Key Questions to Ask When Considering M&A for Business Expansion

Mergers and acquisitions often provide a remarkable opportunity for business growth. As with any major business move, it also comes with possible pitfalls. There are numerous potential problems for a company facing a merger or acquisition, as outlined by John Barrows of JBarrows Sales Training. How do you know if your company is in the right place and time for a M&A? Let's go over some key questions you should ask when considering a merger or acquisition for business expansion.

What is Your Company Getting thanks to the M&A?

From revenues to customers, and human talent to patents, a merger or acquisition can bring you a number of opportunities.

You need to prioritize which of these are most important. Ideally, it should be something that is hard for your company to build on its own. For instance, if your business already boasts the market's best product, you should stay away from M&As that only bring in more customers because you can get those on your own without diluting your equity through the merger or acquisition.

Will Your Business Become More Competitive?

Seasoned teacher and consultant, Enrique Dans, talks about how controlling your competitive advantage is always crucial. Consider two competitors locked in a fierce price war; they would probably slash their margins more than they should. If they merge, they could increase their prices and margins. The merger of the second and third biggest players in the market can help them both take the top spot as one entity. These are the competitive advantages that a merger or acquisition should achieve.

Does it Make Economic Sense for Your Shareholders?

For an M&A, you will either pay with cash or with equity. In both cases, the ownership of your current investors will probably be diluted. Whichever way you proceed with the transaction, you need to ensure that the resultant business has a higher value together rather than apart. This is where your existing investors will enjoy a better dollar value of stock, despite their ownership percentage being less.

Is Your Business Compatible with the One it is Merging with?

Sharing a vision is important for any two companies merging. The management teams should get along and their respective employee cultures should interweave well. You should do your best to minimize unwanted employee turnover as the two companies merge. If you arrive at the conclusion that the two businesses are incompatible, walk away from the merger or acquisition.

As Bain Insights discusses, getting the most out of a merger or acquisition requires you to do a lot of things correctly. Asking these questions is among them to help steer your company towards or away from a highly fruitful or calamitous M&A.

Fatima Mansoor is a writer at Aepiphanni, a Business Consultancy that provides Management Consulting, Implementation and Managed Services to business leaders and entrepreneurs seeking to improve or expand operations. She specializes in business & entrepreneurship, digital marketing, and health & fitness. Her focus is on creating compelling web content for small and medium businesses form diverse industries. She mostly writes for entrepreneurs and marketing agencies across the US, Australia and UK.

We would love to hear from you. Please share your thoughts and comments below.

We’ll help you streamline systems and processes, implement software, refine business architecture and ensure the company has a solid structure it can grow on.
If you are ready to discuss how Aepiphanni can help you with business strategy, overcoming challenges to growth or any number of business solutions for your business, whether a small, growing or established company, contact us directly or submit a request for a complimentary Coffee & a Consult to learn how we can help you CREATE | DESIGN | BUILD an Extraordinary company.

Things to Look Out For When Purchasing a Business | Extraordinary Business

If you are considering getting into business for yourself, buying an existing company could be an excellent option. You will get the opportunity to use your skills and experience to expand operations at the enterprise that you purchase. Many small businesses see a sharp jump in revenues and profits soon after a new owner takes charge.

But identifying the right business is not an easy matter. You have to consider a number of factors, including the industry that you want to get into, the geographical location of the company that you will buy, and the size of your proposed acquisition.

Of course, there is also the critical matter of the price that you will pay for the company you have identified.

Here are some areas that you should look into before finalising your acquisition.

Why does the current owner want to sell? While there are many legitimate reasons for a small business owner to be looking for a buyer, it is important that you understand why the company that you have identified is up for sale.

In "7 questions to ask before buying a business," Kayleigh Kulp advises buyers to carry out a thorough review of the target company's bank statements, profit and loss statements, contracts with suppliers and employees, and tax returns.

Very often, it is just a matter of asking the existing owner the right questions in order to understand why the business is being sold. Your queries may unearth facts that lead you to drop the company from your shortlist.

Can you afford the acquisition? Well-run and profitable businesses are expensive to purchase. After all, you will be taking over a company that has paying customers, a solid brand, and a reputation established over many years.

But don't forget the risks involved. The previous owner may have developed a strong personal rapport with many of the large customers. You need to be certain that they will continue buying after you take over.

How much should you pay to acquire a business? The answer obviously depends on its revenues, the cash flow it generates, and the assets on its books.

