ABSTRACT:
Employing grounded case-based methods (Eisenhardt, 1989; Eisenhardt and Graebner, 2007), this paper suggests that founders made strategic mistakes in the process of managing risks: it requires more information processing abilities and proactive behaviour. Moreover, anticipation can condition their own optional exit strategies when they have to leave their firm. Based on previous research and recognition, authors describe a methodological tool to delimit these exit strategies for venture investors and founders (McKaskill, 2005). Regarding implications for entrepreneurs, exit strategies become pertinent in a predictive use, to preserve each shareholder against failure, and to plan the “after” spin-off (exit negotiation, opportunity search, etc.).

INTRODUCTION:
For consultant as Bob Wilgos (SDM, 2007 : 220), "the lesson is the same as for any entrepreneur: as you build your business, design a turnkey operation to increase its value, think about your exit strategy and regularly take money off the table to diversify your holding." Kreiter (2007 : 43) purposes "how and when to plan your exit strategy" in four steps. "The alternative to having an exit plan is simply deciding to sell if and when circumstances dictate. But the passive approach is fraught with perils." First, decide when and how much, in a realistic way. Second, determine what your business is worth. Third and four, estimate an exit business plan and realize it. Even if it seems easy to plan, he concludes that tragic events can derail even the best-laid plan (divorce, litigation, health problems, competition, economic fluctuations, partnership conflicts and death). So, what about a mix of bad events? Vitulli (Management, 2007 : 28) should have answered "someone must take over the vision for your dealership. And if it isn’t you, it will be someone else (your bank, your employees, your OEM, your competitors, your customers or your family). And you may not like what they have planned for you." So, as soon as you create a firm, you may think both about how to go "in" the business and "on" this business, like consultants or media use to show us.

As teachers, we are motivated to study entry mechanisms in markets and to train students in this goal. We are very proud to contribute to the success story from a personal and professional feeling. In the same way, we try to anticipate and to deter some student from creating his/her company if we think that they won’t survive the early-stage. Sometimes, we know (as an ex-student in a bread and cake shop, for example) or we meet people who failed (ex-entrepreneurs) but no one tell us about his/her exit strategy. Generally, strategy was not to exit, except as a billionaire, but to manage his/her own company and to see it growth. So, we focus on the late stage, interviewing young people about their retirement and their company future. They all dream about success story: being young, rich and retired. The financial press loves this kind of paper: Mike Walrath, 32, founded Right Media Inc. in 2003 as a New-York-area consulting firm for buyers and sellers of Internet advertisements. The concept caught on, and in 2005, venture capitalists started funding the company. After two rounds of venture financing, Right Media sold to Yahoo this spring for about $720 million. "We see this as the next logical step," Walrath says, "we don’t talk about this as an outcome or an exit." (Entrepreneur, August, 2007 : 36).
As researchers, even if on a theoretical point of view, most of entrepreneurs and scholars agree to define entrepreneurial risks concerning strategic and operational dimensions, we are interested in the anticipation (or not) of their management that leads to failure or success. According to Prisciotta and Weber (2005 : 63), the early-stage is characterized by a high degree of owner work, control and autonomy: "The owner is often overextended and undercapitalized, trying to keep creditors at bay, minimize taxes, and reinvest profits to finance future growth, often at personal sacrifice." At the growth stage, founders feel successful: "the challenges of running a growth-stage business include: 1) attracting, training, and retaining employees; 2) obtaining additional capital; 3) building more infrastructure, inventory, equipment, and real estate; and 4) staying one step ahead of competitors." (Prisciotta and Weber, 2005 : 63). In fact, founders need to have an exit strategy to liquidate their shares in a new venture, moreover in emerging market where inventions are very attractive for established firms without new ideas but with money. In emerging industries, many of the entrants are composed "of the disaffected or ambitious former employees of a more established firm" (Anton and Yao, 1995). These scholars examine the incentive problem confronting a firm and employee when the employee privately discovers a significant invention and faces a choice between keeping the invention private and leaving the firm to form a new company (start-up) or transferring knowledge and attempting to gain compensation from the firm (spin-off). "In the field of firm demography, spin-offs have recently attracted attention as a very successful form of new firm formation. Policy makers see spin-offs as particularly fertile innovators in an economy. Theoretically, following lines of thought from the resource-based theory, spin-offs are also expected to perform better than other start-ups that lack the resource base spin-offs inherited from their mother companies." (Koster, 2004 :1). But what happens when spin-offs founders failed? What can they do: take the money and leave their "baby" as bad parents? The aim of this paper is to question the rare opportunity that two associates had, through a spill-over, to industrialise a new standard, issued in part from a European research program. Motivated to study it in emerging markets and in failure, an exploratory study using qualitative approach and interview data is conducted to present the story of "INCAM Solutions". Besides, the failure of entrepreneurs, seeing the organisation developing without them, pushes us to a complementary and specific reflexion on exit strategies identified in this context.

