How to Ensure the Success of Your Company When You're No Longer at the Helm

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Did you know that 50 percent of founder CEOs are no longer heading up their company after three years? And that fewer than 25 percent led their IPOs? This is according to research by Noam Wasserman, who analyzed more than 200 startups in the late 1990s and early 2000s. We at Connecticut Innovations see similar trends, both at our fund and at the other venture capital firms we invest alongside. And yet while founder CEOs have a short shelf life, many, understandably, have a difficult time stepping down. This is unfortunate, since how you handle yourself when you leave your company has a profound effect on its future. Whether you're forced out or you leave voluntarily, what's the best way to go about handing over control to ensure your company's continued success? We asked industry insiders to weigh in.

Doug Kisgen is a successful serial entrepreneur, organizational consultant and creator of The Kisgen Group, which helps entrepreneurs and executives improve their businesses, work traits and goals. Doug's upcoming book, *RETHINK HAPPY: An Entrepreneur's Journey Toward Authentic Joy* (Morgan James Publishing, 2016), teaches work-life balance and provides lessons to enhance both areas.

CEOs can gracefully step down when their VC is looking to replace them by making it about logic, not emotions. Make it about "doing the right thing" rather than anything negative. Make it about leaving on top rather than being incapable of taking it further. Make it about raising a teenager and now it's time for him or her to go out on her own. Ultimately, make it a good decision in the best interest of the growth and long-term health of the company.

As a founder CEO, you should be thinking of your next job well before you take VC money. Although, often the hardest part about leaving is not having a strong pull toward what to do next. Taking time to think and explore what the next chapter might be can be a good strategy.

The number-one tip for leaving your company with peace of mind is to find a replacement CEO who shares your values for the company. They may have a different vision. And this is okay. But if what matters to them most is the opposite of what matters to you, the sour taste may never leave your mouth. Overall, rip the bandage off and get involved in the next chapter as fast as possible. Remember the positives, but don't forget the pains. The latter will help you move on. Plus, virtually all good CEOs love change and embrace new challenges. The faster you get started on something else, the better.

Lori Dernavich is a growth-stage leadership adviser who works with CEOs and startups to develop the skills they and their organizations need to scale. Learn more at www.loridernavich.com.

In working with startups, I often see founders who are great at running a five- to 10-person company. But many run into problems when the company is ready to scale, because usually they have not [grown a company] before. When they do scale, these founders run into issues that are observable and become problematic quickly, like the inability to delegate because they are having a hard time giving up their "baby", poor communication as more people are hired and become spread out, and lack of skills (financial, product management, sales, marketing), which becomes apparent as the business's needs become more complex.

If founders aren't able to improve their leadership skills quickly, they may need to step aside. Investors will often recognize that a leader isn't cut out to scale the business. Not all founders have what it takes to scale a business, and that's okay. I know plenty of serial entrepreneurs who love starting businesses, but know that they won't be there to scale them. They know their strengths and capitalize on them.

The best way to ensure a successful transition is to be open and honest. Investors should bring to leaders' attention the skills that they're lacking. Give them an opportunity to learn, but give them a deadline. If the leader has expertise that is valuable to the business, it can be beneficial for everyone if the leader stays on as an individual contributor, a subject matter expert, so long as they really do allow the new leader to lead.

Bryan Clayton is the CEO of GreenPal, the Uber for lawn care.

One of my favorite quotes is by Warren Buffett, who advises to look to invest in businesses that any idiot can run, because one day, one will.

Sometimes a CEO can make a lifelong journey in his or her company, and sometimes they reach a point of diminishing returns for their talents and capabilities.

In the final months before stepping aside, I would recommend that the CEO invest as much of his or her time as possible crafting a strong culture for the company. Hold meetings to tell [employees] why you started the company and [talk about] why you all get out of bed. With a strong culture, the spirit of the founder—you—will live on long after you step aside.

Steve Trautman is a knowledge transfer expert with more than 20 years of experience who specializes in replicating a company's top talent. Steve's pioneering work in the field of knowledge transfer and related risk management tools is now the nationally recognized gold standard. He is also an international speaker and the author of two books, *Teach What You Know: A Practical Leader's Guide to Knowledge Transfer through Peer Mentoring* and *The Executive Guide to High-Impact Talent Management*.

