

Are You Ready to Buy a Company?

If you have just decided to start looking for a company to buy you will need to understand the fundamental assumptions involved before you make your first step to purchase the “right” company.

This article will give you a quick “fly-over” of basic business acquisition insights learned over many years of pursuit of finding the ideal company that meets one’s EXACT purchase criteria. Purchasing a business can be a complex, iterative process made up of many steps. Most steps within the process should be implemented in a logical sequence to achieve maximum desired results. The very first step in any business acquisition effort is understanding some of the basic realities of what to expect within the anticipated business procurement process.

There are basic or “practical” assumptions and specific or “subjective” assumptions one must make in every business purchase effort. Practical assumptions can be best defined as anticipated realities that make sense to understand no matter the potential business transaction. Subjective assumptions are anticipated challenges and events that correlate to your own personal perspectives based firmly within your own purchase criteria, prior business experiences, accumulated knowledge and developed risk/reward tolerance levels.

Like most complex business challenges it is best to make some fundamental assumptions about the task at hand. These assumptions are not inclusive and are documented to facilitate develop of more thoughts and ideas prior to implementation of any initial step to find a business:

Assumptions to Be Made Before Searching for a Company

It is nearly impossible to find the “ideal” company to buy: Compromises will abound throughout your search and negotiations.

Not all companies are for sale: This is a common “opening statement” communicated by an owner of a business you really like

Finding an acquisition candidate is a “numbers game”: So many letters, calls, e mails and conversations result in thousands of candidate companies defined, result in hundreds of qualified candidates to pursue, result in ten’s of viable companies to visit, result in one company that justifies a formal purchase offer.

The deal is done only when the check clears! Like in any selling situation, the sale really is not completed until you have 100% of the committed funds in hand. A business purchase deal is only truly complete when the business seller endorses your check for deposit ... business sellers can and will change their minds at any minute!

If you do not know what you really want to purchase you will never find it: Developing a clear, well thought out business purchase criteria list will add a tremendous amount of efficiency

to your business pursuit process and significantly help all intermediaries you choose to use to help you find your ideal purchase candidate.

If it is not in writing it means nothing: Given the noteworthy amount of capital involved in business mergers and acquisitions activities, coupled with all the required evaluation steps needed to get a deal to final negotiation, and all the people and associated support services involved to get you there, it is always best to maintain a “paper trail” and use binding legal documents to minimize liability and “misunderstandings” along the way.

It will cost you more than you anticipated: Beyond negotiating an equitable price for the business you eventually purchase, there are a variety of costs involved to find, define, qualify and negotiate a business acquisition, no matter whether you do a deal or not. Service fees, legal fees, travel and entertainment expenses, market research publications and industry consultant fees, to name a few “sunk costs”, can really add up.

The more “creative” you are to find deals, the quicker you’ll find the right deal: The more diverse your means to locate viable companies for sale the better your chances of finding a quality acquisition candidate. Spread out your business candidate search resources; utilize brokers, financial institutions, industry associations, consultants, trade shows and websites to find your next deal. You never know where your next great lead will come from!

Having a structured business purchase process in place to maximize your time and capital will dramatically improve the probability of finding a company that is for sale, reasonably priced and meets most of your purchase criteria. Buying a business does not have to be “psychological warfare” or a stressful process.

Much of the success of buying a business will come from documenting all your relevant thoughts, plans, processes and challenges required to achieve your objectives. If it is written down it can be improved upon, if it is not, it cannot.

Like trying to address any noteworthy business challenge, whatever you can do to educate yourself on all that is required to meet your desired outcomes, in advance of the tasks at hand, the more effective you will be, the less it ultimately will cost you to find the business to buy that was meant to be yours.