**SPIN-OFF : DEFINITION, FINANCING AND EXIT STRATEGY**

This research is concerned with the financial needs and sources of financing of new firms which develop commercially new technology-based products. The first objective of the research is to determine what are the capital needs at each stage (early, growth and late). The second is to suggest a model of exit strategies, based upon a case study.

**Spin-Off Definitions**

Welch (1976 : 45) showed that new technology based firms (NTBF) "attempted to produce standard proprietary products that embodied the most recent technologies needed significantly more capital, especially for product development (...)." He also concluded that these firms experienced the most difficulty in obtaining capital and "their most intense capital needs during the stage of product development that occurred after the development of a standard product prototype, prior to the first sale of standard product" (Welch, 1976: 45). According to Garvin (1983), in this sector, the widespread of spin-offs is well-known. The author (1983: 5) defined a spin-off as "a new firm (which) is created by one or more individuals who have previously worked in the industry being entered and the impetus for starting the new firm originates with these individuals." This definition allows a higher perspective than Rosenfeld’s one (1984), who suggested that a spin-off occurs when a firm distributes to its existing shareholders all of the common stock it owns in a controlled subsidiary, thereby creating a separate publicly-traded company. Aron (1991) argued that a spin-off represents a powerful promotion-based motivation for the CEO of a free-standing company, and, in this form, spin-offs would have greater gains in autonomy than sell-offs (Woo, Willard and Daellenbach, 1992).

Nevertheless, following Pirnay (2001), it remains possible to position it more precisely and to grant this qualification to any observable phenomenon satisfying fully and in a simultaneously the three following conditions:

- "to be held within an existing human organization, whatever is the legal form, the corporate name, the mode of property or the type of activity;
- to concern one or more individuals of this organization, whatever their statute and function within the organization;
- to note the effective departure of these individuals of the organization which employs them, not to join another existing organization, but to create a new organization "(Pirnay, 2001).
Spin-offs Financing

Whether financing is used to fund a spin-off, it provides necessary working capital for current operations, fund growth or an exit strategy. As we already said, early-stage capital is often the most difficult to raise. In a spin-off, definitions insist on the independence of the new firm (Johnsson and Hagglund, 1987; Lloyd and Seaford, 1987), but remain not clear on the mobilization of the resources: it seems not obligatory for the parent to give money to "the child". The founders can benefit for holidays or time to create, have golden handshake or long service award. The first sources are founders, friends and family. If it could be enough to start a shop, joinery or internet service, it won’t to build infrastructure. So, when it’s unavailable or insufficient, equity partners could be the solution, as figure 1 shows.

