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Why Buying a Business is Smarter Than Starting One

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> Instead of asking, "What should I build?," Entrepreneurship Through Acquisition asks a simpler and far more practical question: "What already works, and how can I make it work better?"

First in a four-part series on Entrepreneurship Through Acquisition.

Most people who say they want to become entrepreneurs start in the wrong place.

They start with ideas. They hunt for inspiration, white space, unmet needs, or clever twists on existing products. They worry about whether the idea is big enough, differentiated enough, or defensible enough. They pitch it, prototype it, and spend months, sometimes years, trying to prove that something should exist.

And most of the time, it doesn't work.

What is rarely acknowledged is that many of these would-be entrepreneurs are prepared for entrepreneurship, but are pursuing the wrong kind of it. However, their experience, training, and instincts often align far better with improving an existing business than inventing one from scratch. That mismatch matters, because starting from zero is a brutally inefficient way to become a business owner. It requires doing too many hard things at once, with too little information, too little capital, and no margin for error.

Entrepreneurship Through Acquisition (ETA) flips that logic. Instead of asking, "What should I build?," ETA asks a simpler and far more practical question: "What already works, and how can I make it work better?" That shift sounds modest, almost obvious. It is not. It changes the nature of the risk, the skills required, and the odds of success in fundamental ways.

Most New Businesses Fail for Boring, Predictable Reasons

The failure rate for startups is well documented, even if the exact percentage varies by source. Roughly half of new businesses fail within five years, and a substantial majority do not survive a decade. The precise number is less important than the pattern.

Most startups do not fail because the idea was bad. They fail because building a business from scratch requires solving too many problems at the same time. You need a product that works, customers who care, systems that scale, people who perform, and enough cash to survive while you figure all of that out. You are learning leadership, finance, sales, and operations in real time, often under pressure and with little reliable feedback. You are developing processes for every aspect of the business, all the same time. If that sounds exhausting, it's because it is. This is not the entrepreneurial fantasy, the entrepreneurial hero's journey of myth -- It is an exhausting, difficult process of managing high risk undertaking after high risk undertaking, and it is likely to fail even if you do everything right.

ETA removes several of those risks immediately. When you buy an existing business, customers are already paying. Employees already know what their jobs are. Processes, however imperfect, already exist. Cash flow is real, not projected. The business has survived long enough to demonstrate that it clears some very basic but very important hurdles. The question is no longer whether the business can exist. The question is whether it can be run better.

Why Managers Are Better Positioned for ETA Than for Startups

This distinction matters because the work of ETA looks far more like management than invention.

Most managers spend their careers inside operating organizations. They learn how organizations actually function, not how they are supposed to function on org charts or in strategy decks. They see where incentives break down, how bottlenecks form, and which problems are worth fixing versus merely discussed. Those skills are often undervalued in startup culture, which tends to reward novelty, speed, and storytelling. Early-stage founders are expected to sell possibility, recruit people into uncertainty, and operate for long stretches without clear feedback. That environment favors comfort with ambiguity improvisation, and a certain devil-may-care attitude. We've seen that this often leads to a a calamitous end.

ETA rewards something different. When you acquire a business, the real work is diagnosing what is broken, deciding what is fixable, sequencing change, allocating resources, and leading people through transitions they did not ask for. You are not inventing a market. You are improving execution inside one. You are not discovering customers --You are retaining them. You are not building culture from scratch -- You are reshaping an existing one, usually with people who are understandably skeptical of the new owner.

This is familiar terrain for experienced managers. They know how to read financial statements, not just admire revenue growth. They understand the difference between activity and productivity. They recognize when a process only "works" because a specific person compensates for its flaws, and they know that most real improvements are unglamorous, incremental, and cumulative. In startups, these skills often take years to become relevant. In ETA, they matter immediately. The moment the deal closes, the work begins. The ownership risk may be new for the entrepreneur, but the work itself is not.

You Are Buying Cash Flow, Not Hope

At its core, ETA is about buying cash flow you can understand and improve.

You acquire a business based on what it earns today, typically measured using Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA). You then work to increase that cash flow through better execution. Tighter operations. Smarter pricing. More disciplined marketing. Better use of assets. Stronger management. None of this is mysterious, and none of it requires a pitch deck.

If you do this well, you sell the business based on the higher level of cash flow it now produces. This is not financial engineering. It is operational leverage. Cash flow today is observable. Improvements tomorrow are, at least in part, controllable. The difference between the two is where value is created. That is a very different proposition from starting a business, where both current performance and future outcomes are speculative and optimism does far too much work.

What the Data Suggests, and What It Cannot Prove

It is worth being honest about the limits of the data. No comprehensive dataset tracks the long-term success of privately acquired small and midsized businesses the way the Bureau of Labor Statistics tracks startups. Most acquisitions of this size are private, lightly reported, and highly varied in structure and outcome. That makes precise success rates hard to pin down.

But the lack of perfect data does not mean the lack of signal. What we do know points in a consistent direction. New business formation carries very high failure rates, driven less by bad ideas than by the difficulty of building everything at once under uncertainty. By contrast, as noted earlier, acquired businesses already clear several of the biggest hurdles that cause early failure. They have customers, employees, operating routines, and cash flow that can be examined rather than imagined. Acquisitions avoid the liability of newness. Peer-reviewed evidence from management buyouts and private equity–backed buyouts shows that acquisition-led entry can improve post-deal operating performance, with governance and strategic entrepreneurship mechanisms shaping outcomes." (Zahra, 1995; Meuleman et al., 2009; Kaplan, 1989)

None of this means acquisitions are easy. Many disappoint. Some fail outright. Overpaying, misunderstanding the business, or underestimating transition risk can destroy value quickly. But the nature of the risk is different. In ETA, the dominant risks are execution and judgment, not whether the business can exist at all.

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Capital Follows Cash Flow

ETA also benefits from a more forgiving capital environment. Banks are willing to lend against stable cash flow. Sellers are often willing to finance part of the purchase price. Investors are more comfortable backing an operating business than a blank sheet of paper. This matters more than most first-time buyers realize.

In startups, capital is scarce, expensive, and conditional on rapid growth. In ETA, capital is more patient, more structured, and more predictable, if the deal is done well. That allows buyers to focus on running and improving the business rather than constantly fundraising to survive, which is an activity often confused with progress.

Discipline Comes With the Territory

Perhaps the most underrated feature of ETA is that it forces discipline early. You must evaluate a real business. You must decide what you understand and what you do not. You must confront tradeoffs between price, risk, and structure. You must be honest about what you can fix and what you cannot. There is nowhere to hide behind vision or narrative.

After closing, that discipline continues. Debt covenants, investor expectations, and operating realities impose constraints. Those constraints are uncomfortable, but they are clarifying. They force prioritization. They punish denial. For many aspiring entrepreneurs, this structure is not a drawback. It is a gift, even if it does not feel like one.

A Better Starting Line

Entrepreneurship Through Acquisition is not a shortcut. You still have to lead people, make hard decisions, and live with the consequences. You can still fail.

But you are starting from a very different place. You are not betting that customers will show up: They already have. You are not hoping the economics work: They already do, at least to some degree. You are not guessing whether you can run a business. You are proving it.

For experienced managers who want to own a business, create value, and build real wealth, starting from zero is not the only path. Often, it is not the best one.

Buying a business you can improve is not a compromise. It is a deliberate, disciplined, and deeply entrepreneurial choice.

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