

How You Know It's Time to Find an Investor

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At some point, every young business comes to a crossroad. Perhaps the entrepreneur lacks the funding to take their idea any further. Or, maybe the business owner is good at certain aspects of running the business—such as wooing new clients and identifying areas of potential growth—but needs some assistance with budgeting and setting priorities if they want to expand.

How does a business owner know when is it time to bring in an investor?

For Paul Mann, the founder and CEO of [Fetch! Pet Care](#), a national dog walking and pet services franchise based in Walnut Creek, Calif., the moment was when he realized his "teenager" of a business would need help in becoming an "adult" as the number of franchised units grew from 33 from 200 to 200 from 2006 to 2008.

"The business, like many in our situation, had come to a point where it had hit a wall," he said. "We needed help in getting over the hurdle to take it to the next stage."

"It really is a smart business owner who can recognize that they need a partner to help them take advantage of a new opportunity for growth," said Harry Loyle, managing director for Cybeck Capital Partners, a Dayton, Ohio-based private equity investment firm, which has invested in Fetch! Pet Care.

Mann was looking for a partner, not just an investor. "It wasn't just the money," that was behind his decision to bring in [Cybeck Capital Partners](#). "We were looking for a combination of great people who had a strong background in [franchising industry](#)."

Taking the time to find the right match is crucial. "Find people you enjoy working with and share your values and vision," Mann said.

It is also important to determine if you simply want an infusion of cash or a collaborator.

"We don't want any more or any less than a 50 percent investment, so that no one has the upper hand," said Loyle. "We look for the \$200 million a year business trapped in a \$2 million shell. While the business owner is giving up equity, they're getting half of a potentially much larger pie."

Mann and Loyle have regular meetings to strategize about ways to move the business forward.

"We wanted someone who was going to be active in the business," Mann said.

Determining the right time to bring in an investor depends on the type of business and the experience level of the owner. In 1996, Mann founded an Internet software firm, Informative Inc., and brought on investors in 1999. He learned the value of bringing investors on board at just the right time before selling Informative in 2001.

"I waited nine years to bring in investors for my next business, Fetch! Pet Care," he said. "I had learned a lot from my previous experience and it was a different type of business."

Looking for investors with experience with your industry is a top concern. "We are experienced with businesses that involve products or services aimed at the young, older people and pets," Loyle said.

It is important that the investor and the business owner agree on their objectives. "With Paul, we have a mutual goal of growing the business to 500 franchises by 2015," he said.

Loyle said that some business owners don't have a partnership mindset. "If you can meet your goals on your own, a partnership is not right for you," he said. "No amount of paperwork or legal documents are going to save you from a partnership that is not working out."

Business owners and investors need to be realistic about their ability to work together.

Peter Riggs, vice president of brand development for Pita Pit, based in Coeur d'Alene, Idaho, has been on both sides of the table — as a business owner looking for a partner and as an investor.

"Every business owner has to be honest with themselves and know their own limitations," he said.