

Buying a Mid-sized Business: Finding a Broker

by Peter Busacca, Certified Business Intermediary
President, Washington Brokers and Business Intermediaries

This is the second in a series of articles on buying a mid-sized business.

Last month I wrote about the advantages of hiring a professional business broker to conduct a private search on the buyer's behalf. To recap, bidding contests never favor the buyer, only the seller. Sole bidding favors the buyer. Private searches put buyers into the best possible bargaining position, and often results in a lower purchase price, a lower commission, and a better relationship with the seller.

How do you find a business broker? Most people perform a web search and call the brokers nearby. Is there a better way? Yes. Browse to the International Business Broker Association (www.ibba.org.) Click on the tiny "Find a Broker" icon at the very bottom. Brokers who join the IBBA are committed to on-going professional development, continuing education and ethical behavior - qualities you want in a broker!

Let's look at some other qualifications:

Licensing: Washington Department of Licensing (DOL) regulation RCW 18.85.010 paragraph 1a requires business brokers to be real estate licensees. To verify a broker's license, go to <https://fortress.wa.gov/dol/dolprod/bpdLicenseQuery>.

Certification: There is no certification requirement to be a business broker; however, the IBBA offers a program called *Certified Business Intermediary*, or CBI. Their sister organization, M&A Source, offers one called *Merger and Acquisition Master Intermediary*, or MMI. A broker who has earned a CBI or MMI possesses the knowledge and experience you need.

Knowledge: A qualified business broker must be knowledgeable about accounting, business practices, finance, and marketing. They will not replace professional advisors such as CPAs or lawyers, but they can translate legal-ese or accounting-ese into plain English.

Education: There are surprising numbers of attorneys, CPAs and MBAs who migrated to business brokering. These brokers are very knowledgeable and can be great advisors. However, knowledge should be tempered by real-world experience.

Experience: Experience can mean many things. It could be a broker's years of experience working as a broker. It could describe the size or type of business that the broker has experience working with. Or perhaps it is the work experience a broker had in a prior career. After all, if one wants to buy a manufacturer, for example, a broker with actual experience working in manufacturing could provide valuable advice.

Agency: Most brokers work mainly with sellers. Relatively few work mainly with buyers. When looking for a broker to conduct a private search, find those who have

Buying a Mid-sized Business: Finding a Broker

services designed expressly for buyer agency. These brokers are skilled and experienced in conducting private searches. Since smart managers develop processes to enable success to be replicated, you can spot these brokers quickly. They are the brokers with written processes for Buyer Agency.

So in Washington a “qualified” business broker is a real estate licensee who possesses a strong command of accounting, finance and marketing. This person will have several years’ experience as a business broker, and ideally will have career experience working with the kind of company that you want to buy. They should offer a formal program for buyer agency and have a written process for conducting private searches. Last, it is a big plus if they have earned a CBI or MMI designation.

Your precise needs, i.e., the type and size of company you wish to purchase, will affect the mix of credentials, education and experience that the ideal business broker should have. How do you find the right broker for you?

- 1) Go to the IBBA web site to find brokers in your general area,
- 2) View the brokers’ web sites to check their qualifications, credentials, experience, and buyer agency programs,
- 3) Verify their license on the Department of Licensing site,
- 4) Find the broker(s) who focus on the type and size of company you wish to buy,
- 5) Then call the brokers, schedule a confidential meeting, and ask lots of questions, and finally
- 6) Choose the one that you feel most comfortable working with.

Next month let’s examine the key steps in the buying process.

Peter Busacca, CBI, MBA
Washington Brokers and Business Intermediaries
www.WaBizBrokers.com (425) 391-8720