

How To Buy Your (next) Business

Congratulations! You've had your first entrepreneurial success. You started a business, built it up, and sold it. Even better, you've successfully converted 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, or 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 build your wealth further. Given your taste for running a business, and your apparent skill at it, the best idea is probably to start or buy another business. 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 one that someone else has started. OK, so what should you look for?

Here are 5 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 well:

1. Is it in the "right" area or industry? Is it a business you personally want to be in, that you can get excited about, and that you can envision yourself running for the next 5 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. 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? Something like a specific skill or understanding, knowledge or insight that management doesn't currently have, and that will add critical value to the existing business. *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, many companies out there that have been started in the past few years, which 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 even better than your last one. Wouldn't that be cool?