

How To Sell Your Business

By Curt Hagedorn

When you were 13, you started mowing lawns in the neighborhood and now you're looking at retirement with a successful lawn and garden landscaping and maintenance business still going strong. Sure, you could just close up shop and allow your competitors to fight over your existing clients, but why? Your physical assets, your reputation, your name all have value that someone is going to want to take advantage of by stepping into your well respected and highly successful shoes. But how do you find that person? And when you do, how do you figure out what they should pay you for what it's taken you years to build?

Many small business owners (and more and more as Americans are becoming more entrepreneurial) are facing this dilemma, no matter what their time of life. And though a lot of small business owners have a second in command or relative to whom they can pass on their business for a mutually agreed upon price or simply as a legacy, many are in a position of seeking out a buyer to continue their business. For these people, and even if you have a general idea of who might be potential buyers, there are individuals called "business brokers." Think of them as real estate agents for your business. They analyze the value of your holdings and help you come up with a price, promote and market your business for sale and help you close the deal – all for a fee, of course.

Like a real estate agent, there are a number of advantages to hiring a broker. The major advantage is their experience. To make sure you get the full benefit of such experience, check out your potential business broker's references and credentials thoroughly. You should talk to previous clients and contact your local Better Business Bureau, Chamber of Commerce and other sources of information in your community. Also, make sure your business broker fulfills all the requirements for brokers in your state. Every state is different and some states require more than others: for example, a real estate license. The bigger your business is, the more sophistication you're going to need. For larger businesses your broker may actually be an investment banker or other professional. Also, remember to trust your instincts when interviewing a broker. Your business is probably the most important thing you've built in life next to your family and you want someone who understands that. You want someone with whom you can communicate effectively and who you trust to communicate information about your business for you to potential buyers.

How much will you have to pay for the use of a broker? Commissions and fees are about double that of a real estate agent, around 10-12 percent, though there is a certain amount of negotiability built into the system. Generally the more your business is perceived to be worth the better

chance you have when negotiating fees with your broker (usually something like a lower percentage as the sale price goes up and up.)

Remember, selling a business in a competitive field can be a delicate thing. You want your broker to be savvy and to maintain your confidentiality where necessary for you to retain your current customers or attract potential buyers without giving too much away. In other words, you want your broker to be discrete and professional. Selling a business is not selling a used car. Confidentiality and non-disclosure agreements should be a standard part of any business transaction and it's extremely important that your broker understands the positive benefits of controlling the flow of information and tailoring his sales pitch and plan for your business to potential buyer.

Even if you are passing your business on to your oldest son, a business broker can help handle any complications of the sale. They can also make sure that everyone understands the worth of the business whether they're buying or simply assuming the leadership role. Benchmarking the value of your business with a broker is also a good idea when passing it on should the new owner/operator be interested in using the business as collateral for expansion or other improvements to the physical plant, materials or output.