

Buying? Selling? Seven Key Points to Consider

Buying or selling a business is one of the most important decisions that most people ever make. Before jumping in, there are several points that should be taken into consideration. Let's take a moment to examine some of the key points involved in buying or selling a business.



Factor #1 - What are You Selling?

Whether buying or selling a business it is important to ask a few simple questions. What is for sale? What is not included with the buyer's investment? Does the sale price include any real estate? Are vital assets, such as machinery, included in the sale price?

Factor # 2 - What are the Range of Assets?

It is very important to understand the range of assets that are included with a business. What is proprietary? Are there formulations, patents and software involved? These types of assets are often the core of the business and will be essential for its long-term success.

Factor # 3 - Evaluating Assets for Profitability

Not all assets are created equally. If assets are not earning money or are too expensive to maintain, then they should probably be sold. Determining which assets are a "drag" on a business's bottom line takes due diligence and a degree of focus, but it is an important step and one that shouldn't be overlooked.

Factor # 4 - Determining Competitive Advantage

What gives a business a competitive advantage? And for those looking to sell a business, if your business doesn't have a competitive advantage, what can you do to

give it an advantage? Buyers should understand where a business's competitive advantage lies and how they can best exploit that advantage moving forward.

Factor # 5 - How Can the Business Be Grown?

Both buyers and sellers alike should strive to determine how a business can be grown. Sellers don't necessarily need to have implemented business growth strategies upon placing a business up for sale, but they should be prepared to provide prospective buyers with ideas and potential strategies. If a business can't be grown this is, of course, a factor that should be weighed very carefully.

Factor # 6 - Working Capital

Some businesses are far more capital intensive than others. Understand how much working capital you'll need to run any prospective business.

Factor # 7 - Management Depth

Businesses are only as good as their people. It is important to ask just how deep your management team is, how experienced that team is and what you can expect from that team. How dependent is the business on the owner or manager? If the business may fall apart upon the leaving of the owner or a manager, then this is a fact you need to know.

Buying or selling a business is often more complex than people initially believe. There are many variables that must be taken into consideration, including a range of other factors not discussed in this article ranging from how financial reporting is undertaken to barriers of entry, labor relationships and more. Due diligence, asking the right questions and patience are all key in making your business a more attractive asset to buyers or for finding the right business for you.

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