



What's Next After a Successful Exit?

by Dennis Hammer

You know what a lot of startup founders feel after they exit their company? Sadness.

Why sadness? Because unlike a lot of people, founders lack a distinction between *what they do* and *who they are*.

Building and running a startup isn't something a founder does just to pay the bills. It's a critical component of their identity – an obsession they can't ignore.

When asked why he built his fourth startup, serial founder and investor [Jason Cohen said](#), “For the same reason that I started the first one — because it's in my DNA and I have to do it.”

When a founder has to part with his creation – even if it comes with a big payday – it's like selling a part of themselves. So inevitably, there's sadness.

The period of your life after exiting a startup is melancholy, confusing, but also a little exciting. Let's talk about what comes next after a successful exit.

1. First, Some Perspective
2. Stay Away From Silly Investments
3. Organize Your Personal Finances
4. Take a Well-Earned Break
5. Build Another Startup
6. It's Okay to Bide Your Time

First, Some Perspective

Let's get ourselves on the same page about what a "successful exit" means.

A good exit is one where you walk away from your company *deliberately*. That is, you leave voluntarily. You aren't removed by a board, forced to sell to meet your personal debts, or anything like that. In a successful exit, the founders are pleased with the decision, as are the parties who purchased the company.

A good exit also means you left with some cash in exchange for your equity. You should walk away with *at least* enough to compensate for the time and sweat you invested in the startup. In the best exits, founders walk away with many multiples of the value of their contribution.

Successful exits usually happen in one or two ways:

1. The startup gets acquired by a bigger company.
2. The startup files for IPO and issues shares to the public.

What is the *best* kind of exit? One that follows the original [exit strategy](#).

It's smart to create your own exit strategy early in your startup's life. In fact, [your investors will require it](#) because they're part of the exit too. They want to know that you have a plan for them to get paid for their investment at some point.

[Venture Archetypes](#) has a nice summary of what goes into an exit strategy.



WHAT IS EXIT STRATEGY?

...a vision, a process, a philosophy...and more.

- **Strategy**

- Anticipating Large Co. needs + skating to where the puck will be (e.g. AdMob, YouTube)
- Picking the right targets to dialogue with (the art of "wrapping yourself around a potential acquirer's axle")

- **Positioning**

- Telling a good story + Illuminating Strategic Value / Fit
- Selling the future potential and other intangibles-- "what could be"

- **Negotiation**

- Nuances of the dialogue-- e.g., hard vs. soft-sell, determining where the acquirer is flexible, etc.
- Framing deal terms & options in a mutually beneficial manner
- Closing the deal efficiently and effectively

Process:

Strategy → Selection → Positioning → Pitch → Negotiation → Execution

There should be some content in your business plan and VC pitch deck that explains your exit strategy. Compare your startup to similar companies in similar markets to get an idea what you have to do in *your* company to successfully exit.

A \$1 million or \$2 million exit is considered especially successful because it provides the *one thing* entrepreneurs crave the most:

Freedom.

With a couple million dollars, invested wisely and spent conservatively, you'll never have to work for someone else again. You gain the freedom to build your next startup without having to worry about pesky little things like a place to live or, you know, food.

SaaS founder and investor [Jason Lemkin says it well](#):

"\$1m-\$2m is the most important amount of money to make. Period. Because you can't retire on that, not usually, not really. But. You never have to work for The Man ever again."

Plus, a million dollars is a big signal to the startup community that you know what you're doing. [Getting funding](#), hiring talent, and making connections will be a lot easier in the future.