Figure 1: Raising Capital throughout the Value Path Stages (Prisciotta and Weber, 2005)

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Source of Equity</th>
<th>Debt Financing Sources</th>
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<tbody>
<tr>
<td><strong>Early stage</strong></td>
<td>Founders, friends, family</td>
<td>Promissory notes</td>
</tr>
<tr>
<td>- Raise capital for R&amp;D</td>
<td>Angel investors</td>
<td>SBA loans</td>
</tr>
<tr>
<td>- Create infrastructure</td>
<td>Venture capital firms</td>
<td>Equipment leases</td>
</tr>
<tr>
<td>- Limit dilution of founders</td>
<td>Private equity groups</td>
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</tbody>
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| **Growth stage**            | All early stage sources plus:      | Banks                           |
| - Fund strategic plans for expansion | - Private placements              | Institutional investors         |
| - Increase infrastructure   | - Institutional investors          | Private equity group            |

| **Late stage**              | Public offerings                   | Banks                           |
| - Exit options including:   | Private equity groups              | Institutional investors         |
| - M&A opportunities        | Strategic partners                 | Equipment vendors and leasing firms |
| - Public offering          |                                   |                                 |
| - Sale of business         |                                   |                                 |
| - Stock redemptions        |                                   |                                 |
| - Leveraged recaps         |                                   |                                 |

This figure summarizes all the financial possibilities at each stage, explaining difference between debts or equity providers. New ventures are high risk and traditional lenders such as bank are unwilling to invest. Bankers face a situation of information asymmetry when assessing lending applications (Binks and Ennew, 1996). The information required to assess the competence and commitment of the entrepreneur is either unavailable, uneconomic to obtain or difficult to interpret; so, bankers offer a loan only if collateral is available (Mason and Stark, 2002). Venture Capital and Business Angels also encounter information asymmetry, however, they adopt very different approaches to their funding decision. "Unlike the banker, their investment is also fully exposed in the event that the business fails. A further risk is that their investment will be illiquid if the business does not achieve significant growth. (...) [They] might be expected to place greatest emphasis on the capability of the management team, the product/service and the market" (Mason and Stark, 2002: 5).

According to Bruno and Tyebjee (1985), high tech start-ups have multiple founders (having a good engineering background, but weak in finance). Their prior work experience is with both large and small firms (spin-off). Their firm has a lower failure rate than other and, if they use outside capital, they performed better than those who did not. In emerging markets, at the early-stage, Angel investors or Business Angels are individuals, seeking high returns (who invest €70,000 - €250,000) in early-stage businesses. They defined as "private individuals using their own money directly in unquoted companies in which they have no family connection" (Mason and Harrison, 2000 : 221). Business Angels are generally not very concerned about industry sector but they need to understand the generic business (Van Osnabrugge and Robinson, 2000). However, they do specialize by focusing on the area where they work and live (Mason and Harrison, 2000). They have in-depth knowledge of the business, they are investing in and they want participate in management or serve as board members. Sørheim (2003) argued that the insights from social capital theory will enhance our understanding about how BAs identify interesting deals and how they evaluate its. "The previous track record of BAs determines how they operate in the informal venture capital market. It is quite rational for individuals whose main experience stems from a specific region to make the overwhelming majority of their investments in this region " (Sørheim, 2003 : 359).
It could also be Venture capital (VC) firms which are typically the largest cash investors (from five to seven years) in early-stage entities when banks and other lenders are unwilling to make sufficient capital available. VCs want gaining a substantial equity position in the business and seats on the board of directors, so they are often viewed too aggressive in pursuing short-term goals and not very welcomed by some firms (Wang and Sim, 2001). VCs place the ability of management (skill, quality, characteristics and track-record of the management team) on their top decision-making with the characteristics of the market/industry, environmental threats to the business, the level of competition and the degree of product differentiation (Sheperd and Zacharakis, 1999). Other studies suggest that characteristics influence their choice like the product ones (proprietary features, competitive advantage, potential to achieve strong market position), the market ones (significant growth, limited competition) and returns (potential for high returns, clear exit opportunity) (Sweeting, 1991; Fried and Hirisch, 1994).

Private equity groups fund growth and late stage businesses in need of "mezzanine" financing (subordinated debt layered between senior bank debt and equity), or buyouts in management-led transactions and leveraged "recaps" (the reverse of management buyouts where management ownership is reduced). They provide "high-risks debt or equity capital, which is unavailable from traditional sources, for the growth (or seed funding) of small businesses at any stage before going public" (Kryzanowski and Giraldeau, 1977 : 29).

Investors Exits

First investor, founder will be studied apart.

