

Michael Crawford, Managing Principal and Founder of The Merger Expert, Inc. with over 35 years intermediary experience says,

*“Recently, I came across the article “Selling a Business is Not a DIY Project” by Peter Lehrman. With my experience in the industry, I feel he makes many valid points, and his insights are valuable in every respect. This is an informative article I wish to share.”*

## **Selling a Business is Not a DIY Project**

Posted by Peter Lehrman

If you're serious about selling your business - especially to a larger company - going it alone is a bad idea for a number of reasons.

I recently met a woman (I'll call her Pam) who owns a successful line of clothing that has captured a loyal following of women who buy her products through a group of retail clothing stores across the U.S.

In addition to having her own clothing line, Pam produces a private label brand for a large apparel maker. Pam has proven herself to be a valuable supplier with a keen sense of trends—so much so that her private label customer has started to make overtures about the possibility of buying her business.

When I last saw Pam, she was understandably excited about the prospect of selling her business and was seeking information about my experience with the process.

The buyer had asked Pam to present a price she thought the business was worth. Pam hired an accountant to prepare a valuation, and in her excitement, she told her employees. Instead of being happy for Pam, her employees reacted with a mix of fear and resentment.

Unknowingly, Pam had painted herself into a tough corner: Her employees were disrupted and concerned about the possible sale of her business, and the acquirer, rather than making an initial offer, was asking Pam to negotiate with herself to come up with a price for her business.

I asked Pam if she was working with a mergers and acquisitions (M&A) professional, and she said she was not.

She had her accountant doing a valuation and had asked her chief financial officer to prepare a

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financial summary.

Pam feared the buyer would walk if she introduced an M&A professional into the mix.

My advice was simple: Hire an M&A professional. Selling a business is not a do-it-yourself project. The role of an M&A adviser is to manufacture competitive tension for your deal and to drive a professional sales process.

The good M&A pro will know when to apply pressure and when to give the acquirer time. He or she will hint at competitive offers and insulate you from the emotional roller coaster of selling your life's work.

Yes, a good M&A pro is expensive—maybe 4 or 5 percent on a \$10-million deal—but if you try to do it yourself, potential acquirers will know they are in control and may take advantage of you in a number of ways. They may:

- Prolong the due diligence process
- Force you to take some or all of your proceeds as an earn-out
- Make a lowball offer
- Discount the offer during due diligence
- Walk away or become unresponsive for months

I explained to Pam that if the acquirer balks at the introduction of a professional intermediary, he or she was likely not serious about acquiring Pam's business in the first place, and it would be better for Pam to know that sooner than later.

*John Warrillow is the author of **Built to Sell: Turn Your Business Into One You Can Sell**. He has started and exited four companies. Most recently John transformed Warrillow & Co. from a boutique consultancy into a recurring revenue model subscription business, which was acquired by The Corporate Executive Board. In 2008 he was recognized by BtoB Magazine's "Who's Who" list as one of America's most influential business-to-business marketers.*

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