

# Satisfaction

## Why start a business when you can buy one?

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For former Motorola Inc. executive Mark McDonnell, the decisive moment came in 2002, when he realized that he finally had had enough of the corporate world.

“Over the years, I had moved up and become a director at Motorola with close to 40 people working for me, but I was getting more disenchanted,” says McDonnell, recalling endless PowerPoint presentations. “My job was becoming more about ‘Are you showing good slides, and do the slides look like you are supporting the initiatives?’ and less about whether those initiatives should be done.”

McDonnell faced a classic career dilemma for midlife business professionals. On the one hand, he was ready to escape corporate life. He wanted to be in charge of his own business, make his own decisions and run things the way he thought they should be run. But he also wasn't excited about either of the two most common executive-to-entrepreneur options: launching a startup from scratch or hanging out a shingle as a self-employed, one-person enterprise.

McDonnell wound up pursuing a third, often-overlooked, option—becoming an entrepreneur via acquisition. He bought Woodstock-

based Superior X-Ray Tube Co. in 2003, having decided to look “for an existing business where I could take advantage of skills that I had developed during my work in large organizations and that would allow me to go into that small company and take it to the next level.”

McDonnell notes that buying a going concern can be less risky than starting a business. “You have an existing customer base, you have a track record and you have employees in place. There are a whole lot of advantages to this. The trade-off is that you are going to have to pay for it.”

Longtime insurance executive Randy Hoyle arrived at the decision to buy his own business by a different path. For him, it was the prospect of yet another relocation that was the last straw. “I had moved a number of times in my career, and I had reached a point where, because of a merger, I was asked in 2002 to relocate to the East Coast. The Chicago area is pretty much home. We had made a big circle and wound up back here—and I decided that I didn't want to move again. For a long time I had thought about owning my own business, where I could make my own decisions,” he says. “I saw this as my chance.”

Hoyle bought Addison-based Niche Equipment in 2003. “I wanted to have income faster than a startup would entail, so I focused on finding an ongoing business that also had a good upside.”

Hoyle financed his acquisition himself, while McDonnell turned for help to the U.S. Small Business Administration. Although it doesn't lend money for individuals to buy businesses, the SBA can provide important assistance by guaranteeing loans made by lenders for small business acquisitions—which can allow buyers to significantly leverage their down payments.

According to both business owners, a key step in finding the right company is expanding your search beyond companies officially for sale. “None of the companies that we contacted was for sale,” says Hoyle, who worked with consultant Joe McCaul, president of Joseph Associates International Inc. in Naperville, to find the firms. “We got a listing of businesses for which my background could be a good fit, and we sent letters to those businesses to find out what interest they had in selling. We mailed 600 letters, narrowed it down to 20 to 25 that we actually visited and then to three that were final candidates for which we did serious due diligence.”

The search, which took about nine months of full-time effort, ultimately led to Hoyle's purchase of Niche Equipment, a wholesale distributor of office equipment with six employees and more than \$1 million in annual revenues.

McDonnell, who also worked with consultant McCaul, took a similar ap-

proach, but one that was tailored to his specific background and experience. “We pulled (information on) electrical manufacturing businesses that were within a certain radius of my home,” says McDonnell. “Then, we sent each of them a form letter saying, ‘Motorola exec would like to buy an existing business, and we would like to talk to you about whether you would be interested.’ We mailed about 800 letters and actually talked to about 200 companies, and engaged in serious negotiations with about seven or eight.”

McDonnell's search culminated in his purchase of Superior X-Ray, a nine-employee firm that generated about \$1.4 million in sales in 2005.

“One of the things that jumped out at me was the variety of small businesses out there, including some of them that have tremendous potential,” McDonnell says. “As my business becomes more successful and I begin to generate extra cash, I may go back into the marketplace and look for some of those types of opportunities.”

Both Hoyle and McDonnell emphasize that the bottom line on their ventures is not about the bottom line.

**By: B. G. Yovovich**

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