Love money (friends and family funds) is not very important in spin-off, they might be the first to exit or the last to wait for their money back.

Angel businesses are investing their own money, and although capital gain is their dominant motivation, other satisfaction and enjoyment from playing a role in the entrepreneurial process and altruism (Wetzel, 1981). The approach of the majority of Bas to minimizing risk is to have a limited investment focus in order to leverage their experience and knowledge. The contract between angels and entrepreneurs tend to be simple and informal, making it harder for them to enforce sanctions. They place more emphasis on personal relationship issues; they are also seeking a psychic income in the form of interest and fun (Mason and Stark, 2002: 17).

According to Wang and Sim (2001), VC firms can exit from their investee companies in the following ways: (1) sale of the investee company’s shares in an initial public offering; (2) repurchase of shares by the investee company (company buyback); (3) sale of shares to another company (trade sale); (4) liquidation of the investee company (write-off); (5) sale of investee company’s shares to another VC investor (secondary sale); and (6) reorganization of the investee company (Gladstone 1988). Among the six modes of exit mechanisms, little will be mentioned regarding the secondary sale, as it is not often that another VC investor is willing to take over the stake held by a VC investor (Gladstone 1988).

Founders Exits

Founders, as owners, are concerned about converting equity into cash when they exit their businesses. Much emotion is tied into this event, founders consider their business as a person, their baby, or as themselves. So, they may have ability to recognize challenges and opportunities, to clarify and focus on those issues and bring in experts to help execute the appropriate transaction.

According to Prisciotta and Weber (2005), founders can exit in the following ways: (1) transactions to accomplish financial or liquidity goals of a business (forward mergers, where the acquired company is merged into the buyers company and disappears and reverse mergers, where the buyer’s company is merged into the seller’s, with only the acquired company remaining); (2) companies can grow faster through acquisitions (economies of scale and scope, market expansion, new capabilities and managerial skills, competitive advantages, development of new customer relationships, greater technology and R&D capabilities, industry rollups, i.e., consolidating fragmented industries, prevention of competitor from acquiring target company and globalization); (3) illness and death; (4), sale of a business because of capital gap, one-off purchases or boredom (or burnout). "When it comes time to sell, owners need professional advice because most business owners have little or no experience at selling. Corporate or institutional "acquirers" are experienced in the world of buying businesses at the lowest possible price and the best terms. Inexperienced sellers need representation and guidance to assure that they receive maximum value and fair terms" (Prisciotta and Weber, 2005 : 67).
In line with the reasoning of Gartner and Birley (2002), the paper argues that some questions will not, or cannot, be asked when undertaking quantitative research. It is helpful at this point to consider how entrepreneurs speak about spin-off and exit strategies (Fletcher, 2004).

Methodology

This paper is the result of theoretical reflections combined with a case study analysis. Qualitative research takes place in the natural world, uses multiple methods that are interactive and humanistic, focuses on context, is fundamentally interpretive (Marshall and Rossman, 2006). Our analysis concentrates on a single case study (Yin, 1984), built on an individual lived experience (Gall, Borg and Gall, 1996), with in-depth interviews, to understand, first an individual and, then, an organization. The case method "investigates a contemporary phenomenon within its real life context, (...) is most relevant when the boundaries between phenomenon and context are not clearly evident and when multiple sources of evidence can be used in support of research questions" (Yin, 2003 : 14). A case methodology allows research to illustrate or explain the decisions and motivations that underlie observed process beyond evidence-collection (Sarantakos, 1993) and to identify and understand those detailed interactive processes which are crucial for the understanding of a complex business context (Bryman, 1988; Remenyi, Williams, Money and Swartz, 1998; Gregson and Harrison, 2006).

As Crabtree and Miller (1992) offered useful conceptualizations of the cycle of inquiry, we entered a cycle of interpretation seeking no ultimate truths. The concerned case is a spin-off in the chemical sector, issued out from a spill-over of a well-known French company Air Liquide and the French atomic energy commission (CEA). Our purpose is to catch in depth the complexity of the studied phenomenon (the process of enterprise creation and the founders retreat), in order to appreciate and understand its dynamics. This case was chosen because it allowed us to obtain full data of one of the company's founders, a still painful adventure now in reorganisation : acceptation and life reorganisation stage according to mourning theory (Pailot, 2000). We transformed in-depth interviews, close and personal, into a case study, integrating documents analysis.

