Learning to let go

When the time comes for entrepreneurs to make their exit from a company they created, the parting of ways can be painful in more ways than one, as **Dr Liz Alexander** explains

THE BOARD'S VOTES had been cast, the decision unanimous. Dazed and disoriented, the young tech entrepreneur, uncharacteristically dressed in suit and tie, found himself ousted from the company he later described to *Newsweek* as akin to "the first woman he had fallen in love with". Reaching his parents' garage where it had all begun almost a decade earlier, Steve Jobs is consoled by his father as he cries uncontrollably.

That scene, from the 2013 movie *Jobs*, dramatically depicts the tech icon's ousting from Apple Computer following clashes with new CEO John Scully. Although such sudden exits are rare, all goodbyes increase an entrepreneur's anxiety about their potentially uncertain future. Whether caused by a merger or acquisition, negative market conditions, or a founder deciding the time has come to move on, many entrepreneurs describe their exits as akin to losing a child or body part.

Making an exit or being forced out of a business can provoke emotions that resemble psychiatrist Elisabeth Kübler-Ross' pioneering model of grief following a death. As business psychologist Dr Mark Parkinson explains: "Although entrepreneurs are often extremely resilient, they are human and likely to go through an emotional cycle that includes immobilisation ('What have I done?'), denial ('I can always go back') and anger ('Why didn't I take it further?')."

What's more, when they no longer have the adrenaline rush from competing in a high-risk venture or aren't seen by others as a force in the market, exiting entrepreneurs can suffer a loss of purpose and identity, says Parkinson, adding: "That's not easy for any human being, let alone people with a strong need to control."

Silicon Valley-based serial entrepreneur and 'start-up choreographer', Rajesh Setty, has co-founded a number of ventures and exited three companies in the last two decades. He believes the characteristics differentiating entrepreneurs from other business owners and managers – including a strong sense of purpose and close identification with their business – can make it harder for them to let go. So how does he do it?

"It took me a while to realise that while I love startups, I'm not built to lead them. At first, it seemed like I lacked something important. But having found what I love to do most – marketing, storytelling, and building ecosystems rather than individual companies – I now structure my involvement in new businesses by setting clear expectations at the outset. My co-founders know that while I want to be valuable to them, I don't want to get bogged down in day-to-day tasks I don't enjoy."

Indeed, entrepreneurs who focus too much on routine management tasks and not enough time on strategising not only impede the growth of their business, they make exiting more anxiety prone. In studying the behaviours of entrepreneurs across thousands of UK companies, Cranfield School of Management's David Molian found 60 per cent to be 'meddlers' – overly involved in the very things that Setty and other entrepreneurs choose not to do. For those whose identity is closely bound up with their business, says Molian, exiting can be a huge issue.

But it doesn't have to be a painful process. "Even if they start out as one of the 90 per cent who are 'meddlers' or 'heroes' [those who head up a key management function, but fail to see the entire company picture], by gradually distancing themselves from their business, typically by moving to a position as executive and then non-executive chairman, this helps lessen the emotional intensity of the bond."

Leaving a legacy

Fear that the business they built will fail after their exit is another big worry for entrepreneurs. This is something Iain Tate, who heads the Private Investment Office of London & Capital, often sees in family-run businesses as one generation gives way to the next. But there's another side to this issue. "It's not that the exiting patriarch or matriarch doesn't want the company to do well, although in some cases their ego is such that they don't want to see it become *too* successful after they've left," says Tate. "There is also thinking along the lines of 'This was mine and you're going to mess it up,' which becomes a self-fulfilling prophecy."

That was certainly case with Jobs and Apple, which hired him back as CEO in 1997 following serious financial and market losses. But making a comeback or even staying on in some capacity – as easyJet founder Sir Stelios Haji-Ioannou has done, resulting in unseemly 'boardroom spats', 'feuding', and 'regular outbursts', according to an article in *Management Today* – are more often not the answer. Most entrepreneurs would do better "to anticipate and prepare moving towards the next stage of their lives by reinventing themselves," says Cranfield's Molian.

Growing something of value and leaving a legacy can often emerge from unexpected exits. For example, visionary technologist Kevin Koym was fired by the boards of two of the six revenue-earning ventures he founded, then watched as "the people who stayed around ended up driving them into the ground." He says this fuelled his passion to help entrepreneurs find the right strategic experts who can help take their business to the next level. As Co-founder and CEO of Tech Ranch, an incubator based in Austin, Texas, Koym provides mentoring and training for a community-sharing workspace.

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But there are many other opportunities available to entrepreneurs after exiting, with sufficient time (and, hopefully, wealth) to ponder them. As Andrew Haigh, Executive Director at Coutts, says in *The Long Goodbye: Myths, Realities and Insights into the Business Exit Process*: "Even without another business idea, entrepreneurs can stay connected through angel investing, non-executive directorships, philanthropy, civic engagement or some form of mentoring." By doing so, they can fill the purpose, identity and community vacuums created when exiting their business. ■

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Time to move on

When it comes to the fears associated with exiting a business, M&A adviser and exit coach Basil Peters, author of *Early Exits: Exit Strategies for Entrepreneurs and Angel Investors*, says: "I don't know of any other aspect of human psychology where virtually everyone is wrong." And Peters made some surprising findings during his research:

"After advising 100 companies and their founders about their exit strategies, I noticed anxiety was prevalent in over 90 per cent of cases," says Peters. "But when we talked again after they've exited, all told me they were glad they'd left and most admitted they wished they'd done it sooner." Andrew Haigh, Executive Director at Coutts, also discovered that of the entrepreneurs selected for their Life After Exit research, almost 90 per cent said life was as satisfying after exiting as it was before.

"Employees are typically better off after a sale," reports Peters. "After all, the buyer typically cares just as much – if not more – about the business they've just invested in, and are concerned about retaining talent, maintaining morale and ensuring high productivity. It's almost always good news for those who stay behind.

"There are also broader economic benefits from helping entrepreneurs realise that they can take their idea only so far, and to help them focus on a successful exit strategy. It's a boost to a nation's economy for large organisations with greater financial resources and manpower to scale up, create more jobs and build even greater wealth."