But a general guideline provided on the U.S. Small Business Administration website advises that you should not spend more than 15% of your net worth to buy a business.

What happens after the sale? Before you actually commit to acquiring the selected company it is a good idea to check whether the owner would be open to helping you post-sale if the need arises.

A blog post on Intuit's QuickBooks website also advises that you should speak to the employees of the company that you are planning to buy to get an idea of what they think about the takeover.

Don't be in a hurry to close the transaction – Carry out a thorough due diligence exercise before you make up your mind about buying the small business that you have identified. The extra time and effort that you put in at the pre-acquisition stage will help you take the right buying decision.

Ravinder Kapur is a business operations writer at Aepiphanni, a small business operations and strategy consultancy that exists to help small business owners CREATE | DESIGN | BUILD extraordinary businesses. He is a commerce graduate and a fellow member of the Institute of Chartered Accountants of India. He has been affiliated with various interests in the financial services industry for more than 30 years. His finance expertise includes the commercial vehicle, automotive, and construction equipment sectors, as well as corporate finance. His experience in these disciplines has included business development, credit analysis, risk management and financial recovery. In addition, he worked extensively in corporate finance recoveries and was involved in several large value arbitration cases.

We would love to hear from you. Please share your thoughts and comments below. If you are seeking advice on how to grow your business, streamline systems and processes, implement software or overcoming challenges to growth, please contact us, directly or submit a request for a complimentary Coffee & a Consult to learn how we can help you CREATE | DESIGN | BUILD an extraordinary company.

Things to Look Out For When Purchasing a Business | Extraordinary Business

If you are considering getting into business for yourself, buying an existing company could be an excellent option. You will get the opportunity to use your skills and experience to expand operations at the enterprise that you purchase. Many small businesses see a sharp jump in revenues and profits soon after a new owner takes charge.

But identifying the right business is not an easy matter. You have to consider a number of factors, including the industry that you want to get into, the geographical location of the company that you will buy, and the size of your proposed acquisition.

Of course, there is also the critical matter of the price that you will pay for the company you have identified.

Here are some areas that you should look into before finalising your acquisition.

Why does the current owner want to sell? While there are many legitimate reasons for a small business owner to be looking for a buyer, it is important that you understand why the company that you have identified is up for sale.

In "7 questions to ask before buying a business," Kayleigh Kulp advises buyers to carry out a thorough review of the target company's bank statements, profit and loss statements, contracts with suppliers and employees, and tax returns.

Very often, it is just a matter of asking the existing owner the right questions in order to understand why the business is being sold. Your queries may unearth facts that lead you to drop the company from your shortlist.

Can you afford the acquisition? Well-run and profitable businesses are expensive to purchase. After all, you will be taking over a company that has paying customers, a solid brand, and a reputation established over many years.

But don't forget the risks involved. The previous owner may have developed a strong personal rapport with many of the large customers. You need to be certain that they will continue buying after you take over.

How much should you pay to acquire a business? The answer obviously depends on its revenues, the cash flow it generates, and the assets on its books.

But a general guideline provided on the U.S. Small Business Administration website advises that you should not spend more than 15% of your net worth to buy a business.

What happens after the sale? Before you actually commit to acquiring the selected company it is a good idea to check whether the owner would be open to helping you post-sale if the need arises.

A blog post on Intuit's QuickBooks website also advises that you should speak to the employees of the company that you are planning to buy to get an idea of what they think about the takeover.

Don’t be in a hurry to close the transaction – Carry out a thorough due diligence exercise before you make up your mind about buying the small business that you have identified. The extra time and effort that you put in at the pre-acquisition stage will help you take the right buying decision.

Ravinder Kapur is a business operations writer at Aepiphanni, a small business operations and strategy consultancy that exists to help small business owners CREATE | DESIGN | BUILD extraordinary businesses. He is a commerce graduate and a fellow member of the Institute of Chartered Accountants of India. He has been affiliated with various interests in the financial services industry for more than 30 years. His finance expertise includes the commercial vehicle, automotive, and construction equipment sectors, as well as corporate finance. His experience in these disciplines has included business development, credit analysis, risk management and financial recovery. In addition, he worked extensively in corporate finance recoveries and was involved in several large value arbitration cases.

We would love to hear from you. Please share your thoughts and comments below. If you are seeking advice on how to grow your business, streamline systems and processes, implement software or overcoming challenges to growth, please contact us, directly or submit a request for a complimentary Coffee & a Consult to learn how we can help you CREATE | DESIGN | BUILD an extraordinary company.