

How to Buy Your (Next) Business

Congratulations! You've had your first entrepreneurial success. You started a business, made it profitable, and sold it. Even better, you've successfully reaped the benefits of your first venture by converting your proceeds (or a healthy part of it at least) into cash.

Now what?

You could retire to the golf links or the tennis courts or whatever you used to do for fun (and now could do again). But you didn't make that much money, you'd like to live better than you did in the past, or you're already bored. In our experience, it's likely some combination of the three.

So you need to do something to further build your wealth – and your interest. Given your taste for running a business, and your apparent skill at it, the best idea is probably to dive into another start up or buy another company. What's that? You don't ever want to go through the pains of a start up again? Then it looks like you'll be in the market to buy an existing venture. OK, so what should you look for before taking on your next project?

Here are five keys to picking that next business, created for a former client who was in exactly that position. They may be of value to you as you take stock of your needs:

- 1. Is it in the “right” area or industry?** Is it a business you retains your personal interest? That you can get excited about? That you can envision yourself running for the next five years? If you see yourself immediately looking for someone to run it for you, it's probably the wrong business.
- 2. Is there real growth potential in it—for the industry as well as the business itself?** I don't mean it will grow as long as everything goes right. Everything doesn't always go right, and when it doesn't, how will you build revenue? Your goal is to add your expertise to a high potential environment to better the averages and thus enhance your return.
- 3. Is it financially appropriate for your means?** Can you afford to buy it with the capital you are prepared to put at risk? Can it provide you an adequate ongoing income, or leave you enough savings to live on until it does?
- 4. Is it (or will it be) appealing to outside investors if you need them to finance future growth?** Internal financing is more profitable but usually slower. If your chosen business is in a fast-moving industry, e.g. anything technology driven, internal financing may not be an acceptable way to build shareholder value.
- 5. Finally and most importantly, is there something missing in this particular business that you possess and can put into the business, besides capital?** Do have a specific skill or understanding,

knowledge or insight that management doesn't currently have, and that will add critical value to the existing business? What unique expertise will be your contribution to this venture? Example: Their sales effort is inadequate and you are a top-notch salesperson.

Your challenge is to find a business that meets the above test, before someone else finds it. Your search should be like a job search or a search for venture capital—it's a full-time job until it's done. There are too many folks looking for just such opportunities to casually "keep your eyes open," or to be unfocused in your search.

Happily, there are also many companies out there that have been started in the past few years that have simply stalled. Typically their founders had a good idea, and probably have a good product, but they didn't have all the tools they needed, and may not yet have recognized the importance of bringing in outside resources.

If you find them first, and your timing is right, this could be more lucrative than your last business. Wouldn't that be great?

Best wishes,

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