



The Process of Buying a Business

By Gary Papay, CBI, M&AMI

Buying a business is a process that takes time. It can sometimes take years to find the right opportunity.

Unfortunately, many buyers want to look at all available options, thinking they'll recognize what they're looking for when they see it. That approach is actually a waste of valuable time and energy and can lead to frustration and an end to the search. Or the potential buyer may miss out on great opportunities because they weren't found early enough or they weren't ready to move forward with a purchase.

There are some key steps to follow in the business search process:

Start with a self assessment - Ask yourself why you want to buy a business. What types of work activities do you like and what kind of lifestyle do you want to pursue? It's important to understand that there may be more work and longer hours for an owner in some industries. Be sure to include your family in the assessment.

Establish financial expectations - Determine how much money you need and want to earn. Make sure your expectations are in line with the types of businesses you are targeting and the return they can produce.

Put together a personal financial statement - Outline your assets and liabilities. Identify what you can use for your initial investment. The personal financial statement serves as proof of your financial wherewithal, so be prepared to share this document with a seller's intermediary.

Update your résumé - Sellers want to be sure that their business will continue to be a success. They're looking for someone with the experience necessary to continue their legacy and take care of the staff. Ultimately, you're selling yourself to the current owner(s), the lender and the professionals representing them.

Outline your acquisition criteria - Define the parameters of your search. Ideally it should include your targeted industries, geographic area and transaction size. Your acquisition criteria will help you demonstrate your commitment to finding the right business for you.

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Search multiple sources and enlist help - Let your professional advisors (e.g. attorney, accountant, financial planner) know you are looking for a business. Most importantly, contact business intermediaries who represent businesses within your targeted market. They will notify you of available companies that meet your criteria and qualifications.

Most business brokers or intermediaries work for the seller and are paid by the seller. That means you can enjoy the luxury of their services at no cost. The intermediary is looking out for the seller's best interests, so you should have experienced counsel to represent you in any transaction.

When interested in a business, you want the business intermediary to be selling you to the seller. Prove to them that you are a qualified, motivated buyer by preparing for your search.

Your motivation, lifestyle, expectations, financial statement and résumé will help you develop your acquisition criteria. Identifying and communicating your acquisition criteria, qualifications and experience will save time and frustration and will place you far ahead of less focused buyers.

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