



Stanford eCorner

Exit Strategies Now and Then

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May 14, 2003

Video URL: <http://ecorner.stanford.edu/videos/434/Exit-Strategies-Now-and-Then>

Exit strategies are less clear than they use to be to 10 years ago, says Estrin. She talks about the cycles that exit strategies went through. IPO and acquisitions are both tough in today's market. People need to have patience and plan for time to liquidity, she adds.



Transcript

That's why startups are going to be so hard because the exit strategies are so less clear than they were 10 years ago. You know it used to be that you had, well we started off in a mode where at the beginning of this cycle that the exit strategy was planned to the IPO and acquisition was opportunistic. Then we moved into a cycle in the crazy times of the late 90s and the bubble where you built a company to be acquired, which I think was the wrong thing because if you build a company just to be acquired, you make different decisions and then if you don't get acquired, you're in a tough state. But now we're in a situation where the IPO market is not clear for a while because of the risk averse nature and the scandals and everything else and acquisitions are impacted by that. So I think both are going to be hard directed strategies and my only answer is patience. I think people have to plan for much longer time to liquidity because to be a good acquisition now, you have to either get acquired very early or have customers and revenue that are paying for yourself that really show value to a large company and that they can afford to acquire because most large company said they can't eat the expense of a medium sized company that doesn't have the revenue yet. Even if they like it, they can't acquire all this additional head count. So I think it's going to be your companies that are going to succeed because those are really the only directed strategies, right? And then either you go public or you get bought and I think it's going to take a longer time for both of them and that just means that if you're an entrepreneur, you better have a good idea and you better get good leadership and build a good company. If you're investing, you have to be really smart about what you're investing.