

Why Should I Retain an Investment Banker to Sell My Business?

Takeaway:

If you've ever wondered why you should hire an investment banker, this article's for you.



When faced with the prospect of selling their company, too many business owners decide to do the job on their own. One reason can be money. Not hiring an investment banker means not having to pay a [success fee](#). Another reason is a faulty view that finding a buyer is the difficult part of the process. I covered the finding a buyer aspect in another article, [Investment Bankers Aren't Magicians](#), so let's focus on detailing the reasons why a seller might be "penny wise, pound foolish" when deciding to eschew the help of a capable [investment banker](#).

Selling a Business Is a Full-Time Job

You already have a full time job: running your business. Let an investment banker handle his area of expertise (selling the business) while your focus on your area of expertise (running the business).

A Buffer between You and the Buyer

Business sale [negotiations](#) are inevitably fraught with frustrations, ups and downs, disagreements, and misunderstandings. An investment banker can help insulate the business owner from those inevitable bumps in the road. Remember, after the deal [closes](#) buyer and seller will have to work together. Even if you are retiring, your key managers likely will stay with your company. They will benefit from a good working relationship with the new owner.

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If the well is poisoned during the [sale process](#), one side may decide they will be unable to work with the other side. If this happens, the deal will fall apart. An investment banker will be a buffer between buyer and seller, will help deflect and solve problems, and will have the foresight gained from experience to anticipate issues and proactively solve them.

Emotions

This is your life's work. You built this company. You took the chances. And as with many business owners, [you are emotionally wrapped up in your company](#). A buyer is going to ask questions, poke and prod, and criticize your decisions and results. You need someone who is objective and not wrapped up in the emotional details of your company — an arm's length from your business, in other words — to handle the delicate process of selling that business.

Preparation

If you have not been through a sale process before, you will not know what to expect. If you do not know what to expect, you will not be prepared. And if you are unprepared for the next step, you run the risk of frustrating a buyer with delay after delay. Hiring an investment banker means you will be prepared — and if you are prepared, you have a far better chance of successfully closing a deal you find acceptable.

Frame the Discussion

Investment bankers have been through the sale process before. They know what to expect and when to expect it. This experience allows them to frame the discussion instead of reacting to questions. An unprepared owner or executive who is trying to sell a business often will find himself in the position of awaiting orders from the other side. If this happens, the buyer will downplay the company's strengths and overplay its weaknesses. [Passivity reduces a company's valuation](#) and it ultimately reduces the odds of closing a deal.

Confidentiality

Because an investment banker is not an employee of your company, they are able to approach buyers without divulging the name of your company. This is particularly important for owners and executives who want to approach competitors. An investment banker can make sure the company's identity is not revealed until a [confidentiality agreement](#) is in place.

Timing

An investment banker will know when to release information and when to say, "No, you don't need that yet." For example, your client list might be among your most sensitive documents. Providing a would-be buyer with that sensitive document — especially if the would-be buyer is a competitor — could be a fatal mistake for a business. An investment banker will know when, and how, that information should be provided to a buyer.

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Sounding board

Leading a business is a lonely business. You have already made enough decisions by yourself. When you're ready to sell your business don't work alone, hire a capable investment banker who will be able to offer you the expert advice of someone who has "been there, done that."

Not hiring an investment banker to handle the [M&A](#) process can be a bit of fool's gold because the savings from eliminating a fee might come at the cost of lower sale proceeds and/or inferior terms. An investment banker can make sure you get a deal that make sense... for you. Remember, the other side is not going to make your value proposition.