

Benefits of Hiring BuySelleBiz as your intermediary

Once a business owner has made a decision to sell their business, the next question is who will handle the process. There are only two choices – manage the process personally or delegate it to someone else. That someone else is called a business intermediary. Let's examine the benefits of using an intermediary and what you should look for in an intermediary.

Some business owners are capable of managing the process of selling their company, but the vast majority of the time the benefits of hiring a professional mergers and acquisitions firm far outweigh the costs. The key benefits are best remembered with the acronym SUCCESS:

- Strategic Fit
- Understands the Process
- Creates Multiple Options
- Communication / Negotiation
- Expectations are Managed
- Stay Focused on the Business
- Sustained Momentum

Let's look at each of these benefits in more detail. Strategic Fit means there exists some synergy between the purchasing entity and the seller. This could take many forms, but a few examples include product, distribution, geographic, and management synergies. Product synergy occurs when the purchaser and seller have complementary products that when combined create greater value. Distribution synergy is evident when the purchaser has products that can be distributed through the seller's customer base or vice versa. Another type of strategic fit is geographic synergy. This is where a purchaser needs a new geographic presence in which the seller is located. Management synergy occurs when management gaps are closed upon the purchase of a new company. A deal where there is a Strategic Fit between the buyer and seller often yields greater value. An intermediary is usually more adept at demonstrating synergy between buyers and sellers.

Understanding the process of selling a company is a vital component to a successful transaction. The typical process includes pre-sales planning, marketing, negotiating, and transition planning. Pre-sales planning is a vital part of preparing an organized and comprehensive plan to bring a business to market. It involves extensive company fact finding and industry research. The objective of this step is to complete a "deal book" which outlines key information regarding the company.

Marketing a business requires a tremendous amount of time and resources while utilizing many different avenues, including industry contacts, deal databases, and centers of influence. Negotiating involves managing all of the relationships in a transaction and having a keen understanding of each party's goals and objectives. There is no magic formula to success in this area, but there is a process that needs to be followed and pitfalls to be avoided.

The final step is Transition planning. Frequently, the most difficult step is moving all of the interested parties to a successful closing. Even in the best of circumstances, this is a complicated step. The process of taking a company to market and moving it to closing is very complicated and time consuming. Very few business owners understand the process well enough to manage all facets, and they rarely have the time.

Creating Multiple Options relates to the ability to orchestrate and manage several buyers on one deal at the same time. The classic mistake a business owner makes when selling his business is dealing with one interested party at a time. The most common scenario we observe is as follows. A potential buyer contacts a business owner expressing an interest in his company. The owner responds by saying "sure, I would consider selling if the price is right." The owner sends information to the buyer (frequently without an effective confidentiality agreement) and the information exchange begins. In the meantime, the buyer is doing nothing to generate additional interest from other prospective buyers. If and when the buyer finally makes an offer the owner has no idea if he is receiving a strong value, because he frequently has no other offers for comparison.

If the marketing outreach process is managed effectively, there is a greater probability of securing several interested parties on each deal. Multiple interested parties means greater clarity in evaluating the merits of each offer and increases the likelihood that a strong value will be received.

Communication and Negotiation is the foundation of every deal, but contrary to popular belief it is not the only step that matters. This is by far the most common stumbling block to most business owners. They perceive themselves to be excellent negotiators, therefore they assume they can negotiate the best possible deal forgetting that a lot more goes into "getting a good deal" than your ability to communicate.

Consider the owner who focuses exclusively on price in his negotiations. He may very well get his price not realizing the purchaser gladly agreed to it because the structure of the deal heavily favored the buyer. Another common development is "sowing seeds of discord." In an attempt to negotiate the best position, the purchaser or seller unintentionally insults the other thereby creating an antagonistic relationship, which sticks with them throughout the process. Their ability to resolve minor disagreements is impeded. A professional intermediary is typically able to "remain above the fray" and eliminate personal feelings thereby increasing the chance of resolving disagreements.

Few sellers know what is reasonable to expect and how to manage Expectations. Is it reasonable to ask for a confidentiality agreement before releasing any information? How much information should I release initially? When should I meet with the buyer? When should I expect a letter of intent? What about earnest money – how much and when? Who drafts the purchase agreement? When do I tell my employees? How long will due diligence take? Who pays for due diligence? These are just a few of the questions that come up during the process. Knowing what is reasonable dictates how you respond to the buyer and demonstrates your skill level. This sends a strong signal to the buyer.

Many buyers will “tilt the table” in their advantage if they feel a seller is uninformed. The most common approach a buyer uses is “this is the way we always do it.” Since the seller has no idea what is reasonable, he naturally assumes the buyer’s request must be reasonable. For example, buyers frequently tell a seller they will not provide a letter of interest or value assessment before visiting the seller’s facility. When a seller consistently concedes this point to buyers, they end up investing a lot of time in “tire kickers” who are not serious candidates. A qualified intermediary knows what to expect, how to communicate it, and how to deal with any surprises that surface throughout the process. The biggest risk a business owner faces when attempting to manage the process himself is the inability to Stay Focused on the Business during the sales process. The owner typically becomes distracted in two ways – time and mental energy. Given the time consuming nature of the process, it is easy for an owner to wake up one day and find he is spending the majority of his time on the transaction. In addition, when managing the process himself, the owner frequently becomes mentally drained. Both of these create a scenario where the business suffers during a critical time.

Tying in closely with focus is the importance of Sustained Momentum. The sale of a business is like any other process – momentum is critical. When you have positive momentum during the process, good things tend to happen. Conversely negative momentum tends to feed on itself.

The typical business owner runs into the following scenario quite often. He begins the process of selling his business, or worse yet, he responds to an inquiry. He invests considerable time in responding to information requests and the buyer begins to exhibit serious interest. The owner then becomes distracted with more pressing issues within his business such as a key employee deciding to leave. As his focus turns within the business, he begins to lose momentum with his prospective buyer, as they become frustrated with a lack of responsiveness. The buyer moves on to another deal, and the owner must start the process over again.

By delegating the process to an intermediary, the owner is able to focus on the business while the process operates in the background enabling him to be insulated from the ups and downs of the process. Momentum is sustained and prospective buyers are dealt with on a timely basis. Of course, even when an intermediary handles the process there are no guarantees the deal will close, but it will not be lost due to a lack of responsiveness or lack of focus on the deal at hand.