

Start or Buy a Business

Getting Into Business: Don't Start It! Buy It!!

Russell L. Brown

Many of us have felt the entrepreneurial pull of running our own business at one time or another. The allure of being your own boss can be really strong, and no wonder. Small business ownership and its operation has proven to be one of the most financially rewarding and intellectually stimulating pursuits that you can follow in your working life. And, you have the opportunity to be a master of your own financial destiny.

But, it can also be very frightening for those of you just starting out! We have all heard about the high mortality rates for new business ownership; 50% do not make it through the first three years and 70% will be gone after only five years. There are many reasons for this including; insufficient operating capital, poor management, an unworkable business concept, inability to develop a strong customer base, and just plain old bad luck. It would be great if these potential problems could be eliminated or at least minimized for you as a new business operator. Well, they can!

Buy an existing profitable business instead of trying to start one from scratch! There are several key advantages to this:

Existing successful businesses have a proven track record of profits that will most likely continue long after the business sale. Now you get to apply your new ideas, expertise, and renewed energy to take the business to even higher profitability.

You will have established customers for immediate cash flow. No suffering through a long start-up period where you struggle to attract customers to your business. Use these customers as a building block for future business growth.

Typically, you will be able to use a business seller's financing of a large portion of the purchase price to maximize your buying potential. You will get more bang for your investment dollar!

Although I do not know of any solid statistics that exist anywhere that I can quote, it has been my experience and that of my many business broker colleagues that the vast majority of profitable businesses that are purchased continue to operate successfully for many years to come. There is no question in my mind that the success rate for new business owners that buy an existing business is much higher than for those who start a newly formed business. This makes good sense. An existing profitable business has already proven that it is successful. As long as you continue to follow the basic business approach, you too should be

able to operate the business successfully.

However, the actual process of purchasing an operating business can be a challenging and complicated undertaking and you will want to be as fully prepared as you can. You need to gather as much information as possible which will help you to; find a suitable operating business for sale, properly value the business, arrange your purchase financing, successfully conduct negotiations, and finally, to actually close the deal, buy the business and transfer ownership. The good news is that tens of thousands of small business sales occur every year with little or no real problems and the new owners and the sellers both realize their goals. But, you must be fully prepared and knowledgeable for this success to occur! In this article, I will provide you with an overview of each aspect of successfully buying an existing profitable business.

The first step in this process is to find out if you are truly fully motivated to operate a small business (whether you start it or buy it). Ask yourself these questions:

- Do you know what kind of business you want to buy?
- Are you "technically" qualified and experienced enough to run the business?
- Do you have the temperament to deal with fickle customers, demanding creditors, and difficult employees?
- Do you have the attention-to-detail that most businesses demand?
- Can you deal with the bookkeeping requirements of the business?
- Are you prepared to devote a great deal of time to the business?
- Can you deal with adversity without losing your cool?
- Can you deal with uncertainty without losing sleep?
- Are you a good people-person who can successfully deal with both customers and employees?
- Can you accept the potential significant financial loss that investing in a business exposes you to?

Next, you need to determine what your key reason is for buying and operating a business (in addition to the obvious reason of making money):

- Buying a job to earn a living.
- Acquiring an attractive lease or other real estate.
- Buying prestige (many business owners are respected community leaders).
- Eliminating competition if you already have a business.
- Buying a hobby or retirement occupation.
- Seeking self-fulfillment and control of your own destiny.
- Seeking an opportunity for a child or other family member.

Now ask yourself, what is it that I really like to do, and what is it that I am really good at? If you have determined that you are a truly motivated buyer and you know the reasons that you want to own and operate a business, then you should begin searching only for those businesses that match what you like to do and

ones that match your skills, capabilities and knowledge.

Buying an existing business is an involved process, yet it is far less trouble than starting a new business, and certainly less risky. If you have an entrepreneurial mind-set and would like to consider getting into business for yourself, even if it is only a home-based business to start, I strongly urge you to consider buying an existing profitable business. There are tens of thousands of them out there right now just looking for the right new owner.