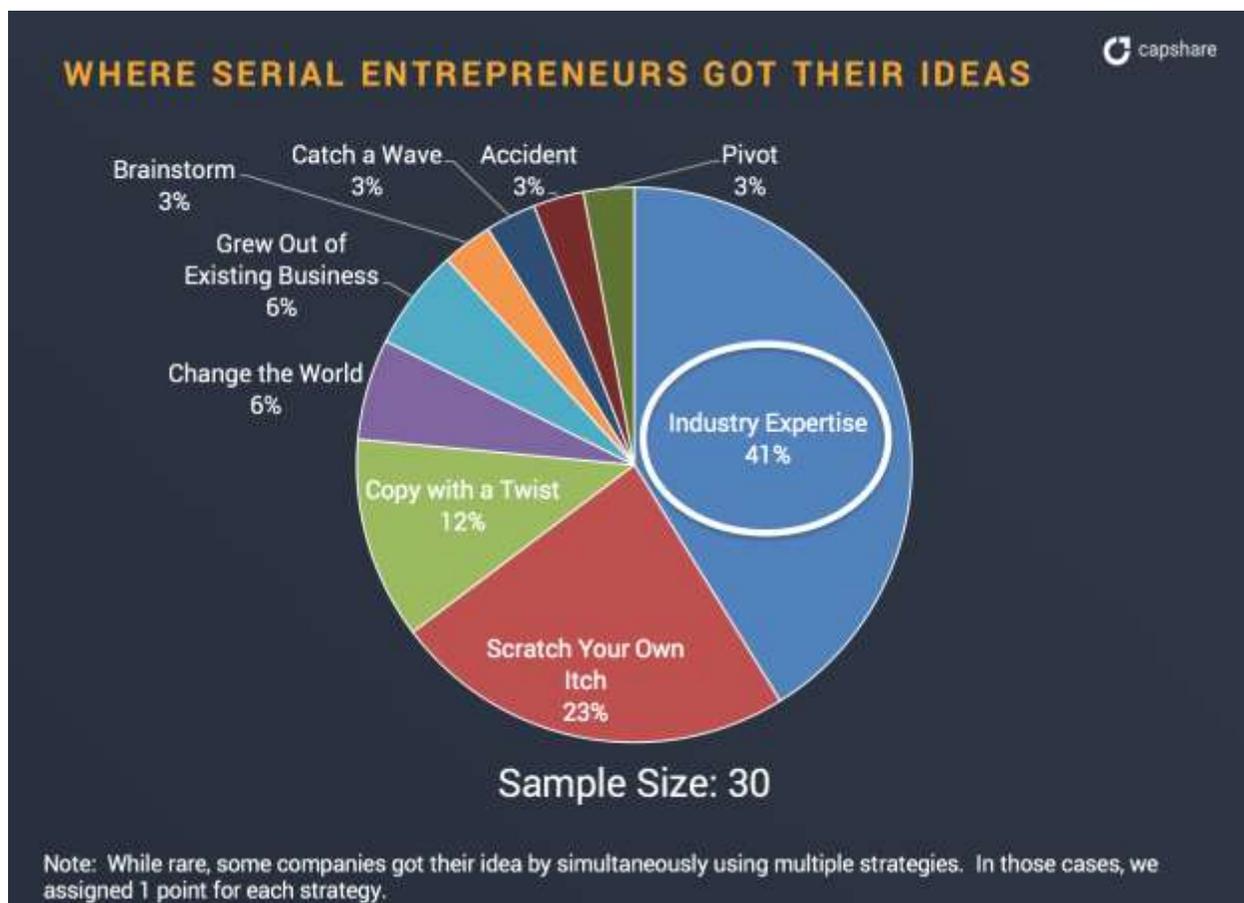
Stay Away from Silly Investments

Once word gets around that you sold a company, people will start materializing from thin air with investment opportunities. They'll want your money, your experience, and your work ethic.

Some of them will actually sound fun, like restaurants, bars, and real estate property.

But unless you know those niches well, stay away from them. If you plan to build another company in the future, stick to the sectors and industries you know, unless you work with someone who brings that sort of expertise.

[Capshare's research](#) found that serial entrepreneurs get their ideas from industry experience. That is, they focus on what they know.



Furthermore, stay away from *people* who don't have any experience building a company, no matter how incredible of an idea they claim to have.

Organize Your Personal Finances

Like a lot of founders, you probably stressed about your personal finances as you built your first startup. You may have put some early expenses on credit cards. Your car or living situation might need serious upgrades.

Immediately following a successful exit is a great time to get these things in order. Pay off any old bills, get yourself into a reliable vehicle, and set your family up with comfortable accommodations.

Just make sure you buy things *you can afford*. Try not to let your lifestyle inflate too much, or you'll just create a problem for yourself in the future.

By putting your finances in order, you'll free yourself of that stress you carried with you during your first startup. When you dive into something new, you'll do it without that baggage.

But before we talk about your next venture...

Take a Well-Earned Break

It's not uncommon for startup founders to pour everything they have into their companies. They work 100-hour weeks, neglect their mental and physical health, and forget what it's like to relax.

Before you dive into your next venture, consider taking a restorative break. This could be anything you want, from a month at a resort in another country to a week piddling around your house and watching TV. Do whatever you need to get your mental state back in order.

By the way, breaks are good *any time*, even if you don't feel burned out. Take a break now so you're completely recharged and don't need one soon.

Build Another Startup

Chances are you're someone who won't be comfortable sitting at a desk from nine to five every day. You probably don't like someone else telling you how to spend your time and you don't like the idea of someone else profiting off your labor.

Most startup founders who successfully exit a company don't have any other choice but to do it again. There's something in their brain that drives them to *create* rather than punch the clock. Once they *know* they can start, build, and manage a startup, they can't do anything else.

If you're one of those people, you'll want to take a minute to give yourself an honest evaluation of your last performance.

Look at it like this: If you sold your company for \$2 million, do you want to sell the next one for the same? No, of course not. You want to sell the next one for \$10 million, or more.

So you have to ask yourself some tough questions. The answers will help you decide *what* type of startup you'll create next and *how* you'll go about it.

Here are some important questions to ask yourself:

- What did I do well last time?
- What did I do poorly last time?
- What preventable mistakes did I make?
- How can I run leaner next time?
- How can I secure better funding next time?
- How can I be a better team leader next time?

It's Okay to Bide Some Time

Running a startup is exhausting, especially in the beginning before you find some funding to give yourself breathing room. It's okay if you aren't excited to jump into that lifestyle again quickly.

It's alright to spend a couple years working a regular nine-to-five job while you recuperate, enjoy some non-business hobbies, and explore new ideas. A low-responsibility lifestyle could be just what you need to figure out what kind of company you want to start next. It will also help you keep income flowing in the door so you can leave your exit cash alone to grow.

If your exit was so lucrative that you don't need to work at all, use your freedom to meet more people in the startup community, as well as people in whichever niches you find interesting. For instance, if you know the healthcare industry well, attend healthcare lectures and conferences to meet like-minded people, even if they don't know startups. You never know where your next big idea will come from.

But if you're one of those founders who can't separate *what they do* from *who they are*, you're probably itching to jump in again. If so, [check out the 10xU community](#). We'll help you grow your next company even faster than the last one.