The Path to Exit & Beyond: Entrepreneurs' Stories, Part 2

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"The sale of a company can mark the beginning of a major time of reinvention and renewal...but It can potentially lead to a difficult time for entrepreneurs, beginning with time to mourn their lost company and identity."

Barbara Reinhard and Bill Woodson, Credit Suisse Americas
Barbara B. Roberts and Murray B. Low, the Columbia Business School's Eugene Lang Center for Entrepreneurship

This quote, lifted from a Columbia Business School's study in partnership with Credit Suisse Americas, *Life After an Exit: How Entrepreneurs Transition to the Next Stage*, **gives rise to a critical question: what are the factors that shape the post-exit experience?**

The study reports that most entrepreneurs who struggle after the sale of their business started the process without much reflection, analysis and planning. But what about the entrepreneurs that celebrate their exit as the start of a new adventure? How do they approach the process? Are there common themes that shape their experiences?

To gain deeply personal insight into this question, we interviewed two entrepreneurs who are thriving post-exit. We share the second of those interviews below. The first, with Shelley Wishart, Co-Founder and ex-CEO of Orchard International, can be accessed here.

Interview with Joe Graci, President & GM of Interwork Technologies

Exit objectives: *Finding a buyer that would provide capital and expertise necessary to grow the business, while allowing Joe to continue running the company's operations.*

Joe Graci was a minority shareholder in Interwork Technologies, a leading boutique cyber-security distributor. The majority shareholder was semi-retired and ready to sell. While Joe was willing to sell his stake in the company, he wanted to stay in the business, and help drive its growth to the next level.

Reaching a Decision to Sell

FP: How did you decide to sell?
JG: The decision was made on two fronts. Firstly, we'd had 7 years of consecutive growth, and determined that getting to the next level of growth would require a different approach. We were operating in an environment where the big distributors were getting bigger and new players were coming in. We needed to invest differently into the business and consider the kind of ownership structure that would fuel a new stage of growth.

Secondly, the previous majority owner was in semi-retirement, and our aspirations for the company were very different. I wanted to get to that next double for the business and wanted a partner that would be fully committed to Interwork's future growth.

Choosing a Buyer

FP: Financial vs Strategic buyer? How did you decide?
JG: We didn't want an industry [strategic] buyer, where we would have had to think about systems, back office and team integration after the sale. We were really looking for capital, so it made sense to seek out a financial buyer that was aligned with our objectives and values.

FP: And your final decision?
JG: As you know, we ended up selecting FirePower as a buyer. They were a clear choice for several reasons:

1. They had the expertise around M&A, funding and investments; as we wanted to consider growth by acquisition, being able to tap into that expertise was critical;
2. The partners had very strong skill sets in complementary areas: strategy, operations, finance, big picture vision. Adding those to our own considerably expanded our capabilities;
3. They had a long-term time horizon for their investment; and
4. While FirePower acquired 100% of the company, I was asked to stay on in the role of President and GM. That was significant for me.

After the Sale…

FP: How was the adjustment?
JG: Generally speaking, it was a pretty clean transition; we didn't have to deal with the issues that would have come up with an industry buyer.

There is always a learning curve for everyone, though, when ownership changes hands. The key was giving the FirePower team access and transparency so that they could understand every level of the business - the nuances of the business that you don't really see during the due diligence process. That was important to me, because if I was going to lean on them in terms of our thinking and our go to market strategy, they needed to have a deep understanding of the business.

At this stage, Anthony Lipschitz [Partner, Private Equity at FirePower] is hands-on involved with our strategic planning, but I am running day-to-day operations. Ultimately, having access to FirePower's deep expertise has proved invaluable, and together, we always approach the business with the over-arching theme: how do we get to the next level.

FP: Any words of advice for business owners considering an exit?
JG: Think hard about what you want out of the sale. If you're looking for a financial exit, but want the autonomy of running your business (like I was), then a financial buyer is probably your best choice. With an industry buyer, even if you're able to stay in the business you likely lose your autonomy, or best case, you have a lot more people in the sand box to align with.

Also, the buyer should feel right. As a business leader, you can look at all the data and do the analysis (and you should), but the very last line of defence is your instincts and your feel. In our case, at the end of the day, I asked myself whether it felt right…and it did.