

# Moving to Your Next Entrepreneurial Venture

By BNET Editorial

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Some entrepreneurs are absolute masters at launching new ventures. They live for the thrill of inventing a new product, developing a new service, building a business from the ground up, and attracting the customers who will make that business succeed. They may be inspirational leaders who can motivate their colleagues to achieve great things.

Quite often, though, entrepreneurs are less adept at managing what they've founded, especially if the business they founded is growing slowly, or not at all. Nor are they especially adept at tackling administrative chores, regulatory requirements, or managing people. Other executives, however, are ideally suited for these tasks, and for setting and implementing strategic objectives, recruiting and managing talent, getting the best out of people, and managing the details. If you feel that you fit into just one of these categories, don't worry! Successful businesses need both.

## What You Need to Know

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### Do I have choices?

Essentially, you have two. Some entrepreneurs—*serial* entrepreneurs, as they're sometimes called—recognize that they match the first description atop this page. They expect to step aside once the new business they have launched is established. Their options? In some cases, the entrepreneur will sell the business outright and use the proceeds to launch his or her next venture; in others, the entrepreneur will bring in professional managers to operate and further develop the business but still maintain an ownership interest. This is the approach taken by British billionaire Richard Branson, founder of Virgin Atlantic Airways and Virgin Records, among others.

### What if I want to sell the business?

You simply look for someone willing to buy the business at a satisfactory price and transfer to them the outstanding shares, assets, controlling interest and—in most cases—brand name and logo. You then have nothing more to do with the business. On occasion, entrepreneurs might want to hold onto the brand names they created, should they want to use them in the future—for example, for developing further products. In that case, the sales agreement includes provisions to that effect.

## Should I bring in a manager?

If you decide that you would rather continue to own the business, then you'll want to hire a professional management staff to operate it. You may well still want to set the strategic direction, particularly if you envision your company being part of a group of complementary entities. Even if you do, you'll still need to give the managers you hire the freedom to develop and grow the business. If they feel you're constantly looking over their shoulders and second-guessing, the likelihood is that they won't stay long. You'll need to direct the recruiting effort to ensure the person(s) you hire can capably manage and will quickly earn the respect and loyalty of your staff. Otherwise, they may leave—even if you stay.

## What to Do

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### Consider Selling Your Business

Selling your business is relatively straightforward. You can choose to sell to your employees, to your partners or company shareholders, or to any outside party that's interested. Just assume the transaction may well take six months or more to complete.

Certainly, you should seek advice from professionals early on, starting with your attorney and accountant. A trusted adviser or broker can help you set the fair market value for your business and get your balance sheet and operating statements in order to help you comply with any legal requirements. In preparing your business for sale, you'll need to:

- Gather all relevant information and documentation about financial position and assets
- Establish a value and sale price
- Advertise the fact that you are selling, in order to attract offers
- Understand all the tax consequences of the sale

If your business package is well prepared and you continue to operate during the sale process, you're much more likely to get a good price. You'll need to identify and contact potential buyers by advertising in trade publications, alerting the media, and/or retaining the services of a business broker. If you're selling a franchise business, it's possible that franchiser itself will be interested—although final terms may be less favorable. Once negotiations have concluded, you and your prospective buyer will sign a purchase agreement that states the terms of the sale. Next comes a due diligence period that allows the buyer to further examine the business. Assuming all goes well, the sale will close. You may want to consider building other safeguards into this process, too; that's why having a lawyer or accountant at hand is handy.

## **Think About Recruiting a Manager**

Recruiting a manager is essentially no different than recruiting any other staff member of staff—but you will need to recruit with extra care. After all, you're looking for someone to whom you can entrust the future well being of your business. Even if you're involved in setting the strategic direction, you'll have to give your manager free rein to direct the business's day-to-day activities. As with recruiting any position, prepare a detailed job description that specifies desired skills and experience. As you do this, keep in mind that you're recruiting a manager to give your business the very skills you think you lack! Resist the temptation to find someone who is your mirror image. In fact, it's wise to hire an executive search firm to help write the job description itself and direct the recruiting effort. An outsider will be better able to take a more objective stance, identify the skills your business needs, and find someone who has them.

## **Keep Your Eye on the Prize**

Upon deciding to hand over the management reins, it can be ever so easy to move on to that next opportunity before you've recruited the person you need. Don't! You want to leave the business in the best possible condition so its new ranking manager can build on your previous success. If you really need to move quickly, consider hiring an interim manager. It can be an expensive option, but if exercising it allows you to pursue another opportunity, it'll be worthwhile. And, it also will allow a little more time for recruiting a permanent manager.

## **Remain Flexible About Compensation**

It's fruitless to cast in stone the compensation package that a manager is likely to expect; it always depends on the individual, the business, and what you hope will be achieved. Bear in mind that if you recruit someone who is entrepreneurial and who expects to further develop the business, he or she will expect to have a financial stake in the enterprise—that is, shares of stock. Some managers will expect to be given shares as a bonus for coming in the first place. Many are likely to want part of their annual compensation to be stock options so, if they do really well, they'll be handsomely rewarded.

## **Create a Board of Directors**

This is a good option—as long as you do it for the right reasons. Even if your business has been incorporated from day one, it's quite possible that you've managed everything yourself and never even considered creating a board of directors. Bringing in a manager may also be a good point at which to think about establishing one. Senior managers can be appointed to serve as directors, while trusted advisors with specific expertise make good outside directors. You may decide that your best

role at this point is as chairman. It keeps you involved, but not on a day-to-day basis; that is, as long as you make it a point not to use your role as chairman to remain in charge. Do that and you'll soon be looking for another ranking manager!

## What to Avoid

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### **You Rush Into the Next “Great Opportunity”**

Don't wait until you spot your next “can't miss” money making venture before deciding that you need to hire someone else to run your current venture. If you think adding an operating manager is your best option, start planning early so that you can move quickly when that opportunity presents itself. Indeed, if you're certain that you want to bring in a manager, don't wait at all. Do it as soon as the business can afford it. It will free you to search for the next opportunity.

### **You Rush the Search Process**

It's important to take your time in searching for the right manager. If you get it wrong, it could be catastrophic for your business, not to mention a waste of your own resources. Be absolutely sure you have the right person to take your business to “the next level.”

### **You Don't Take Independent Advice**

Consulting with a trusted third party who knows you and your business will help you better identify what you need in a manager. This same advisor may also be able to help you hire the most suitable person by making detached and objective judgments about the candidates you are considering. It's always good to have a second opinion.

### **You Don't Let Go**

No manager worth his salt will tolerate your looking over his shoulder, at least not for very long. Once you have turned the management reins of your business to your successor, keep your distance. You should be ready to offer advice when asked, of course. But don't meddle, lest your employees begin to wonder who's *really* in charge.

## Where to Learn More

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### **Book:**

Crosier, Louis P. *Selling Your Business: The Transition from Entrepreneur to Investor*. Wiley, 2004.

### **Web Sites:**

David Javitch, "Bringing In A New Manager":

[www.entrepreneur.com/humanresources/employeemanagementcolumnistdavidjavitch/article77406.html](http://www.entrepreneur.com/humanresources/employeemanagementcolumnistdavidjavitch/article77406.html)

"Tips for Selling a Business": [www.cednc.org/news/blog/archives/2006/07/tips\\_for\\_selling.html](http://www.cednc.org/news/blog/archives/2006/07/tips_for_selling.html)