

7 Things to Consider When Selecting an M&A Advisor

(Also known as an Intermediary/I-Banker/Business Broker)

By: Doug Robbins

I have met thousands of businesspeople over the past 50 years, and the great majority of small to medium sized business owners/entrepreneurs are “DYIers”.

Most have survived many challenges but have continued to work diligently and that is why they are successful today. They believe in themselves, as they should, and many believe they don't need an M&A Advisor - - - they believe they can do it themselves.

Over the years many studies have been completed by various associations and the conclusions are consistent:

1. A competent, experienced M&A Advisor will:
 - Remove a great deal of emotion from the owner, allowing them to make logical common-sense decisions,
 - Filter out the many “tire kickers” who want to learn about the business, saving the owner hundreds of hours of wasted time,
 - Allow the owner to stay focused on operating their business,
 - Generally, obtain a higher price than if the owner sells it themselves, and
 - Most importantly, maintain confidentiality.
2. Transitioning a business is a life-changing event and the business owner should select an M&A Advisor who is really a strategic partner, who listens, rather than speaks, who is interested in a long-term relationship, who will work to earn the owner's trust, and who will be able to utilize their knowledge and experience to achieve the owner's best interests.
3. Owners should plan three to five years in advance of their desired transition date to ensure that the right structure is in place, and that they are making:
 - The **right** decision for,
 - The **right** reasons at,
 - The **right** time[®].
4. Owners need to understand the complexities of the sale of a business and need someone with deep experience on their team. Look for the **3 Cs**:
 - **Competence** – the advisor should be well-versed in M&A
 - **Compassion** – the advisor should understand and care about their client
 - **Communicates** - the advisor should speak at the client's level, not above or below.

5. Selling a business takes time, both in working hours and elapsed time:
 - Working hours vary from assignment to assignment, but can run 400 hours or more, depending on circumstances that evolve as the assignment progresses,
 - Most of our assignments have an elapse time from 9 to 15 months, sometimes more. Many things are beyond the direct control of the M&A Advisor such as tax structuring, the economy, environmental, legal, leases, customers, suppliers, contracts, licenses, along with other professionals such as accountants, bankers, and lawyers.
6. In a long-term relationship, the commission from a sale at the end of the project may not be a fair way to compensate an M&A Advisor. Many Advisors charge fees for various activities, and usually credit a portion of those fees to the commission when the business is sold.
7. Owners must be totally honest and straightforward while working with an M&A Advisor. They can deal with most problems if they are aware of them in time, but it is difficult, if not impossible to deal with surprises.

The advisor must be well connected to draw upon the various experts needed to complete the transaction. They must be a facilitator of expertise. There are several different areas of knowledge that the advisor must be able to draw upon from time to time. No two transactions are they same and all require a different package of knowledge. Additional knowledge and expertise could include:

- Accountant that specializes in corporate structure
- Wealth manager to assist in planning life after business.
- Equipment appraiser
- Environmental engineer
- Operating engineer
- Human resources specialists
- Industrial psychologist (to assist in next generation transition)
- Insurance broker
- Banker
- Specialized lawyers

Bottom Line

On average Robbinex receives between 150 and 200 inquiries for each business we sell. The record is 849 inquiries on one business. At Robbinex, we try to qualify all inquiries to what we call the **3Ms™**:

- Money (*3rd party verification they have they access to the money to complete a transaction*)
- Management (*they have the skill and business experience to operate the business*) and
- Motivation (*why do they want it and what will they do with it if they buy it*).

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