Table 1 : Case study data sources

<table>
<thead>
<tr>
<th>1- Primary Data</th>
</tr>
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<tbody>
<tr>
<td>Interviews :</td>
</tr>
<tr>
<td>1- MM, Incam Solutions Founder, President, Manager (3 interviews, 10 hours)</td>
</tr>
<tr>
<td>2- Secondary Data</td>
</tr>
<tr>
<td>Website : <a href="http://www.incam-solutions.com">www.incam-solutions.com</a></td>
</tr>
<tr>
<td>Press releases :</td>
</tr>
<tr>
<td>- March 1st 2004 : 40-30 to acquire Incam Solutions to confirm its commitment in nanoelectronic and to reinforce its development in ultra cleanliness.</td>
</tr>
<tr>
<td>- September 16th, 2002 : Incam Solutions to announce Wafer Sorters from Asyst Technologies, BrooksPri Automation and Recif to be compatible with Foup For One ® Technology.</td>
</tr>
<tr>
<td>- July 22th, 2002 : Incam Solutions to deliver Foup For One ® Technology to a Major North American Microelectronics Manufacturer.</td>
</tr>
<tr>
<td>Articles in newspapers and magazines :</td>
</tr>
<tr>
<td>- Micro Magazine, June 2002 : The 300-mm imperative – Assessing the feasibility of a 300-mm test and monitor wafer handling and logistic system.</td>
</tr>
<tr>
<td>- Channel Magazine September-October 1999 : The Virtual Fab : the core of the future Technology Development.</td>
</tr>
<tr>
<td>- Channel Magazine, vol 12, n°5 (9/01/99) : An alternative solution to the Management of Test Wafers.</td>
</tr>
</tbody>
</table>
Sources of information included primary and secondary ones. Primary sources are based on semi-structured interviews with one of the founders. Elite interviewing has, in one hand, many advantages as it provides valuable information, an overall view of the organization, a familiarity with the legal and financial structures, and an ability to report on an organization’s policies, histories and plans. In the other hand, it presents disadvantages as the initial contact, and taking charge of the interview (Marshall and Rossman, 2006). Three interviews were conducted for a total of ten interview-hours. Direct observation wasn’t able because of his exit of Incam Solutions. Secondary sources included artifacts and documents from MM, catalogues, journal and magazine articles (table 1). For every qualitative study, data on the background and historical context are gathered. We supplement interview with the analysis of the documents produced, useful in understanding the organization. Information can also be checked on the firm’s website (http://www.incam-solutions.com).

Subsequently, we engaged in an iterative process in which we went back and forth between data and literature, in order to interpret data (Sciascia, De Vita, Alberti and Poli, 2006). Data analysis followed an interaction process between theory and empirical evidence (Miles and Huberman, 1994). The qualitative data were analysed by theme category to backup the conceptual framework. However, according to Patton (2002 : 440), "the data generated by qualitative methods are voluminous." As categories of meaning emerge, scholar searches for those that have internal convergence and external divergence (Guba, 1978). Here, we do not search for the exhaustive and mutually exclusive categories of the statistician but, instead, identifies the salient, grounded categories of meaning held by participants in the setting (Marshall and Rossman, 2006). Indeed, the part of life story can better add depth and evocative illustration to understanding success and failure for a swarmed entrepreneur.

