

## 9 Steps to Buying a Business

**You've dreamt of being your own boss, of owning your own business – here are 9 steps to help you on your way.**

**1. Self-assessment.** Build a profile of the key things you enjoy doing and your strengths - your ideal business will contain many of these. Also list the things you don't enjoy doing and any weakness. When you are looking, you will be asking yourself; is this something I'm interested in? Have I the appropriate skills, knowledge, and ability? If not, are these available within or outside the business? Determine how much you are prepared to risk, the hours you will work, and its impact on your lifestyle. Write these down, they will help you stay focused in searching through the many possibilities.

**2. Determine your budget.** Get a feel for how much you can spend. This will be determined by your cash reserves, equity you may borrow against, the bank and/or vendor finance. Exercise care in taking on too much debt, and ensure you allow for working capital and some cash reserves.

**3. Select an accountant and a solicitor.** You will need professionals to help. Get recommendations from your bank manager, business advisors and business friends. Check out the Yellow pages. Interview several - have they the necessary experience in your area of interest? Do their resources match your needs? Are you happy with how and what they charge? You are selecting a costly but critical resource - you need to be dealing with someone you like working with, and who will add value to your business.

**4. The searching.** Contact key brokers who operate in your area of interest. Regularly check what's on offer through Internet sites ( [www.nzbizbuysell.co.nz](http://www.nzbizbuysell.co.nz) ), newspapers and business magazines. If you are seeking something specific, then get to know the appropriate trade associations, and tell them you are interested in buying a business. Look to advertise for what you want - ask your accountant or anyone else who may have contact with potential business sellers. Be patient - it can take time.

**5. Discovery.** You have found something that looks interesting, and fits your criteria. Ask the key questions: is it in a growing or declining market? Is it well located? Does it have good systems and resources? Does it have the potential you want? Look at the financials - are they healthy? Do you have a vision for where you could take this business? Is it you - does it fit your profile? The more work done here prior to making an offer, the greater the savings on fees.

**6. Facts, facts and more facts - due diligence.** So it's good enough to continue with? You may be required to sign a confidentiality agreement to proceed with your due diligence. Now is the time for the in-depth financial analysis. Do your projections; check the going rates, the market conditions, the strengths and weaknesses of the business. Consult your solicitor and/or accountant to draw up an offer (there are a number of ways to value a business; your accountant will assist with this). Usually your offer will be conditional upon certain aspects being satisfied. On conditional acceptance be thorough, check everything; call in an advisor, an industry specialist, and your accountant and lawyer. This will cost (be specific, ask for quotes), but will be cheaper than getting it wrong.

**7. Decision time.** Prior to going unconditional gather all your facts, information and projections. Present any legal aspects to your solicitor, and all financials, including projections for the bank, to your accountant. Then present your low-risk business proposal to the bank to get the okay on some suitable finance. Now it feels right - this is your decision, you're comfortable with your advisors' advice, and the bank is fully satisfied with the business, and the conditions of your deal - then its time to go unconditional and complete the purchase.

**8. The next day.** You're in business - time to draw up a takeover plan. This will cover the handing over from the out-going owner, managing the effects on culture and staff, and how to maintain continuity with suppliers and customers. A new entity will need to be established, suppliers' accounts, bank accounts, insurances and staff contracts, and of course then there is your new business plan to do.

**9. Enjoy your business.** Congratulations! You have a business and a plan - manage, monitor and implement your plan by working on your business. Don't try to change it overnight, learn the business first. It will be rewarding and sometimes tough going. Enjoy the process and its rewards - good luck and every success in your new venture.

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