

# 7 Steps to Achieving the Dream of Owning Your Own Business

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There are two basic ways to become a business owner. You can found a new business or you can buy an existing one. Many would-be business owners choose to buy, not because they lack ideas for a new business, but because they prefer to skip the infancy of a brand new company, come in during adolescence and then guide the company to adulthood. In short, they look for a good company they can take to greatness.

But how do you determine if business ownership is right for you? How do you find the right business, make an offer, and complete the purchase? Based on our experience, we see the process as a series of 7 steps:

1. Deciding to Buy – Doing Some Serious Soul Searching
2. “Shopping” for a Business
3. Let’s Make a Deal...
4. Due Diligence – Checking Under the Hood
5. Closing the Deal – Congratulations, It’s Yours!
6. Transition from the Old to the New (or “There’s a New Sheriff in Town.”)
7. Running the Business and Making it Grow

Let’s look at each of these steps in more detail.

## **Step 1: Deciding to Buy**

This step is critical and too often given short shrift. Owning a business is an exciting opportunity, but it is NOT for everyone. Do some serious soul-searching and be brutally honest with yourself. Assess your skills, leadership qualities, financial status and requirements, the type of business you think you want and, most important, *how you would make it better*. For any company you consider purchasing, it is vital that you be able to articulate what you bring to the table that will help the company grow. It is also vital that you remember that you are buying a business, *not a job*. Viewing a business as a job is one of the biggest mistakes potential owners make. You have to be thinking like a business owner, not an employee.

## **Step 2: “Shopping” for a Business**

There are lots of businesses for sale and many resources available to help you locate them, from newspapers and the internet to business brokers. Investigate each potential acquisition very carefully, learning and refining your requirements as you go.

## **Step 3: Let’s Make a Deal....**

Once you’ve found a business that interests you, it’s time to make an offer.

1. Determine the price. How much should you offer? Almost universally, business owners believe their businesses are worth more than they actually are. After all, it is their baby! But paying too much for a business is the biggest mistake new owners make, so do your work carefully here and hire an appropriate expert to help you. How much is the business worth to you? After careful analysis, how much is justified by the financial history of the company and its potential for future income?
2. Structure the deal. Usually, you will begin with a Letter of Intent, which is basically an agreement to date, not marry.
3. Negotiate. Agree to a price and basic terms with the seller.

## **Step 4: Due Diligence – Checking Under the Hood**

Now that you have basic agreement on the sale, it’s time to dig into the details. It’s also time to bring in more expert help, in the form of a CPA, attorney, and a consultant experienced in buying or selling businesses. This is your chance to verify financial and other data the seller provided previously, so don’t waste it. Your ultimate purpose during this step is to learn enough about the inner workings of the company to reach final agreement in the form of a Purchase Sale Agreement, or to walk away.

## **Step 5: Closing the Deal – Congratulations, It’s Yours!**

This is one small step in the process, but one giant leap in your quest to own a business. This is when the Purchase/Sale Agreement is signed and money changes hands.

## **Step 6: Transition from the Old to the New (or “There’s a New Sheriff in Town.”)**

Any transition is a time of uncertainty, so this is a critical phase in the process. It is important for you to set the right tone with employees, suppliers and customers. With proper planning and preparation, you can hit the ground running and help the business move smoothly into its new ownership.

## **Step 7: Running the Business and Making it Grow**

This is it, your opportunity to put all of your effort and planning into action. There are a number of initial steps to take as you assume the full reins of leadership, but ultimately this is now your chance to implement your ideas, build your company from good to great, and achieve your dreams. Congratulations and best of luck!

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