

# ETA

Entrepreneurship Through Acquisition



DO YOU WANT TO BE A CEO?

# Paths to Entrepreneurship





Why Am I Here?

# Paths to Entrepreneurship

- ▶ What are your options?
  - ▶ New venture creation
  - ▶ Business acquisition
  - ▶ Franchising
  - ▶ Social entrepreneurship
- ▶ Which of these appeals to each of you?
  - ▶ Your background
  - ▶ Your skill set
  - ▶ Your likes and dislikes

# Business acquisition

- ▶ Essentially a small private equity deal
- ▶ The steps are simple:
  - ▶ Raise money – debt and equity investments are possible
  - ▶ Identify target companies
  - ▶ Narrow your search & perform due diligence
  - ▶ Negotiate a deal and close
- ▶ Combination of many skill sets:
  - ▶ Strategy, finance, negotiation, operations

# Business acquisition – the good

- ▶ More immediate results than new venture creation
  - ▶ Acquiring a cash flow producing company
  - ▶ Can get to work immediately on the plan to grow and improve the business
- ▶ There are thousands of target companies available for acquisition
- ▶ >25% of Small Companies are owned by people >65 years old
- ▶ There is a flavor for every entrepreneur
  - ▶ No background required in industry, skill set, financial backing, etc

# Business acquisition – the bad

- ▶ The search process is LOOOOOOOOONG
  - ▶ From start to finish, the process could take 18-24 months
- ▶ There are thousands of targets but only DOZENS of good targets
  - ▶ Profitable, growing companies with a future
- ▶ The good deals come and go very quickly so your success depends somewhat on:
  - ▶ Your relationships with sources
  - ▶ Your ability to quickly evaluate and pull the trigger



# Entrepreneurship by Acquisition

- ▶ Why do it?
  - ▶ Lead,
  - ▶ Independence – Most like rules and structure
  - ▶ High Highs, Low Lows
    - ▶ Does not stop
    - ▶ Direct Reward
    - ▶ Different than satisfying boss
- ▶ Learning
  - ▶ Industries you did not know exist
  - ▶ Use Intuition
  - ▶ Curious and Humble – recognize where you need to grow

# Entrepreneurship by Acquisition

- ▶ Should you do it?
  - ▶ Spouse in?
  - ▶ Loss of Salary and Benefits
  - ▶ Part of a Big Brand vs. “CEO & Owner”
  - ▶ You can do it
  - ▶ Loss of colleagues – Different colleagues (Benefit of a spouse)
  - ▶ Lack of departments - H/R, Marketing, R&D, “Making Payroll”
  - ▶ Intuition
  - ▶ Decisive – Not all the information, Common Sense
  - ▶ Energy
  - ▶ Selling, Selling, Selling
  - ▶ Once in, Cannot go back!

# Funding

- ▶ Investors
  - ▶ Friends & Family – Be Careful
  - ▶ Former Business Associates
  - ▶ Business Owners
  - ▶ High Net Worth Individuals
  - ▶ Family Offices
  - ▶ Search Fund Funders
  - ▶ Network, Network, Network
  - ▶ Did I mention Network?

# Investors

- ▶ Can you work with them?
- ▶ What do Investors bring besides cash?
  - ▶ Sounding Board
  - ▶ Introductions
    - ▶ Banks
    - ▶ Other Investors
    - ▶ Professionals, Attorneys, Accountants
  - ▶ Sellers
  - ▶ Support
  - ▶ Board of Directors
  - ▶ Help early on Running Company



# Search

- ▶ Investment Bankers
- ▶ Business Brokers
- ▶ Professionals, CPAs, Financial Planners, Attorneys
- ▶ Direct Contact
- ▶ A Thesis
- ▶ Network, Network, Network
- ▶ Did I mention Network?

# DISCUSSION