The Exit Strategy as a Planning Tool

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Creating increased valuation and an opportunity to exit is the ultimate goal of most technology companies' top management and their investors.

All topline growth strategies must build toward the exit and the valuation required for exiting. If the exit strategy is undetermined, the growth strategies cannot support it. This is my job as a consultant: to keep all the strategies focused and building toward the valuation and the exit, to save millions of dollars as well as to make it.

The strategies for exit and valuation can seem very different from the strategies which create market share and growth: strategies in marketing, distribution, pricing, and positioning. But all strategies must align with the ultimate goal.

Clearly, to create market dominance we must get most of our strategies correct the first time. We must understand the timing of the market's acceptance. We must predict the market's true use of our product or service. Arriving too early to the market wastes critical capital, and arriving too late makes us chase our competition. And misjudging the actual use of the product by the market can set us back for years while we reposition.

We must synergize our pricing, positioning and distribution channels to send out a single message. We must create soundbites to explain complex technology to the mass market. Sometimes our product or service is so new as to create its own genre; this unique opportunity demands expensive positioning and education of the market.

We must plan a lifecycle of products and services to target each market segment as it develops, as well as anticipate new consumer behaviors resulting from the adoption of our technologies. It is not only the development of the technology which changes so often--the users' acceptance and response to the technology can change the target market itself.

This is critical: not only does the technology keep moving, but so does the target market. In a technology company, if we miss the target market by 5 percent, often we have missed it completely.

This is a lot to get right from the beginning of our planning. And we must get it right in context: we must understand all of these strategic issues in light of the goal for exiting. If we mean to be acquired by a telecommunications company, hardware manufacturer, or software empire, for example, we must position our strategies and valuation to the unique needs of that industry, so that we become valuable to the companies we want to notice us . We must create strategic alliances with the very companies we wish to have acquire us. We must remember not only the amount of our valuation, but our strategic value within the culture of the industry that will acquire us.

If we are aiming for an IPO, we must present the company in the best light for an offering to a public market which runs hot and cold about technology companies. This is not just an issue of timing, but also an issue of what the public market holds valuable: strong patents, effective strategic allies, experienced management, wise policies targeted to growth markets; ethical behavior. It is not just the market makers who make markets. The public has a say as well. Remembering the focus of our exit strategy, particularly if it is aimed at a public market, is critical at every stage of strategic planning.

Nothing is simple about growing technology companies, when both the technology and the market keep moving. Companies must integrate their planning with the ultimate goal of increased valuation and strategic exit to optimize opportunity, to conserve capital expense, to remain flexible in a changing marketplace, and to achieve market dominance.

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