

## SUCCESS BY THE NUMBERS

### 10 Steps to Take When Acquiring a Company

By Marc Kramer

*Many family businesses are either starting new ventures or acquiring other business as they work to build a foundation for the future. When you make conducting due diligence a family affair, then everyone feels part of the process and gains a solid understanding of the venture. Here are 10 steps to take when acquiring a company.*

- 1** Understand the market and trends. Talk to vendors, buyers, market researchers and university faculty that study the market.
- 2** Pretend you are the buyer so you can experience the process.
- 3** Search LinkedIn for former employees and get their input on the strengths and challenges of the business. You'll want to see if the culture will meld with yours. If the culture is radically different than yours it could complicate the transition, especially with senior managers that play an important part in making the purchase a success.
- 4** If you are acquiring a company you want to see management's sales, marketing and product development plans. You want to know that management isn't taking their eye off the ball.
- 5** Ask for copies of all client agreements. Talk with current and past clients. Past clients will tell you why they left. Look for poor customer service, delivery problems and lack of investment to maximize the businesses potential. Take a close look at the contracts: find out if clients can cancel their contracts if there is a change of ownership and who owns the IP.
- 6** Look at their debts. Are the debts related to constant improvement in product, people and delivery or is it from returned products, lost law suits and bad decision making?
- 7** Have your attorney do a legal search to find out what lawsuits the company has been involved in. Are clients suing for poor performance? The reasons employees are suing will tell you about their business practices.
- 8** Ask to join them on sales calls to watch the sales process, watch the sales team and hear the prospect's reaction to the products and services.
- 9** Find out how employees leave the company. Lots of turnover will sound alarms about management.
- 10** Interview all of the key employees to see who is staying and who is leaving. Read their employment contracts. Find out if the company you're considering acquiring would be obligated to pay employees if, when there is a change in ownership, the employees decided to leave and did not sign a non-compete.



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#### ABOUT THE AUTHOR

**Marc Kramer**, executive-in-residence at the Haub School of Business, is a serial entrepreneur, author of six books and has run over 20 startup and four turnaround companies. His expertise is in launching new ventures, marketing, market research, sales, raising capital and leadership. He also writes a national column for American City Business Journal, a regional column for SmartCEO magazine and provides weekly entrepreneurial educational content for KYW News Radio. Follow him @marcdkramer