Five Things you NEED TO KNOW Before Buying a Company

Buying a business can be intimidating. After all, you need to make many decisions, without having all the necessary information up front. We have broken down the top five things you need to know to ensure you make the most profitable and wise choices.

1. Why Building Rapport Is So Important

For entrepreneurs, selling their business evokes similar emotions to sending their first child off to kindergarten — the worry, the doubt, and the excitement. Just as representatives from a school try to develop a trusting relationship with parents to make them feel comfortable, prospective business buyers should try to build rapport with a seller.

Building rapport requires sympathy, empathy and a willingness to listen to the seller. It's a two-way street. As a buyer, there's a lot you can learn by listening to a business owner who knows far more about their operations than you do. For the seller, it's rewarding to have someone listen to them and learn about the company into which they've invested so much of their energy. After their years of anguishing over the business, the people, and the government regulations, it's a priority to feel comfortable that the buyer will continue the legacy of their business.

2. Have an Excellent Team Ready to Go

There's no bench in a successful M&A team; everyone is a field player. It's an all-in decision that requires a group of skilled professionals.

The assemblage starts with an M&A financial advisor who ensures that you are prepared, polished, and confident for every meeting and phone call. Maximize the value your financial advisors can provide by keeping them in the loop on all updates. Remember, no detail is too minor for them.

Your next two field players are your lenders and attorneys. If you develop these two relationships successfully, you will not need to worry about financial and legal concerns because they will take care of them. After all, there is no need to add unnecessary stress. Also, as you get closer to the close date, make sure you don't leave your due diligence professionals behind.

Hopefully, they're just the clean-up crew, ensuring that you will not discover any surprises buried in the company.

3. The Intangible X Factor

The Intangible X Factor is the hardest, yet most satisfying aspect of buying a business. Entrepreneurs recognize that the intangibles are what separates a good deal from a great deal.

Many times, business owners have one goal in mind: growth. This is where advisors caution business owners not to settle for a expansion deal that's just good enough. Instead, see how many avenues for growth you can line up in just one move. It is essential to have four to five different potential directions for an acquisition. If you can get two to three good leads and begin evolving in a couple of sectors with just one company purchase, it is a superb deal. At the same time, it's important not to spread yourself too thinly. So be on your game and trust your instincts, but keep your eyes open for a bonus sector that offers opportunity.

4. Cultural Fit

Although no two businesses are cultural twins, it's critical to identify the company culture before going too far down the path to a deal. Social media may provide a glimpse into the culture, but successful entrepreneurs insist that walking through the business and observing behaviors will tell you a lot more about the culture of the company in action.

Also, outreach to suppliers and customers gives insight into how the company's culture manifests itself outside the company walls. These contacts know first-hand what it's like to work with your potential seller. Once you have evaluated their company culture, it's time to dive into the financials.

5. Planning Integration

It's never too early to start planning for combining duplicate sets of everything existing in the two companies. Plan and prioritize the business integration process from the due diligence phase to pre-closing, day one, month one, and first quarter. It's better to be over-prepared than to be caught flat-footed when the deal finally consummates.

Start by deciding the results you want to see. Then, enforce forward thinking by delineating the benchmarks you hope to reach and defining measurable goals. Deciding on measures for tracking success is a lengthy, complicated process. So begin early and try to anticipate everything.

A vital step in the integration process is to gather all new and old employees in a comfortable setting to introduce everyone to the future of the company. As the buyer, this is your chance to acquaint your new team with your methods and your company vision.

Entrepreneurs confirm that a systematic and positive approach to buy-side transactions is what creates successful growth through acquisition. So incorporating these lessons into your acquisition will help to ensure a smooth, successful transition.

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