PRESENTATION OF THE CASE STUDY : INCAM SOLUTIONS

Particular context
In Grenoble, in 1972, the ZIRST technopole (Zone pour l’Innovation et les Réalisations Scientifiques et Techniques) was set up as a result of local initiative supported by academics, manufacturers and politicians. By 1985, there were 130 firms located on the ZIRST site. The movement expanded and about ten business parks were oriented to innovative and high-tech activities in the wider Grenoble area (Druilhe and Garnsey, 2000). The local innovative culture based on strong relationships between science and industry has been structurally favourable to the emergence of high-tech activity (Grossetti, 1995). The large corporations present offered a potential customer basis to new firms and have also been a source of spin-off companies. In the 1980s, firms were founded by researchers, academics or engineers. Technology transfer policies of academic and research centres created incentives, especially the LETI (Laboratoire d’Electronique et de Technologie Informatique). This laboratory has a number of focused projects and several enterprises spun out of the institute (Druilhe and Garnsey, 2000). In addition, delocalizations were conductive to spin-offs from existing enterprises.

Part A : Launching the Venture
At the beginning is an European program called JESI, a funded decennial program of R & D (1985-1995) which aimed to improve European competitiveness and included many European partners (among them the CEA, M - a German company -, Genoptic and Air Liquide). By the means of this research, a specific technology has been developed concerning the protection of ultra-clean objects (in the broad sense), with an impossibility of marketing the entirety : technology was pulverized between all the partners. However, the number of partners made very difficult the creation of a common structure. It was absolutely necessary for the technology to have a commercial future that somebody suggests to create a company which would repurchase all the licenses belonging to the partners, package it, and ensure industrialization and marketing. "And thus everyone looked at one another, obviously : what will the CEA do ? What about M? And what about Air Liquide ?" (MM).

Strategy, ownership and structure
MM was R&D director within Air Liquide and took part, for this reason, in the development management of the scientific programmes in Europe, and used to visit Japan and United States. He defended actively this program because he had understood the competing advantage for his company in terms of application : in the field of the semiconductor, this technology made it possible to approach the silicon wafers without treating them, i.e. to remain in the responsibility for storage (storage, transport, containment).
And Air Liquide had also activities of containment in the food and the medical ones which could give overall coherence. The motivations for this divestiture were to improve the parent firm’s strategic, organizational and financial performance (Hite and Owers, 1983).

The CEA program chief (XX) and MM proposed to collect all technologies with an exclusive license (to limit their own financial investment) and to create a spin-off from the CEA, whose Laboratory LETI was program leader. "So, my partner (who was at the CEA) left the CEA, came in this company; I left Air Liquide and we created this company with our own financing which was not enormous, about 50 000 euro" (MM). "We proposed to create a company which would repurchase all the licenses with all the partners, who would make of it a package and which would ensure industrialization and marketing. OK! Go! We create our trick and thus I launched out in it, in this creation! The idea was to collect all technologies with an exclusive license (...). And one assembled this company (the CEA was of course the “leader”) like a spin-off of the CEA in fact “(MM). The phase of evaluation, such as it is presented, quickly seems obvious and proven. However, reality for the individuals remains more complex with return tickets and positionings of scenarios to be “sure” to make the good decision. They are frameworks of large companies, titulars of a Doctorate in Chemistry and ensured of a career. The positive motivation (Shapero, 1975) determining was the insurance to be able to create a world industrial standard and to overcome American and Japanese with their own play.

The company is created in February 1997, develops quickly to reach 15 people in 2002. They integrated business angels (industrialists from Grenoble) and realized a first funds raising with their partners to candidate for European research programs in order to still finance the project. “Here, the risk capital intervenes in a judicious way because you make it only enter to make guarantee to finance your R & D, which arranges everyone: the R & D is not any more to be financed, the stakeholders’ equity exploits its part of guarantee on short-long term programs and the risk capital hopes for a valuation on technological programs. Therefore, it is something which works very well in this way” (MM). They raised one million euros in 1998 and another one at the end of 2000. This early-stage fund allowed them to finish the product design and to develop a prototype. “From a “starting from scratch” product (i.e. at the functional stage of an alpha prototype), one is practically assembled to a world standard, with an industrial product, manufactured in a pilot factory. It was one of the first European standards which was imposed on the USA and Japan” (MM). The early-stage is a great success with an ambition seldom carried out: the creation of an international industrial standard. However, this great story stops there.

