

## "Business For Sale By Owner... Or Maybe Not"

By Don Kirchoff

Planning to sell your business? Who should sell it? You? An associate? A business broker? How will you make that call?

The first question business owners interested in selling often ask is: "How much is my business worth?" Their next question may well be: "Can I sell it myself or should I use a broker?"

That depends on the circumstances. Whether an owner sells the business himself/herself or employs professional assistance, he/she will be engaged at some level in the process.

Owners selling businesses with revenues from \$500,000 to \$25 million generally choose from among these four options to sell their businesses:

### **1.For Sale By Owner:**

If the owner has sold a business in the past, is comfortable making the initial approaches, will not allow selling the business to distract him/her from running the business, and can achieve his/her desired outcome, then going it alone may be an acceptable approach.

If the business's appeal is limited only to buyer candidates known by the owner (e.g. a few competitors, financial firms, etc.), then the owner may want to consider selling it himself/herself. In such cases the owner may make the initial approach, negotiate terms, and use the company's accountant and attorney to draft financial and legal documents.

However, even an owner who knows potential buyers may be reluctant to pick up the phone and tell a competitor that he is thinking of selling. He also may want buyers to compete for his business.

### **2.Current Service Providers:**

Occasionally an owner's current service provider (e.g. accountant or attorney) knows a potential buyer. In such a case the owner or service provider may take the lead in contacting the buyer, managing due diligence, negotiating, and preparing financial and legal documents.

NOTE: In the first two options above the business owner will need to consider whether or not he/she can keep the process confidential from employees, clients and competitors and whether he/she has the free time available to execute the tasks involved in closing the transaction. If the owner plans to stay with the buyer, then it may be difficult to engage in the tough, sometimes adversarial negotiations required to sell the business and then show up for work as a friendly member of the buyer's team.

### **3.Local or Specialty Brokers:**

Local or specialty brokers can bring substantial value to a business for sale, if they are already involved in the industry and have sold similar companies. These brokers market the business for sale to their data bases of pre-qualified buyers. They take the lead in executing the many tasks in the process to sell a business. They seldom "co-broker" which does limit their marketing to only those buyers that they can identify.

#### **4.Nationally Networked Brokers:**

These are brokers with national and/or international scope, who work together (“co-broker” transactions) on a confidential basis to market businesses for sale. This type of broker is often able to deliver the highest price for a business by marketing to the largest group of potential buyers. Nationally networked brokers frequently deliver multiple offers that enable owners to choose the top buyer. Experienced brokers manage the sales process so that owners are introduced only to the best buyer candidates.

Owners should check out business brokers as carefully as they do the other professionals they hire. Business owners who interview business brokers learn that there is a vast range in the capabilities and qualities of brokers. Good brokers bring a combination of assets to the process, including knowledge of the marketplace, data bases of pre-qualified buyers, proven track records, sources of buyer financing, and relationships with other professionals who can help secure the sale.

It may be difficult for the owner to achieve the best outcome without hiring an expert in the process of marketing a business. A professional broker builds a justification for premium value and packages the business to achieve the optimum outcome. In such cases there is absolutely no substitute for the expertise that a professional broker brings to the transaction.

The bottom line is this: Circumstances are different with every business for sale. Owners are best served by considering how much time they can commit to lead the process and their experience level at selling a business, then choosing the option that delivers the most advantageous outcome for their circumstances.

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