

## How to Identify a Business to Target for Acquisition

By Don Moore (from October 2017 Decision Point Newsletter)

If my article “Reasons to Consider Entering New Markets Through Business Acquisition” has you interested in acquiring a business, you might be wondering how to identify a company to target for purchase. Specifically, how do you go about finding the business that’s the right match for your needs?

1. **Identify five to seven key characteristics of a business you’d like to purchase.** For example, we had a client recently who wanted us to find a business to target for acquisition based on its proximity to Erie, the specific markets it served, a revenue range and the skill sets of employees on staff. In this case our client wanted material science engineers. Other characteristics that might be important to you: The size of the business, industry certifications, an intellectual piece of property, the type of equipment they have...the list goes on. Think about what you need in a business to make a successful match.
2. **Ask yourself: What are you trying to accomplish?** This might seem obvious, but thinking through strategically what your goals are now, and in the future, can help prioritize the characteristics of a company you target for acquisition. You don’t want to fall into the trap of only thinking about the targeted company’s capabilities. You also need to think about how those capabilities line up with your short- and long-term goals.
3. **Research, research, research.** We dig deep when working with a company on identifying the right business to acquire. We mine multiple sources (Just to start: trade groups, LinkedIn profiles of key employees, credit histories, and relationships with customers) to get a picture of the health of the company and it’s worth. You never know what you might find. Some interesting information we’ve uncovered for clients during our research phase: An owner under indictment, a bitter divorce that meant the business had to sell and interesting and valuable patents that a business had, but wasn’t using. By doing thorough research, you not only find out whether it’s the right business for you, but also find information that allows you to make the best offer.

Once you’ve put together a “target list” of companies, we make the call to their owners. But why would they listen to us when we call? You have to remember that not only is your targeted business likely not for sale, they are probably getting calls regularly from others interested in acquisition.

We have found the greatest success in opening the door for discussions happens when we explain in detail the process we went through to identify the business as the right match for our client. We explain the characteristics of the company that our client liked, and the research we did before deciding to call with an offer.

By going through the details of our process with the target business, that owner knows we’ve done our homework and that our client will come to the table with an offer that reflects that.

Taking the necessary time and care to identify the right company for your acquisition will go a long way to helping you achieve the growth and success you want for your business.

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