Part B: Final Exit
We are at the end of 2000 and the nightmare starts for the innovating companies with the bursting of the Internet and IT bubbles. The levels of investment decrease everywhere, so the launching phase arrives. "The product industrialization which claimed about 5 to 6 millions euros could not be made! In 2003, we tried to finance all the industrial part and intensive marketing. We needed really amounts much more important so this stage could not be achieved: we made an industrial transfer in 2004. The industrialist bringing all the industrial structure and its sales network obviously, therefore there were no more need to finance them. Thus, our company always exists, not carried out as I would wish it was but...! It is a possibility of exit: either industrial financing is taken, one goes up out of Stock Exchange and then one leaves; either an industrial transfer is made which allows the activity to continue” (MM).

Nevertheless, in theory, each phase anticipates, prepares and requires several rounds to finance the whole design process until development, while the subjacent assumptions with the success are defined upstream in order to check the projection of the project and to correct if necessary. "And the exit moments of a shareholding are very rare! People do not realize that when someone puts money in a company, it is personal assets! Some say “I would like to leave” but there are exceptional events which make that one leaves! And one does not leave all alone, everyone leaves! I hear stories where people say “I come and, in 5 years, I leave!” It is what one imagines, it is not at all like that! On the other hand, the bankers make it when it is about a loan, a guarantee on an investment in stakeholders’ equity, they say “we make the loan but we want to bring out all our capital with certain profitability in 5 years!” For an entrepreneur, it is necessary to choose the moment to leave! Thus I chose this moment to leave (smiles) because of a certain logic! To leave, it is necessary that there is another player! It can moreover make the entire structure collapse!” (MM).
FINDINGS AND DISCUSSION

The evidence is clear that the success of an entrepreneur or a team creates problems of growth. "The transition from a small company which can be directly managed by one individual to a larger one which requires a more formalized management system is a difficult period which often involves some severe crisis" (Feldbaumer, 1977: 38). According to Mason and Harrison (2006), most of NTFB are unable to change organization and personnel or to raise the finance needed for marketing. In our case, they forget to finance the industrialization. "The consequence is that some young technology firms will fail, many will remain small and others will be sold to larger established firms, either as a distress sale or as a means to access finance, marketing and distributional capacity, professional management, and other resources that are required for growth." (Mason and Harrison, 2006: 57).

However, Incams’ founders owned three fundamental criteria for success (Hsu, 2007), such as experience (they raised and managed capital for their enterprise), academic training (they were Doctor) and social capital (they worked in an industrial and technological area that influence the geographical competences and the knowing whom). They also created social ties with local venture capital which can be identified as an important precursor to organizational resource attainment and performance (Hsu, 2007). We find the same results as this scholar: first, MM and XX had a direct tie and venture valuation. They used to contact industrials and financials since ten years, increasing legitimacy because of their firm (Air Liquide and CEA). Second, they had the ability to recruit executives via their own social network, which is positively associated with venture valuation. At the creation, it was true: they own all competences, capacities and capabilities to start their firm and to find customers, distributors and human resources. The VC gives them funds because of their experience and success. But, they forget to recruit people to delegate production and operational management. They spent their time working "in the business" rather than working "on the business". Unfortunately, even if they also got the third good valuation about founding teams with a doctoral degree holder, it was not enough to survive. "Now here is a key part that I believe most contractors stumble on. If your typical day consists of putting out fires, running to jobs, and constantly answering questions from employees, vendors, customers and anyone else you come in contact with, you have a problem. And your problem is limiting your company’s growth and potential. Psychologically, it seems like that’s what we are supposed to do, right? After all, we’re the boss. When we do those things it gives a feeling of intrinsic value. That’s why we’re needed. That’s who we are. Oh, get over yourself! It’s a statement about your management skills. And unfortunately for you, it’s not a good one" (MM).

