

Grow Your Business...Through Acquisition

By

Alex A. Galenes -SCORE San Diego Mentor

So you have gotten “over the hump” with your business startup. You seem to have mastered the art of attracting and satisfying customers and supplying product. You feel good about the prospects for significant growth for your company.

As you now focus on the specifics of this important part of your business plan you should consider the two principal means by which a company can grow. First is the incremental approach: one customer at a time. This normally involves a significant marketing effort as you strive to improve market share and build the business.

The alternative is to grow by acquisition, whereby the size and complexity of your company can increase literally with the stroke of a pen. Purchasing a business similar to that which you currently own has distinct advantages—not the least of which is that the business you buy may reduce the number of your competitors by at least a factor of one.

By growing your company through acquisition, in addition to the possibility of eliminating competition, you would ideally realize an immediate increase in your customer base. Combining operations should allow you to realize economies of scale that can increase margins by reducing costs.

A factor to consider in developing your acquisition strategy is that the complexity of your business can increase as quickly as your customer base. There will not be time to incrementally acquire the skills necessary to manage a much larger business. Integrating operations and people from two different companies and organizational cultures will likely require application of considerable managerial skill.

In seeking a business to acquire it is advisable to pursue a “best fit” strategy. Will the business you intend to purchase fit well and easily into your business model and into the “culture” of your business? Do the other company’s employees share your views on quality, business ethics and customer service?

While merging your business with another can be fraught with challenges, it can be a direct route to dynamic growth for the aspiring entrepreneur. As in any form of business endeavor, there are risks inherent in this approach, but opportunities abound as well. Careful and thoughtful planning and preparation can result in success on the fast track to company growth.

*Alex A. Galenes has owned and operated business brokerage firms in Missouri and California.
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