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John Martinka's 20 Rules of Business Buying

1. Searching for a business is sales; it's the same as a business prospecting for customers. Have a proven search plan and implement it properly.

2. Cash is king (and so is cash flow).

3. The queen is relationships and like in chess the queen is the most powerful piece in the game. It's a relationship game and don't forget it; nobody buys from or sells to someone they don't like.

4. You won't, "Know it when you see it." You must define your criteria.

5. Correspondingly (to the previous rule), when you see where you can add real value you will get excited and want to take action (buy that particular company).

6. You must show confidence, speed and creativity.

7. Growth hides a lot of operational warts and those warts tend to work their way out.

8. Don't fall in love with the product. Fall in love with the business model and its value proposition. This means you want a business with a defensible competitive advantage.

9. The bigger the spreadsheet the less chance of a deal (don't get analysis-paralysis).

10. There are no perfect businesses and no perfect deals.

11. What makes you a good business owner can make you a bad deal person.

12. Terms are often more important than price.

13. Watch out for dependencies in the business. The first place to look is at the owner. How dependent is the business on him or her?

14. Due diligence is for proving what you've been told (and on what based your offer); it is not time for surprises.

15. Educate the seller on the process; make sure he or she understands the bank and you will be "nosy."

16. You can't be a "defensive" buyer.

17. The administrivia near closing will drive you nuts, but must be done.

18. Make your financing benchmark 50% of profit (or more) to acquisition debt (a 2:1 debt coverage ratio).

19. You will make a leap of faith. Do it right and that leap is off a chair not the roof.

20. The only thing worse than no deal is a bad deal. Be patient and don't get "buyer fever."