SPECIAL FEATURE

EXIT PLANS AND ENTREPRENEURS

In this special feature, we shine the spotlight on three entrepreneurs who have sold—or are planning to exit—their businesses. Learn about the highs and lows of selling and exiting, and why preparing today can help you out tomorrow.

HOW I NEARLY BLEW THE BIGGEST DEAL OF MY LIFE

DR. BASIL PETERS
EO SPEAKER

As an entrepreneur, fund manager and veteran of business sales, there is one thing I know to be infallible: Exits are the least understood part of being an entrepreneur. I know this because I almost blew it when I sold the first company I co-founded. It wasn't until I had completed another five or 10 business exits that I understood all of the things I did wrong.

Here are some mistakes I made and the lessons I learned in the process:

1. Every Company Needs an Exit Strategy

The biggest mistake of my career was not having an exit strategy in my first company. We were growth junkies. It didn't even occur to us that we would inevitably sell— until it was almost too late. Every company needs a written exit strategy. It affects important decisions on a daily basis, and it ensures that things go smoothly when it's time to leave.

2. Check the Alignment on the Exit Strategy

It never ceases to amaze me how often the founders, management and investors in a company can have very different beliefs about their exit strategies. Even after we developed an exit strategy in that first company, I still didn't check to confirm that everyone was aligned. If I had checked, it would have been easy to see that one of our investors was completely incompatible with our exit strategy.

3. Consider a Secondary Sale

When I was a young CEO, I thought it was impossible to find investors who would buy private company shares from founders and early investors. If I had organized a secondary sale for some of my angel investors and co-founders, it might have relieved some of the pressure that forced us to sell at the bottom of a recession. Now that I've completed several secondary sales, I know they can usually be done if the price is right and a good exit plan is in place.

4. Always Clean up the Corporate Structure

Even after I had been a CEO for a decade, I really didn't understand the articles of our company. They had never been very important to me. That was, until the shareholders meeting to approve the sale of the company occurred. That oversight, and my failure to appreciate that 10 percent of a company's shareholders can often block an exit, almost cost me everything. Now I always clean up the corporate structure before I sell.

5. The CEO Should Never Lead the Exit

I learned everything about management on the job. When it was time to execute our exit, I was confident I could learn that, too. While I did succeed, the results were far from optimum. It's clear to me now that, with almost no exceptions, the CEO is never the best person to lead a merger and acquisition exit. Good advisors will almost always make the shareholders more money than the fees they charge.

6. Don't Ride it Over the Top

I've learned that the very best time to sell your company is when everything is going well. A business owner will get the best price when the company is on an upswing. Unfortunately, most people wait until the company's best days are behind it before they start the exit process. By the time the buyers get around to negotiating the price, the value has likely declined.

7. Exits are Just Another Business Process

What's the biggest lesson I learned from my experience in business sales? That an exit is just another business process. Like sales, branding and marketing, entrepreneurs will have a much better chance of success if they design a good exit strategy before they start.

Basil is a veteran serial entrepreneur and angel investor who recently lectured at an EO Vancouver event. He has been a co-founder, CEO or chairman of more than a dozen technology companies. Basil is also the CEO of Fundamental Technologies II Corp. You can e-mail him at **replies@peters.ca**.

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