



Home > Business Basics > Entrepreneurship

Product and service reviews are conducted independently by our editorial team, but we sometimes make money when you click on links. [Learn more.](#)

Want to Launch a Business? Why You Should Consider Acquisition Entrepreneurship



Walker Deibel

President of EDC, Managing Director of Centra at Executive Data Control, Centra

business.com Member

Apr 23, 2019

Buying an existing business can be a more successful route than starting one from scratch.

Launching a business from the ground up is a difficult road lined with numerous potholes. That's why some entrepreneurs find more success from buying an existing business and molding it into something new.

The first company I acquired was a book-printing business. People told me I was crazy. The industry appeared to be in decline, and no one from my generation was entering that space. But the company had long-standing relationships with hundreds of publishers, was full of knowledgeable talent and had a long track record of solid performance.

What my critics missed was an underlying trend that was showing solid growth. Digital book printing was driving a golden age in self-publishing, online ordering was providing new authors with accessibility to readers, and short runs were

bringing the advantages of just-in-time inventory management to publishers. I decided we would build on what this company had while embracing the new trends. This is what's called acquisition entrepreneurship, or the philosophy of "buy then build." By embracing the best of both worlds, we are able to bring a startup approach to an existing, and often undervalued, infrastructure of an old-economy business.

Every industry has a life cycle, from startup and adolescence through maturity and decline. When a business reaches these later stages, the trick is to make the leap from a mature or declining business back to the adolescent stage.

For instance, manufacturing and distribution are old-economy business models. But today's consumer demands instant access, round-the-clock accessibility and fast turnarounds. Already, almost half of business-to-business institutions [offer their full product lines online](#), according to a CloudCraze survey. These growth strategies are how small B2B organizations succeed in the new economy. The trick is getting the balance right.

Why acquisition entrepreneurship?

After all these years, we haven't found a better way to start up. Startups are burdened with pitfalls: a lack of customers, a lack of capital and a lack of cash flow. Meanwhile, though old-economy businesses hold mature infrastructure, they have the things that today's entrepreneurs struggle most to build from scratch. By buying an existing small business and building upon it, entrepreneurs get instant access to everything they need to be successful. From there, they can mold their companies to fit their style. It's a smarter way to start.

Further, the capital to buy an existing company is so much easier to come by because activity is booming. According to a Deloitte survey, [almost a third of corporate and private equity respondents](#) predict a jump in mergers and acquisitions, up from about a quarter last year. Buying an existing company is like buying a home, with banks standing by ready to help. But unlike buying a home, an acquired business pays off the loan with its cash flow, making it an ideal platform to build from.

Business models that can benefit from acquisition entrepreneurship

Will acquisition entrepreneurship work in your industry? Fundamentally, there are four business models: making products, reselling products, providing services and running online businesses. All of them can benefit from the principle of "buy then build."

Acquisition entrepreneurship is about using the benefits of established, mature businesses, regardless of their industry. If your business grew from \$0 to \$20 million when the internet didn't exist, its survival depends on connecting to how consumers (and businesses) are buying today. Every business can incorporate new ideas and technology and build them alongside a long-standing, profitable infrastructure.

If you're buying a small business, look for one with an existing customer base and revenue, a solid reputation, at least a few reliable team members, and a clear opportunity for growth. This cuts out a lot of the risks that traditionally kill startups. You'll have solid ground under your feet so you can dive right into growth.

Uncovering the potential of the "old economy"

Here are four ways you can make the most of taking over an old-economy business:

1. Know the clear path to growth.

The risk of buying an existing business is usually not inherent to that business. Instead, look at limitations as growth opportunities. This is where key performance indicators come into play. Ask how this business could double in size or change so that it could serve 1 million customers. The answers to these questions will reveal the growth potential.

2. Match your skill to the need.

Many old-economy businesses don't have sophisticated online strategies. Maybe they need better sales management or to capitalize on a market trend they're perfectly poised to execute. Whatever the opportunity, if it's within your comfort level and skill set, that's the time to strike.

