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“ Why do I need an investment banker to help sell my family business? ”

By Timothy E. Flatley

Selling the business you have worked years to build is a complicated process likely to evoke intense emotions. And while owners may have negotiated countless contracts with vendors and customers, it could be dangerous to assume they are prepared to manage the most significant transaction of their career without professional assistance. An expert investment banker can facilitate a deal to ensure sellers receive the greatest value for what amounts to their life's work.

We asked Kevin Rudd, the president of Curtis Financial, to explain the role of an investment banker in this process. Rudd has more than 25 years of experience providing strategic financial advisory services to hundreds of transaction-oriented, privately held and family-owned middle market and emerging growth companies throughout North America and Europe.

“An investment banker is the buffer between emotions and reality,” according to Rudd. The owner's expectations may be unreasonable to the point that legitimate opportunities are wasted. Rudd emphasizes that too much emotion and unfounded expectations could be tremendous hindrances to successful negotiations, which is why the investment banker's objective representation can be crucial.

In addition to serving as an intermediary, the investment banker can reach the largest group of potential buyers and provide sale alternatives unfamiliar to the business owner. The bankers are the front-line of defense for the seller and control

the flow of information to ensure only serious prospects are privy to sensitive company details, Rudd explains. They position the business in the most positive light to attract buyers that may offer maximum value, and at the same time make the seller secure in the fact that control is being ceded to a like-minded party.

Business owners generally have ambitions that go beyond simply extracting every penny possible from the sale. They take great pride in their business and want to protect the culture they created; this can include everything right down to maintaining the company name and may entail staying on as a consultant to ensure goals are met. It is often important to sellers that employees are not adversely affected because they develop a strong loyalty to the individuals who were there every step of the way, Rudd says. An experienced investment banker could improve the chance of achieving these goals without diminishing the selling price.

Relinquishing control of the family business is a stressful experience. The investment banker will smooth the process by setting rational expectations, finding compatible buyers, and representing the seller's best interests. Because there is usually no second chance with a prospective buyer, the business owner's sentimentality cannot be allowed to overwhelm common sense. 

POSITIONING YOUR COMPANY FOR MAXIMUM VALUE

- 01 Work with an experienced investment banker who is familiar with your industry.
- 02 Ensure you are reaching the largest group of potential buyers.
- 03 Do not let emotions hinder the negotiations.
- 04 Have a strong management team in place.
- 05 Demonstrate the ability to facilitate a smooth transition.
- 06 Confirm the company's financials are in good order.
- 07 Allow ample time to thoroughly evaluate the offers.

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