Exit Strategies for Entrepreneurs

Tony Wanless | Jun 23, 2011

Image by: DeusXFlorida
Though it's tempting for an entrepreneur to swing for the fence, building quickly and selling has less chances of striking out.

The concept of building quickly to sell a company goes against the grain of many businesses, but it may be perfectly suited for our short-term times.

The sale of Vancouver, B.C.-based software company Subserveo Inc., announced June 21, 2011, is a perfect example of a quick build-and-sell strategy that is gaining much traction in the technology community.

While many decry the fact that we have few anchor companies in the local tech world, many others are recognizing that there is nothing wrong with being a farm team that's brilliant at creating technology that is then acquired by someone larger.

Subserveo, founded in 2008 by long-time technology investor Michael Hagerman, provided automated SaaS-based compliance software that automated compliance and surveillance solutions to broker-dealers and investment advisors through the U.S. and Canada.

To most people, compliance is an esoteric financial term that is usually meaningless. But to anyone involved in selling securities under the spotlight of securities commissions or other governing authorities, it's extremely important. Failure to follow the rules of securities sales can result in massive fines and severe damage to a brand.

Automating this compliance regime supplemented the humans, with all their pressures and frailties, who oversee compliance and ensured the rules were not broken.

I camped in the Subserveo shop when it first opened in downtown Vancouver just before the recession hit. It was an empty room with a few desks. But within a few years, Hagerman and president Shannon Byrne Susko had crammed some 30 technical people into that room and a couple dozen representatives elsewhere.

Growth was exponential.

But then a hitch appeared. Subserveo's growth was challenged by its internationalism. Large financial service firms in the U.S., the hub of most of the world's financial services (and the rules that govern them), were leery of enlisting software that would help them comply with American terms produced by a Canadian firm.

That's when the founders activated an "early exits" strategy developed by Vancouver technology investor Basil Peters, who, in a book of the same name (disclosure: I helped Peters produce the book) espouses the concept that many entrepreneurs are better off selling their companies after a few years than try to become a larger operation that fights it out with much better funded competitors.

Three years later, a press release announced that Subserveo had been acquired by DST Systems, a New York Stock Exchange listed supplier of software and services to the mutual fund, investment management, insurance and health care industries. The company is a giant, with a $3-billion U.S. market capitalization.

Terms of the sale were not disclosed. But it's likely the founders earned several million from the sale.

And that proves the early exit strategy to a T: Get in, build quickly, get out.

Put more colourfully, it's better to hit a solid single than swing for the fences, trying to hit a home run, and more than likely striking out.

Finance & Investing | Small Business | Entrepreneurs

Source URL: http://www.bcbusiness.ca/your-business/exit-strategies-for-entrepreneurs (http://www.bcbusiness.ca/your-business/exit-strategies-for-entrepreneurs)