

Choosing a Business Broker or M&A Intermediary

Selling a business is a complex and emotional process. For many entrepreneurs, it is a once in a lifetime experience. Engaging a specialized mergers and acquisitions intermediary is very helpful with finding a buyer. But more than that, an experienced intermediary will streamline and manage the process of negotiating and closing a satisfactory business sale or merger transaction.

Just as the decision to sell a business should be carefully considered, so should the hiring of a business broker or an M&A intermediary. The prospective intermediary should be interviewed and scrutinized just as you would when hiring a key employee on your payroll. Below are some questions to ask and items for consideration:

1. Ask about their qualifications. Keep in mind that California and Florida as well as many other states, require business brokers to have a valid current license. FBI background screenings as well as competency tests and experience are required to obtain a license. The licensing authority will provide you with any complaint history of the licensee upon request. Practicing as a business broker or intermediary without a valid license is a criminal offense in many states. Compliance with the law is an essential qualification.
2. Ask about education, experience and references. Don't hesitate to verify this information just as you would when hiring employees for your company.
3. Use an industry specialist, if possible. If someone is good at selling coin-op laundries, selling a hospice or a home health care agency might be out of their area of expertise. The major difference between a business broker and a mergers and acquisition intermediary has mostly to do with the type of buyers they work with. A business broker generally deals with local individuals who will be buying and managing the business hands on. A mergers and acquisitions intermediary generally deals with industry buyers who are large corporations and private investors. For a healthcare services company, a specialized healthcare mergers and acquisitions specialist would most likely bring more qualified buyers and be more familiar with the process.
4. Ask about the process. Get a clear understanding of the selling and marketing process and the role that each of your professional advisors including your CPA and attorney will play. Ask the intermediary to explain the role any staff members or associates that you will be working with. Ask how often you can expect to be contacted with progress updates.
5. Don't allow an intermediary to pressure you to make a quick decision. This is a serious decision involving a complex sales or merger transaction. Your decision should be based on trust and confidence. Take however much time you need until you feel comfortable.
6. Ask your prospect why you should choose their firm to represent you and what sets them apart from the competition.

Your relationship with the intermediary you choose should be based on trust and confidence. An intermediary should be willing to represent your best interests as a loyal fiduciary. The sale of a business is often a long and complex process. Protect your interests by selecting an intermediary who is qualified and who you feel comfortable working with.