

## **The Ten Commandments of Buying a Business**

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Primary consideration when deciding to buy a business is determining if the business is a good business? When considering entering into a business venture use these 10 rules. Any business that you buy must subscribe to all 10 commandments.

### **Commandment no. 1 - Pay for the past, consider the present, but buy it for the future!**

- The businesses past financials will help determine the purchase price.
- The current business conditions (marketing processes, sales team effectiveness, cost structure, gearing, etc.) could give you an indication of possible improvements on the current business model.
- Market trends and developments in technology could give you an indication of the future business landscape and opportunities.

### **Commandment no. 2 - Buy a good business and make it great!**

- Don't look to buy a cheap business; it's like a bad used car. You'll spend all of your time trying to patch "leaks" and you'll have little or no time left for building the business. Buy a good business, a solid one that through your talents can grow and flourish. Start off with a strong foundation and build from there!
- Look for businesses with good profit margins, marketable products and well trained staff.

### **Commandment no. 3 - Ingredients are nothing without a recipe.**

- After the purchase, can you put all parts of the business together into one cohesive unit poised for growth? What will the business model look like and will it be profitable?

### **Commandment no. 4 - Fall in love with the profit, NOT the product!**

- Your number 1 consideration when buying a business should be profits. A business could only survive in the long run if it can be run profitable. The greatest product becomes absolute if there is no market for it.
- Does the business model make sense; can you make money considering the sales price, potential volume sold and operating and overhead expenses?
- Does the market want your product/service?

### **Commandment no. 5 - Do what you do best and you'll manage the rest.**

- Be critical of your personality traits, skills, competencies, expertise and determine if your skill set match what the business requires?
- Do you have the characteristics needed to make the business a success?
- Can you sell the products/services? Can you effectively manage staff? Do you have the required energy needed to grow the business?

### **Commandment no. 6 - Can the business be put on "cruise control"?**

- In order to grow any business, you must take advantage of technology - can this business improve its systems and run on its own so you can focus your attention on driving the profits?
- Where can you access the technology and what are the costs?
- Does the business have an experienced sales team or will the business solely be dependent on you for its sales? Will the business operations continue smoothly should you fall ill or have to take an extended holiday? If not would you be able to transform it into a business that could operate with your absence.

### **Commandment no. 7 - Determining what holds "The Gold".**

- Nearly all businesses possess certain components that the current seller has not exploited.
- New products that could be sold to old customers or new markets that have not been sold into.
- Complimentary products or services not currently offered.

### **Commandment no 8 - The personal things that every business must possess.**

- Simplicity and understanding. Do you understand the business, its industry, technologies and customer profile. You must be able to explain it in simple terms to others.
- Are you enthusiastic about the business, its product and services?
- Are you proud to be apart of the business, its industry and the products/services it offer?
- Would you be comfortable with dealing with the type of clients the business would attract? Would you be comfortable in the specific work environment where the business will operate from?

### **Commandment no. 9 - Evaluating and identifying what's not perfect yet.**

- No business is perfect and every business needs attention. Sometimes the smallest improvements yield the greatest results. Look for improvement areas.
- Look for areas in the existing business that could be improved to increase profitability and/or reduce costs.
- Do you poses skills, expertise, experience, access to resources (cash, people, etc.) or have a network of suppliers or business contacts that could enable you to improve the business's profitability?
- Is the owner stifling the business growth by living high on the hog? Is staff discipline lacking? Are certain expenses outside of industry norms? Could lower rates be negotiated with landlord, financing companies or service provider? Could more favorable terms be negotiated with suppliers? Could the business be streamlined? Does the business have a top heavy management structure?

### **Commandment no. 10 - What's it worth to you?**

- Only you can truly evaluate the benefits of any venture.
- What are you willing to sacrifice to see the business a success (time with family, long working hours, upfront capital layout, sacrificing short-term benefits for long-term success, etc.)?