Gallup's Entrepreneurial Strengthsfinder interviewed 5,000 people and found that **their strengths fell into one of 10 areas**: business focus, creative thinker, confidence, determination, delegator, independent, promoter, knowledge-seeker, relationship-builder or risk-taker. If you can find out which skill you have and match it to what the business needs, it doesn't matter how weak the business is – it'll be positioned for growth.

3. Assess the opportunity.

I've created a matrix for assessing opportunity potential. Every business falls into one of four general areas: eternally profitable, growth, turnaround or platform. The eternally profitable model focuses on stability. The growth model is ripe for rapid profit. The turnaround model depends on recovery.

The platform model, however, hinges on your ability to recognize the right opportunity. There's a healthy balance of risk and reward – strengths to build on and weaknesses to compensate for with your own expertise. It favors skilled and growth-minded entrepreneurs.

For example, if you're a branding whiz, you might take a look at the field of e-commerce, where some companies know what they sell but not who they're supposed to sell to. If you have a passion for data analysis, find a company that's neglecting its customer data or ignoring its margins. Whatever your skill set, the platform model lets you do what you do best while building value.

4. Educate yourself on the business.

There are a few fundamental business models I use consistently: [Porter's Five Forces](#), [Collins' Hedgehog Concept](#) and [Christensen's Innovator's Dilemma](#). For me, these are the three pillars to understanding the underlying forces of a company.

These frameworks can easily help you view a business from a strategic vantage point. How strong is the business model? What is the core competency? What can it be best in the world at providing? What new trends are providing the best opportunity within the industry?

With acquisition entrepreneurship, your small business has already gone through the product-market fit process, so you can jump straight into growth. It doesn't require you to develop an idea for a business; you already have one that's set up for success. All it needs is you.

Image Credit: Rawpixel.com/Shutterstock



Walker
Deibel

Walker Deibel

business.com Member

[See Walker Deibel's Profile >](#)

Walker Deibel is an acquisition entrepreneur who has co-founded three startups and acquired seven companies. Walker is passionate about helping businesses acquire customers, infrastructure, and earnings by learning how to buy an existing company rather than start from scratch. His new book, "Buy Then Build," is your guide to outsmart the startup game, live the entrepreneurial lifestyle, and reap the financial rewards of ownership now.

Related Articles

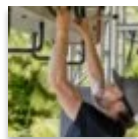
[See More Related Articles >](#)



Turn Your Genealogy Hobby Into a Side Business



Resources for Veteran-Owned Businesses



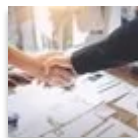
P90X Creator Tony Horton Is Building a New Business From the Ground Up



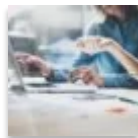
The 5 Biggest Challenges to Starting a Business (and How to Overcome Them)



Building Blocks to Success: 8 Steps to Finding Your Strengths As An Entrepreneur



Quality Assurance Trends to Watch in 2020



The Entrepreneur's Road Map: 11 Steps to Success

[More Related Articles >](#)

Related Reviews

[See More Related Reviews >](#)

The Best Collection Agency

The Best Collection Agency Services of 2021

We've reviewed the best collection agency services for...

The Best Business Loan and

The Best Business Loan and Financing Options of 2021

Many small businesses need funding to get started...

The Best Financing Options of 2021 CRM Software

The Best CRM Software of 2021

Looking for the best CRM software? We have...

[More Related Reviews >](#)

Business Basics

[See More >](#)

02.06.19



Resources for Business Owners with Disabilities

Connect with dozens of government programs and resources to make...

11.02.15



Inspiration Revealed: 36 Top CEOs Share Their...

Thirty-six top leaders share their secrets to success in a variety...

09.21.20



7 Steps to Starting a Business

The businesses that stand the best chances of surviving into the...

05.20.20



How to Start a Business With an Invention

Learn how entrepreneur Grace Eleyae created a product that she...

03.04.20



Sponsored Content

How to Generate PR for a Startup at Conferences

This article is about the importance of conferences for tech...



Resources 

Our Company 

Our Brands 

Contact Us 



© 2021 business.com
All Rights Reserved.