The Best Exits Start Early

Huffington Post

Angela Haines

Huffington Post Freelance journalist

Posted: March 21, 2011 05:13 PM

Perhaps one of the least well understood parts of being an entrepreneur is how to incorporate an exit strategy. With all the demands start-ups face, exits often appear low on the "to do" list with the result that CEO's and their Boards sometimes miss the optimum window. That window often opens *before* rather than *after* a company hits its peak because after the peak, the company's market value may begin to slip. At least that's the way investors see it.

One pro in the exit arena is Jim Estill, who until 2009 was CEO of Canrock Ventures, a technology investment fund where he remains a partner. Out of 100 angel investments, Jim has been an active participant in about 20 exits. Jim's advice is to "put exit on the agenda" as soon as you join a board, or start a company. He believes it's important to start building relationships with potential buyers by courting them at trade shows, for example, and then staying in touch. "Identifying acquirers early," Jim advises, "provides input for strategic planning to align the company's activities or descriptive materials with potential buyers' markets." He also advises gathering materials to build a selling document periodically by adding anything "helpful to the sale, " such as financial statements, patent information, legal documents; he also includes links to articles on industry news or sales which provide potentially useful competitive data.

In several of the exits in which he has taken an active role, Jim positions himself as "Exit Chair or even Co-CEO." The Exit CEO does not operate the company, but spends a month or two conducting due diligence as a preamble to setting up and leading exit meetings with prospects. His rationale for the title is that "exits are very intense times and demand long hours outside of the operating demands on the CEO." Plus most CEO's have never sold a company, so it's useful to have an exit specialist drawn either from the Board or from company investors. It's also a good deal for a company, Jim says, "because it adds a lot of value and doesn't cost very much, since compensation is success-based. Besides, bankers love Exit CEO's who share the considerable workload of preparing documents for mergers or acquisitions."

In some cases, an exit strategy, especially for many women, is never to sell because they see their companies as lifestyle enterprises. But even in cases where the entrepreneur is not actively looking, buyers may come calling. In 2006 Laney Whitcanack, founded Big Tent, an online company that connects women with communities they care about, making it easy for groups to organize and communicate. The group choices are many, in such areas as arts, crafts and hobbies, health, sports, and parenting, often concentrated in an area, such as Moms of Multiples of Indy (Indianapolis). While Big Tent offers it services free to groups, it generates revenues through connecting marketers to the million women currently in Big Tent groups.

In a world divided between missionaries and mercenaries, Big Tent founder Laney Whitcanack counted herself among the missionaries because "I had a big vision and was driven by the idea which I wanted to see through." The relationship with Federated Media, a next generation media and publishing company that connects web conversations with brand markets, developed casually and "evolved over a year before the offer came." In 2010 about 11 members of her team moved with Laney to Federated Media where she is now Chief Community Officer, working on strategies for more consumer interaction as the "web grows increasingly group- based. "

The former CEO of Big Tent, Donna Novitsky, chose to leave when the exit came. "For me," she says, "it was like my baby going off to college. We had built something meaningful that needed a bigger stage, but Federated didn't need another CEO! I don't think you can't plan for exit but you can build the biggest, most successful company you can envision and eventually someone will make you an offer you can't refuse." One way to get a little closer to finding that partner, Donna suggests, "is to create partnerships with companies that are potential acquirers. For one thing it will help you understand your company from another point of view--ideally that of the customers."

Founder-Executive Publisher Joanna Track of Sweetspot.ca, a Toronto-based website that alerts savvy shoppers to the latest trends in clothes, restaurants, shops, never went looking either. But in 2006 she was "discovered" by Rogers Media, which owns 70 magazines and 54 radio stations, and was interested in a minority stake as well as foothold in digital media. Joanna compared the process to a dating relationship in which you get to know each other and have to look for the dirty laundry too. "I did a lot of research," Joanna notes, "to be sure I was getting a fair deal and that they would stick to their word because I had had two prior painful experiences." Of course the corporate sweep of Rogers added considerable exposure to Sweetspot, tripling subscribers in the year following their first investment.

By 2010, Rogers bought out Joanna's entire remaining stake and within months she was preparing to launch another start-up. "Day to day operations, especially within a corporate bureaucracy, are not my thing. I never wanted to work for a big company. My nature is to build and develop and move on." Her new venture, to be launched later this spring, is Dealuxe to provide designer fashions and accessories to Canadian shoppers online, removing the frustrations of purchasing from US and other international retailers.

Exit coach Basil Peters, author of *Early Exits* often says that exiting can be "the most fun part of being an entrepreneur." But ask Joanna Track what she likes best. While she talks with enormous pride about Sweetspot and its new future, she positively lights up as she describes her plans for Dealuxe, her next "creation."

For more on women entrepreneurs, visit www.wstartup.com

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