



HBR Guide to Buying a Small Business (HBR Guide Series)

Richard S. Ruback , Royce Yudkoff

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Are you looking for an alternative to a career path at a big firm? Does founding your own start-up seem too risky? There is a radical third path open to you: You can buy a small business and run it as CEO. Purchasing a small company offers significant financial rewards—as well as personal and professional fulfillment. Leading a firm means you can be your own boss, put your executive skills to work, fashion a company environment that meets your own needs, and profit directly from your success.

But finding the right business to buy and closing the deal isn't always easy. In the *HBR Guide to Buying a Small Business*, Harvard Business School professors Richard Ruback and Royce Yudkoff help you:

- Determine if this path is right for you
- Raise capital for your acquisition
- Find and evaluate the right prospects
- Avoid the pitfalls that could derail your search
- Understand why a "dull" business might be the best investment
- Negotiate a potential deal with the seller
- Avoid deals that fall through at the last minute

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From Reader Review HBR Guide to Buying a Small Business (HBR Guide Series) for online ebook

Joel Mitchall says

I heard the authors being interviewed and thought they had some good perspective on business, so I ordered their book.

I wasn't expecting much.

After all, I have built, bought and sold a number of businesses over the past 20 years, and have read plenty of garbage from people who either don't know the reality of running a business or raising capital or are regurgitating some get-rich-quick garbage they read....

But this book was very different. From the very start, it lays out a structure and approach that not only makes sense in theory but also in practice. Stuff that I wish I knew this 20 years ago. Things that, quite frankly, I'm not sure I want my prospective competitors finding out from reading a book.

The chapter, "Enduring Profitable Small Businesses" contains more wisdom than almost any business book I have read. Anybody looking to buy any business, of any kind, should first read this chapter. Then read the book.

engnrguy says

Very good book. Detailed overview of the process.

John says

Like all HBR books, this one was practical and easy to read. I have a clear outline for the next steps to buying a small business, and I know where I need to include flexibility.

This is exactly what I wanted, and this is a must-read book for anyone interested in buying a small business.

Adolph Vogel says

Packed full of practical advice.

This book completely fulfills the promise made in its title. It offers a step by step guide, filled with practical advice, to buying a small company. It's not all just practical though, it offers clear guidelines, pinned on theory, on selecting the right company to buy.

Adam McNamara says

Tactical

A great primer on acquiring SMEs. The guide walks through the process of finding, screening, negotiating with, and running a small business. Each step contains exact instructions and considerations for the potential acquirer.

Eugene says

This book (a guide) is for top managers who are looking to start their own business via buying a small business which is in "dull" phase at the purchase price of up to 10M. Authors strongly advise against buying tech companies because of high risk of technology changes. Advised financing is 3 parts: own funding, bank/investors, seller debt. Authors guide through all the phases selecting the type of the business to buy, finding these businesses, finding selecting business brokers, finding and working with investors, banks, working with a seller (assuming that in most cases this is the very first deal of that kind for a seller), due diligence process, working with investors, closing a deal, keeping key employees and the business owner/owners.

Richard says

Brilliant book on buying a small business and creating a different career for yourself.

GZ says

Very good at covering the basis

This is a good primer on things to assess and think about when purchasing a business as a first time purchaser, specifically of a small business. While the examples may not apply, the principles and tips on due diligence should apply to any purchase.

Ned says

Gives a good idea of the process that one should go through in order to acquire a business. The first part of the book is fairly repetitive and could use some shrinkage. The second part is where I found more value and in some cases like in the financial planning having more details and explanations will improve the book quality. Decent and quick read, major points for outlining the process and the important question you need

to keep track of if you decide to take this route.

Godfrey says

Impressively detailed for such a small book. But some issues are glossed over, which I think would have been nice to dig deeper into, such as purchasing a C-corp. Still, very informative. Some notable quotes:

“The ability to organize yourself and focus on what is important is critical to success.” (p. 24)

“Ask yourself, Can I calmly work through the inevitable cycles? Can I learn from my mistakes and move on? Can I retain more joy from the ups than misery from the downs? To be successful, you’ll need to keep working through the emotional swings.” (p. 25)

“You should look for what may seem to be a dull business: One that has the same customers from year to year and is growing slowly—a business that is what we call enduringly profitable.” (p. 80)

“Avoid businesses in which your work would be so irreplaceable that the company would be worth nothing when you decide to leave.” (p. 90)

“As you search, don’t get so excited about a particularly attractive prospect that you devote all your time to it and stop sourcing new prospects. Most exciting prospects eventually become far less exciting: Perhaps you learn that the historical results are much weaker than originally represented, or perhaps the prospect has lost several large customers, or perhaps you and the seller cannot negotiate agreeable terms of the sale. Whatever the reason, sometimes it takes months to eliminate a prospect. If you stop sourcing, you’ll have to restart sourcing. The restart will take a month or two, needlessly delaying the successful conclusion of your search. It is much better to maintain your sourcing momentum and add new prospects every day up to the day that you finally close on the small company you acquire.” (p. 96)

“Thus, the importance of being unimportant: If the small business you buy provides something that only makes up a small portion of its customers’ expenses, then those customers are much less likely to switch to other suppliers.” (p. 129)

“Most owners learn about the true value of their business during the sales process, and first-time sellers are almost always disappointed.” (p. 152)

“We think you should be especially cautious of young, healthy sellers who face no external compulsion to sell.” (p. 156)

“If the 2011 results were sustainable, Randy reflected, Zeswitz was a fabulous prospect. But he wondered if assuming that the future would be like the company’s best year would make this projection too optimistic. So he computed the company’s average margins as well.” (p. 171)

“The full offer price of the acquisition is rarely paid all at once. A key component of the other terms of the offer is seller debt [which creates an economic incentive for the seller to help the business succeed after its sale.” (p. 180)

“Generally, non-compete agreements with sellers are four or five years long.” (p. 198)

“Truthfulness is a habit—if a seller has covered up one thing, it is likely that the seller has covered up other things that you haven’t found.” (p. 213)

“You absolutely must speak to customers to learn the strengths and weaknesses of the company, to confirm current industry trends, and to validate your business plan for the company.” (p. 222)
