

10 Steps to Buying a Successful Business



By Brian Madigan LL.B.

1 Right Business

You will need to find the right business for you. This is one that you like. This is in a field where you are comfortable. You have experience and enthusiasm that you can bring to the table. If you are a chef, then buy a restaurant!

2 Growing Business

Make sure that this business is in a field that is expanding. There are new and opening markets. There may be competition, but there is more than enough business for everyone. You don't want to buy into yesterday's business. How would you like to be making custom furniture for desktop computers?

3 Good Location

Location is often the key to success. Get the best retail location you can afford. It will make your job that much easier. A good location will force you to expand, and might cost you some money. A bad location will force you out of business. A coffee shop or muffin business will find that a Go Train station is an excellent location for morning commuters. If you are selling financial advice, you might be trampled upon by those enroute to buy their morning coffee.

4 Research

You will have to do your homework. Learn everything that you can about the business. Learn to ask the right questions. Knowing the right questions to ask is more important than finding out the answers.

5 Partners

You may not have all the skills or all the time to make the business a success. So, team up with someone. They should have similar interests but different talents. Make sure that you team up with someone who will add value to the business. When you are just starting out, there's no room for "yes" men. When you get rich, you can add them later.

6 Business Plan

You need a plan and a direction. You will also need a series of strategies to accomplish what you set out to achieve. You need to list your goals, and you need some time periods to monitor your success. If you need 20% more sales to reach the break-even number, when and how will those be achieved?

7 Financial Statements

All businesses have financial statements. Some people are prepared to show them to you and some people aren't. Look at a business with a strong statement. It doesn't have to be making money, but you need to know how you can turn it around. You need to analyze the sales, the expenses and the profitability. If there are no financial statements, then be wary.

8 Right Price

If you overpay, then your new business is in difficulty from the start. Establish a value, then, attempt to negotiate a price that will make the transaction more attractive. Don't be afraid to pay for value! If you don't see the value, then don't pay for it.

9 Advisors

You don't know everything, so this is the time to get some professional advisors onboard. You will need a lawyer, an accountant, a financial advisor, a tax planner, an insurance broker and a real estate agent. One person could fulfill more than one function, but unless you have these skills yourself, you should set out to find the right people. Find someone you can rely upon and make them the "quarterback" of your team. Without proper coordination, this group of advisors will all be heading in different directions.

10 Just Do It

This is not just a "Nike" ad slogan, it is fundamental good sense. People just don't act. They procrastinate, and then the opportunity is gone. When you have all the correct information, proceed with caution. Never buy something when you are not ready. But, at some time you need to be ready to go, otherwise you don't have the right team in place. While the early bird gets the worm, the second mouse gets the cheese.

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