Exit strategy essential for entrepreneurs

By STEVE MacNAULL
The Okanagan Saturday

Some companies should be started with the ending in mind.

"Yes, entrepreneurs should definitely think exit as they start a company," said Early Exits author Basil Peters during a stop in the Okanagan this week.

"If an entrepreneur and a company has an exit strategy right from the beginning, then they tend to be more successful and reach their goals sooner."

Having an exit strategy doesn't mean the company dies or the entrepreneur is left out in the cold.

It simply means that at a predetermined time, the owner sells the company so it can grow even more in someone else's hands or hands the business over to a competent manager so the entrepreneur can go on their their next venture.

In the case of a sale, the entrepreneur may stay on with the company as a full-time executive or a part-time adviser.

This concept works best with technology companies, which can be started and initially grown quickly to the point where a bigger company will pay big bucks for it.

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Serial entrepreneur and angel investor Basil Peters was in the Okanagan this week promoting his new book, Early Exits.

Such a scenario has played out spectacularly twice in the Okanagan.

First, a few years back, Packeteer of California bought Kelowna Internet accelerator firm Workfire for $100 million, making it the biggest tech acquisition in B.C. at the time.

Then, last year, that was bested when Disney paid $350 million for the Kelowna-based online safe playground for children called Club Penguin.

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Author Basil Peters

Both companies have maintained operations in Kelowna providing the win-win of jobs and economic activity staying put while getting big name expertise and cash infusion.

"For conservative Canadians, early exits can have a negative connotation because usually it means selling to a big American company," said Vancouver-based Peters, who made a presentation about his book and the exit concept at the Kelowna offices of the Okanagan Research and Innovation Centre.

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The key with exits is to sell when times are good.

"Generally that's the time when the entrepreneur is having a great time and the money is rolling, but it's the best time to sell to get the best price," said Peters.

Peters himself has started and sold about 20 technology companies.

The first was Nexus Engineering, a central electronics for cable and satellite TV company that he started while still in graduate school at UBC Vancouver in 1982.

He sold it in 1994 to Scientific Atlanta (now Cisco) for a pretty penny (he still can't disclose how much).

The money allowed him to invest as well as start and sell many other companies.

The cash is also still circulating because he is an angel investor — someone who provides money to tech start ups with an eye to a big payday when it exercises its exit.

Such a recent example is Bright Side, a company started by some UBC Vancouver students to provide better liquid crystal display contrast in big screen TVs.

The business recently sold to Dolby for $28 million.

Peters' book, Early Exits, can be purchased in hard copy for $40 or electronically for $20 from Early-Exits.com.