While there are many, one important tip to managing the transition when a founder is stepping aside lies in the transfer of knowledge to more than just the one successor. Having a knowledge transfer system in place ensures that the critical knowledge stored in the head and hands of one departing employee will now be shared by many, reducing the risk to the company, the replacement and the team.

Bill Fish is founder and president of ReputationManagement.com, which is building a web resource for all things pertaining to reputation management.

Prior to founding my current company, ReputationManagement.com, I co-founded an online marketing company called Text Link Ads (now Matomy SEO) in 2001. We were fortunate to grow the business enough that it was acquired by a private equity firm in 2006. I elected to stay on and run the company, and when I stepped away in 2012, we were at $25M in annual revenues.

I will be the first to admit that it is difficult to determine when you should walk away from a company that you founded. My partner left roughly 18 months after our business was acquired. I felt that it was a perfect opportunity for me to show that I could run the business on my own. What I ended up doing was staying on six years after we were acquired. I felt a bit that I owed it to the private equity company that purchased our business. In reality, I ended up staying probably three years too long. While it is great to learn the ropes and be successful as an entrepreneur, it was also beneficial for my career to stay on board as part of a larger corporation. I learned quite a bit, both good and bad, but without question stayed too long. If you are an entrepreneur, and decisions are being made that you don't feel are correct for "your baby", it is at that point you should gracefully exit.

Jay Bean is a CEO who has spent the past 16 years pioneering successful startups. He has had plenty of experience with stepping aside when it's time to pass the torch.

When a company is your baby, it's really hard to step aside; at some point, depending on what your company needs to progress, you have to get someone in place that can take it to the next level. It's important to choose the right person who has a similar vision and won't completely hijack your company if you aren't willing to let that happen.

If you get to the point of gridlock, without allowing the new CEO to make changes and decisions, it will frustrate them and slow down the progress you intended to make in the first place. Recognize that it's time to move on and be at peace with the fact that someone else is in control and will help accomplish your vision. Above all, trust your gut. You will know a good fit when you see it.

Sebastien Dupéré is president and CEO of Dupray, a company that sells steam cleaners and steam irons in six countries on six different domains. He has sold two previous businesses.

Most CEO removals are usually acrimonious affairs, but they do not have to end poorly. Empathy and sympathy go a long way. At the end of the day, the job needs to get done. There is this underlying human component that is part of the business world. Everybody involved just wants to move along.

Keith Kefgen is managing director and CEO of AETHOS Consulting Group, an executive search and advisory firm, and authors of the 2016 book *The Loneliness of Leadership.*

Our study suggests that a CEO, regardless of whether a founder or a hired gun, has a shelf life. The shelf life is not always easy for a founder to recognize or admit. For most, the minute the company becomes a management exercise and not an entrepreneurial endeavor, it's time to go. That said, staying involved as a board member and investor can be helpful to the next leader. Founders also need to understand that the skill sets necessary for different points in the life cycle of a company are always changing. As such, they need to change as well.

I would counsel founders to let go, stay involved only from a board perspective and go start a new company. That is what founders are good at, and so they should channel their passions into something new.

Anthony Glomski is the principal and founder of AG Asset Advisory, an SEC-registered investment advisory firm in Los Angeles. He works with a select group of successful business and tech entrepreneurs who are approaching a liquidity event to help them make smart decisions with their money.

Founding CEOs are unique individuals full of drive, creativity and passion. In transition (whether this occurs due to a sale, an acquisition, etc.), this is likely the first time their thoughts, ideas and beliefs are questioned. It can be off-putting and somewhat insulting to a founder. Understandably, this causes a stir of emotions. We see this during the due diligence phase when shopping a company.

On Staying Involved...
Can you embrace the new vision and direction? Are you behind the new culture? If not, and that's okay, sometimes it's best to disengage and let go. In our experience, about one-third of founding CEOs will agree with the new culture, one-third will be neutral, and one-third would rather get a root canal. Some founding CEOs end up thriving from the new structure and the machine in place, whereas others will feel suffocated.

Before You Go...
Be an example. Preserve your legacy and what you've created by being a leader. Your attitude about this transition will be adopted by your colleagues. Put philosophical differences aside even if you know deep down that you are right.

On Moving on...
Founders are a very special breed of person. I equate them to a high horsepower engine. Lots of energy, drive and passion that can't be contained. Prepare your next chapter. Will you build your next company? Perhaps pursue an executive director position at a non-profit? Our experience shows that you will need to stay highly engaged and challenged in life to be happy and fulfilled. If you have some say in the process...