

FINANCIAL POST

FP ENTREPRENEUR

*2011: The Year
of the Entrepreneur*

Brokers take emotion out of sale

[Zara McAlister](#) Jan 23, 2012 – 2:14 PM ET



Tyler Anderson/National Post

Hubert Kelly, president of operations at Murphy Business Canada, expects deal values and capital on hand to buy businesses to triple in six months.

When Canadian entrepreneurs have a dream, they make it happen. This bodes well for the Canadian economy, where small businesses with fewer than 100 employees make up roughly 30% of the country's GDP.

And it's Baby Boomers, who make up the bulk of the entrepreneurial class, owning more than 1.5 million businesses scattered across the country. But this demographic is increasingly calling it quits, and accounts for thousands of businesses being sold each year. Industry Canada reports 40% of Canadian small business owners plan to retire within five years, with 70% choosing to do so in the next decade.

What's more, more than half of small business owners haven't thought out an appropriate exit strategy. Only 10% of them have a formal, written succession plan, according to the Canadian Federation of Independent Business.

One Toronto-based entrepreneur, who saw his sport fishing and hunting business succeed for nearly 30 years, falls into this small bracket of planners. After careful deliberation for nearly a decade, the 46-year-old, who asked not to be identified, said he has decided to sell his business to insiders, contending that decision will ensure the longevity of his company.

The CFIB member said while he is aware of outside support to help owners through the selling process, one source he didn't consider using was a business brokerage company.

"Everyone I talked to said there are very interesting opportunities for brokerage in Canada, but couldn't really place a name on an organization that helped small to medium-sized business owners," said Hubert Kelly, president of operations at Murphy Business Canada, a franchise of Florida based Murphy Business & Financial Corp., which has taken advantage of the growing demand for broker services in the small business market.

The firm currently works with clients looking for investments that have a total of more than \$100-million in capital, plus official listings with businesses valued at \$50million, with these figures expected to triple in the next six months.

The sport shop owner hired consultants in the past, but he said, in the end, he chose to work out his own succession plan. "The thought of going to someone I don't know is pretty frightening," he said.

Mr. Kelly credits Murphy Business Canada's success to the professional, consultative approach it brings to both buyers and sellers. The company stresses the importance of assessing a business's value on the buying and selling side before transactions take place, all the while maintaining confidentiality and not disrupting the business's employees or family members.

Another benefit of using a broker is the wealth of resources most have at their fingertips, as well as the technical support they can provide.

"The sale itself is a very emotional transaction. This has been an owner's life; this has been a passion. Brokers hopefully take a lot of the emotion out of the process to focus on the practical application of the business," Mr. Kelly said.

Brad Cherniak, a partner at Sapien Capital Partners, says brokers can be valuable for the recommendations they provide. Advice can be particularly useful for first time sellers, he said.

"Entrepreneurs often underestimate what the process involves in terms of time and preparation. It's a long, arduous high-risk process but its the only way to get your money out of the whole venture." Skills to effectively and efficiently sell a business can take years to develop, he added.

Many entrepreneurs fail to realize how aggressive the business world can be, which only adds to the difficulty, Mr. Cherniak said.

Most entrepreneurs are idealistic — an attribute that led them to start a business — and expect a win-win partnership when they sell a business. But a mutual deal is rarely the case, Mr. Cherniak said. Some sales are amiable, but many buyers will bare their teeth during the process to protect their interests.

Buyers aren't looking to do sellers any favours, so entrepreneurs should arm themselves before negotiations begin and brokers help supply the ammunition, he said.

"You can never presume anything for the buyers. Be ready for that. Have all information together, know what your drop dead value is."

Moreover, an advisor will help a seller find a balance between saying too much or too little during deal-making, he said.

But the bottom line is entrepreneurs need to be prepared to accept that getting the maximum value for their company might be out of the question. Brokers can ensure sellers maintain a positive attitude throughout the negotiation process.