documents during a sales transaction can be a tricky proposition. During our business life, we do all we can do to keep our information and data private. With the transaction, a seller will be asked to tell and show all.

Due Diligence is typically conducted in three buckets: financial, legal and operational. As a seller moves beyond the letter of intent, the diligence process intensifies. There will be a natural tension between buyer and seller as to what to disclose and when. Sellers naturally want to keep their data, customers, employees, and other items close to the vest. Buyers want to know about contracts, customers, and employees ASAP. So, what should a seller do? Here are a few tips.

- Make certain to have a strong confidentiality agreement that contains non-solicitation provisions from the buyer.
- Understand that disclosure is the friend of the seller. Few businesses have zero nicks. Disclose the good, the bad, and the ugly to any buyers.
- Note that diligence is a process that continues to closing; manage the process with the buyer so that risk is mitigated. For example, hold back introductions of clients and employees to the buyer until such time that the deal is on firm ground.
- Last, and most importantly, get organized. Nothing is worse than a shoebox full of papers. Being disorganized during diligence will cost the seller valuable time and money.

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