

A BETTER WAY

Independent Broker Can Help Preserve and Protect Business Value When Trying to Sell

By G. Timothy Leighton, JD, CFP® *

The business owner who has decided to sell the enterprise still wants to preserve business value through the sales process. An independent broker can add value to this process by identifying motivated buyers, guiding the client on determining a price, navigating the course, and preserving confidentiality.

Prospects. While the entrepreneur may be very good at the enterprise, it is rare that the business itself has expertise in the buying and selling of businesses. Brokers are professional advisors in the marketplace who have that expertise. A key service of such a broker is the identifying and cultivating of potential buyers. The business owner seeking to achieve such objectives as maximizing the price and minimizing business disruption would be well served by engaging that professional broker. A good broker should bring more potential buyers to the table than what the owner would be able to identify working alone. Further, that broker should help qualify the buyers, bringing only those who actually are able as well as motivated to close the deal. Brokers should be able to demonstrate experience in the particular industry or market segment of the enterprise, because oftentimes market segments have tight-knit communities that develop their own sets of expectations. This prospect targeting process also helps preserve the confidentiality of the situation by avoiding the release of information to the general public or specific audiences, as compared for example to advertising.

Price. A typical seller seeks to maximize the sales price, while a typical buyer wishes to minimize the number. Advisors often describe the “fair” price as the number that motivated buyers and sellers working at arms-length can agree to. One good way to know what the market place considers to be fair or appropriate is to analyze comparable sales and adjust the numbers based on similarities and differences between those sales and the current enterprise. For this analysis to be meaningful, there should some expert insights into what truly are comparables and what those adjustments should be. An independent professional broker can bring that expertise to the table.

Process. There are many details involved in the sales transaction. Specialists such as accountants, bankers, insurance agent, lawyers, and publicists can attend to their specific areas of expertise. A broker often orchestrates the work of these various professionals, giving the seller the peace of mind from knowing that the details are being attended to in a careful manner, while freeing up the owner to keep the underlying business on track to help justify the sales price. Any particular mistake in the process could lead to the buyer walking away, some law violation, or other expensive result. Clients benefit when their professional advisors cooperate and coordinate with each other.

Privacy. Since the time involved in selling can be substantial, it can be important that key customers, key employees and/or suppliers are not upset by premature news of a potential sale. Professional brokers honor the confidentiality of the seller and typically have serious prospects sign agreements that commit them to that privacy as well. These agreements

frequently include penalties for disclosure, and may also include waiver of rights to expedite court orders if necessary. The business may well be harmed by a nervous customer or employer jumping ship at the prospect of an unstable future, so it is important to time the sharing of this news. Further, the broker who weeds out unqualified prospects serves to minimize the extent to which confidential business information circulates outside the enterprise.

Naturally, as with any significant business transaction, the agreement between the broker and the client should be in writing. A reputable broker will probably produce the suggested agreement and recommend that the entrepreneur review it with counsel before signing.

The business owner who undertakes to sell the enterprise is entering into a process that can be demanding, draining, and yet definitive. A quality broker can help maximize the positive results and minimize the potential for long-term problems when things go wrong.

* *Tim Leighton* is a lawyer and Certified Financial Planner who helps business clients plan for building their enterprise and providing for its continuation after they stop being in business.

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