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Sell Your Business, Stay in Control

The head of a property management group talks about why she let go of a majority interest and what the process taught her

by [Karen E. Klein](#)

Can entrepreneurs sell their companies but still retain control over their destinies? Yes, says Melinda Masson, CEO of [Merit](#), a property management group based in Southern California. Masson recently sold a majority interest in her \$35 million firm to [FirstService](#), a diversified property services company with more than \$1 billion in revenues and 12,000 employees worldwide.

The deal allows Masson to retain the balance of the equity and continue to manage day-to-day operations. She spoke about the sale with Smart Answers columnist Karen E. Klein. Edited excerpts of their conversation follow.

How and when did you start your company?

I started it in 1980 with two employees and myself. We had a business plan that was out of the norm for the industry at that point. Most property management companies focused on marketing to existing homeowners and condo associations.

We decided to target new associations in areas that were being developed, and we created relationships with developers on the front end, before the projects were completed. The concept proved to be successful. Over the last 26 years, it's grown into three companies with nine regional offices in California.

What made you think about selling?

We were interested in moving outside California and into other high-growth areas of the country. There were two national companies already operating in our space, so the question was, did we partner with one of the existing national firms or hook up with another regional player to try and become a third national business?

As an entrepreneur, at some point it becomes obvious that if you want to take your company to the next step, you need a partner. I didn't have a family member waiting to step up in terms of a succession plan; my children are still teenagers.

So I created a focused plan in 2000 to take my company to the next level. The challenge I gave myself was, besides being the visionary focused on development, I needed to immerse myself in our operations. I didn't want to just understand it but to get into the belly of the systems and processes we had in place and improve them.

What other kind of preparation did you do to get the company ready for a sale, or a strategic partnership?

I did a lot of personal preparation, soul-searching, and training. I wanted to make sure that I was as close to the top of my game as possible when I went out into the marketplace. It was the hardest journey I've ever been on. I felt an incredible sense of responsibility. I take it personally that I'm responsible for my employees, and what I do impacts their livelihoods and their families.

What kinds of options did you consider?

I thought about buying a smaller firm, growing our firm larger, selling out to one of those two national players, even creating an ESOP [employee stock ownership plan]. I ran through all the options to give myself and my employees the best opportunity.

It took me 18 months to align with a strategic business broker. I found it was important to take the time to make that decision. It's a marriage. Sometimes you're in sync with your broker, and other times you want to pull out your hair and pound sand. You have to have a lot of trust and confidence that they know what they're doing and have your best interests at heart.

How did you find the right broker eventually?

I used personal and business referrals, and then I checked the living daylight out of their references. I wanted a broker that was large enough to be a player but small enough to consider me a valuable client.

How long was the sales process?

It took a year to complete. If you try to do it faster than that, you'll short-circuit and miss things. I thought when we started looking for a prospective buyer list it would turn up 10 or 15 companies. We wound up finding over 150 opportunities, and 80 of them could have been strategic partners.

The balance were strong potential investors. What took time and expertise was narrowing down who was really interested and who was really a candidate. My broker narrowed down a "top 10 strategic partners" list of firms he thought lend leadership and best practices, and investors who wanted to put significant dollars behind our team and have us continue to grow it.

What happens after you've narrowed down the list to some serious candidates?

You make presentations to those candidates at a full day of business sharing where they really drill into your company. We had one company drop out, so there were nine meetings that day. I first had to get buy-in from my core group of four top leaders, of course. I met with them one-on-one and had them sign confidentiality documents. Many of them have been with me for 10 or 20 years.

What was their reaction to hearing the news that the company could be bought out?

The initial reaction is deer-in-the-headlights self-preservation. They just want to know if they're still going to have a job. Eventually, it gets down to them saying: "Let's do this—what's my role?"

These top executives had to be groomed and grilled as extensively as I was during these meetings. The top candidates wanted to know about the skill set of my leadership team. It was an adrenaline rush for all of us, but it was exhausting.

Why were you interested in staying on at the firm, rather than cashing out after close to 30 years?

I didn't want to take the money and go sit on a beach. I'm not ready for that. I wanted to have my leadership qualities tested, for me and the team. I wanted to know if we could find a partner that would see the value in us becoming a national company, or if we were just living a pipe dream that didn't have legs.

How did you decide on the final deal?

It was a tough decision. There wasn't anyone we met with that we couldn't have worked with. Amazingly, we really liked all the people we met and we didn't have any where the chemistry was off.

We first did due diligence, spending countless hours as a team going through all our notes, flip-charting the pros and cons, talking about skill set and depth. We also still needed to make the decision about whether we wanted to take on a money

partner and grow the company ourselves, or if we wanted to align with a strategic partner.

In the end, FirstService was a logical choice because I had had a relationship with the CEO that went back to when he started the company. He had had personal motivation to meet me and stay in touch with me over the years, and he always said that when he was ready to expand to the West Coast, he wanted us to be the bookend to his operation.

When we talked over the years, I'd tell him I was flattered but I wasn't ready. I'd watched his growth and acquisitions over the years, and I watched the scrutiny when he went public.

In the end, instead of continuing to do it all on my own, I was mentally ready to have the synergy I could get with a partner, where I could pick up the phone and ask for advice from someone else whose dollars were also on the table. They also were happy with Merit staying intact, so we didn't have to cut any jobs, and my keeping the title of CEO of Merit.

The ink's only been dry on the deal a month, but I'm already being tremendously supported. And I was able personally to get some equity out of the company, which was wonderful.

[Karen E. Klein](#) is a Los Angeles-based writer who covers entrepreneurship and small-business issues.