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Smart guide

Expand or buy - making your decision

Part 2: Your checklist for buying success

After delving into the pros and cons of different business growth pathways in part 1, it's time to take a deeper look at inorganic growth. What elements do you need to consider to create an effective M&A strategy?

Organic growth gives businesses a more controlled expansion strategy with greater ability to adapt to future challenges. While this should always be a key metric of business success and stability, the speed and strength that comes with inorganic growth - not to mention the overnight increase in market share - cannot be ignored.

Buying the competition is undoubtedly a proposition fraught with pitfalls but with the right due diligence and integration strategy in place, the rewards can be huge. Indeed, many companies discover a glass ceiling once they hit a certain level of growth, that can only be broken by an effective M&A strategy.

If you're considering embarking on an M&A growth strategy, you'll find the below qualification criteria useful. We've collated a series of questions that can help guide your decision making process when it comes to buying other businesses. The purpose of this criteria is to assess your capability and suitability for taking on a new business, its employees and its clients.

Your buying checklist

When you have responded to each question, tally the 'yes' column and use the following as guidance:

- 14 - 17: Strong prospect.
  This business is an excellent opportunity.
- 11 - 13: Worth consideration.
  Look further into acquiring this business.
- 7 - 10: Questionable prospect.
  Think twice before pursuing this business.
- 0 - 6: Poor prospect. Don't go any further.

Purchasing Considerations	Yes	No
Is the company a direct competitor?		
Do you know the owner?		
Are they happy to meet you to discuss a potential purchase?		
Does the company have a reliable and steady cash flow?		
Is there a cultural fit with your business?		
Does the company have your kind of clients?		
Would there be cross-selling opportunities with your prospective and existing clients?		
Do you have any contacts who can give you additional insight into the business?		
Is this a sustainable and future-proof company?		
Internal Considerations		
Is your own organic growth steady and stable?		
Do you have the capital to complete this purchase?		
Do you have the resources to complete the greater volume of business?		
Do you have experience in the sector and services that the company provides?		
Do you have the resource to create an integration strategy?		
Have you factored in due diligence and increased internal infrastructure into your M&A budget?		
And finally...		
Does it feel like the right move?		
Do you really want to buy this company?		

Making your decision

The final two questions on the list about how you 'feel' about the prospect may seem a little unscientific but you should always put your trust in your instincts. If it doesn't feel like the right move, then don't go through with it. Mergers and acquisitions take a lot of time, energy and motivation. If you don't have these in abundance, the integration process could fall flat to the detriment of both businesses.

If you are scoring over 11 and you think that your team, infrastructure and capital are ready to take on an expansion strategy then buying the competition may just be the right solution. With a trusted partner to control and manage the process, including the lengthy due diligence phase, the time may be right to dramatically increase your share of your sector.

Hopefully, this Smart Guide gave you a good understanding of the growth paths available for your business. Whichever strategy is right for you, we hope you achieve the results that you are looking for. Good luck! And don't forget, if you missed part one of this Smart Guide series, we'll be happy to send one over. Get in touch using the details below.

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