

Consider More than Money When Selling Your Business

By Gary Papay, CBI, M&AMI

Sure you want a big payoff, but when it comes to selling your business, money should not be the only consideration. You don't want just *any* buyer, you want the *best* buyer. With the market we're now experiencing, many sellers are getting multiple offers, but the buyers they choose aren't always the ones offering the most money.

Would you consider a lower price for a buyer that fits the company's culture? Would you consider an offer that's a million dollars lower if it meant the difference between years of seller financing and cash at close?

It's common for deal structures to include a variety of options which must be carefully considered and evaluated, long before you get to the negotiating table.

You may not realize it, but you're positioning and negotiating from day one of a sale. Be sure your priorities are well thought out or you might give a buyer the wrong impression which can have serious consequences. There aren't any wrong answers – your priorities should be what you feel is important.

A prospective buyer may ask how long you'll stick around after the sale and you may casually respond that you'll be around as long as needed. Then you find out that the buyer is thinking about a two year transition when you and your wife had been discussing a potential move to Florida.

Something like that could blow up a deal. Had your initial response been that you would be around three to six months and then could provide consulting services from Florida, the buyer would not be counting on long-term support. Remember, it's always easier to give the buyer more than expected than take something away.

As a seller, there are some common decisions you may have to make:

Financing – Do you prefer a higher offer with some seller financing or a lower offer with cash at close?

Transition – Are you looking for a quick exit? Does the buyer expect a lengthy transition?

Employees – Sellers are often very protective of their employees. Will the buyer relocate or replace staff?

Ownership – Are you looking to maintain a minority stake for yourself or your family?

Legacy – Most sellers don't want to cash out and watch the company erode. Ten years from now they want to look at a successful business that they had a hand in building.

Real Estate – Is the buyer interested in your building? Some sellers prefer to keep the real estate and draw rental income. If the buyer doesn't want your facility, how soon can you fill it?

Trust – Do you trust the buyer? Some sellers will pass up higher offers to work with a buyer they feel better about.

Even if you know your preferences, you may not get everything you want when making a deal. A reputable business broker or intermediary will be sure that the right questions are asked to help you organize your thoughts, review your priorities and understand what the market will bear. In the end, you'll find yourself in a better position to negotiate and close the deal—without sacrificing your goals.

Gary Papay, CBI, M&AMI, President of CK Business Consultants, Inc. is a professional intermediary and business appraiser with more than 34 years of experience in the sale and transfer of privately held mid-market companies. Gary has attained the designation of Merger and Acquisition Master Intermediary with the International Business Brokers Association and M&A Source. Gary can be reached at www.ckbc.net.

*The **International Business Brokers Association** is the largest international, non-profit association operating exclusively for the benefit of people and firms engaged in the various aspects of a business brokerage and mergers and acquisitions. IBBA has 1,950 members worldwide, with corporate headquarters in Chicago, Illinois.*

©2008 International Business Brokers Association® (IBBA®) all rights reserved
Permission to reuse any or all of this material should be directed to the IBBA at 888-686-4442 and is restricted to IBBA members.