The reward of growth is success; the risk of growth is failure (Boardman, Bartley and Ratliff, 1981: 1). Founders need good technology, dream about international standard and they realize it. Success creates a particular situation where they feel untouchable: they should have pursue the appropriate financial policies. According to Boardman et al. (1981: 1), the reasons for failure are three folds: "1) the proprietor did not provide adequate capital to begin with, 2) mismanaged the financial resources that were available, or 3) appropriate policies to finance subsequent growth were not determined". So, when the three conditions are joined, we can easily conclude to failure (fortunately, it’s always easier a posteriori and in a neutral scholar position). Literature has recorded some classic examples of the founding entrepreneur ‘success or failure. Flamholtz (1986) offers a strategy for all founding entrepreneurs who want to help their firm make the transition from a start-up firm to a professionally managed enterprise and describes four stages of growth as the following: 1) new venture stage with sales of less than $1 million; 2) expansion stage with sales of $1 to $10 million; 3) professionalism stage with sales of $10 to $100 million and 4) consolidation stage with sales of $100 to $500 million. If we compare this model and the funds raised, we can understand one of the reason of the failure: founders thought that they were in an expansion stage (in their mind and in their order book), but, for the VC, they did not sold anything. Their value amounts to zero.

In this case, prior research indicates that co-operation is far from frictionless (Sahlman, 1990) and "that tensions and conflicts often arise in this relationship – conflicts that, if not solved in a proper manner, could be disastrous for the success of the venture" (Parhankangas and Landström, 2004: 217). Those scholars refer to four types of responses (Rusbult, 1987): exit declined in five scenarios (1- Consider possibilities to end your relationship with the entrepreneur, 2- Plan to discontinue your investments in the firm sooner than planned, 3- Start looking for a new CEO for the venture, 4- Try to find ways to reduce the entrepreneur’s responsibilities with the firm and 5- Try to find ways to exit from the investment sooner than originally planned), voice (considerate or aggressive), loyalty (or silence) and neglect.
Our case study demonstrates that exit was the final decision of VC, even if we suppose that they resort to a bundle of behavioural responses. We ignore the personal characteristics of a venture capitalist, such as age or self-esteem (Rusby, 1987), but Parhankangas and Landström (2004) concluded, from their survey of the Swedish and Finnish venture capital markets, that VC most often use exit and aggressive voice in situations where they feel that a psychological contract violation is caused by lack of skills. What reactions can we expect from founders?

THEORETICAL MODEL FOR EXIT STRATEGIES

Many relationship-specific and context specific factors may play a key role in determining, after using voice, loyalty and neglect, the founders exit (figure 2). The exit strategy process is all about building and realizing value, understanding the value of the business and exposing it to a wide range of prospective buyers. For different reasons, valuations from buyers can vary greatly depending upon their individual requirements. "The more formally organized and detailed the exit strategy, the less likely the company will be sold below its optimum market value" (Prisciotta and Weber, 2005 : 71).

Figure 2 : Theoretical model for exit strategies

In a first dimension, as time passes by, exit can be considered as a determined strategy to an emerging one. In a second dimension, exit appears as a choice or as a sustained situation. An exit strategy is fundamental and it should include an exit plan. We propose four exit strategies examples and tools, from planned to restrained. These propositions has implications for entrepreneurs (founders or buyers), investors and, also, for government policy in job creation, geographical localization and funding allocation.

1- **A planed exit** is an ideal theoretical situation. McKaskill, Weaver and Dickson (2004: 177) argue that firms "that develop a pro-active exit strategy will have a higher probability (...) of achieving a successful exit." The founders sell their successful firm with the VC’s agreement: an Initial Public Offering (sale of stock to the public), a privately held business, etc.

2- **An anticipated exit** can be offered to the VC by a management buy-out (MBO), where senior managers or minor shareholder finance their majority by debt: Does an internal management team want to acquire or substantially increase an equity position? Does a minority shareholder(s) desire to buy out a majority (older, retiring) shareholder? Does a majority become an entire shareholder? Founders can also desire to create another firm and be habitual entrepreneurs (Rosa and Scott, 1999).
3- **An opportunity exit** can be defined as a maximization option, founders looking for the best opportunity. Seward and Walsh (1996) propose a speculative and interesting conclusion from their study: a business strategy of continual corporate acquisitions and divestitures may be particularly lucrative for CEOs. Why not for a founder?

4- **A restrained exit** is the last possibility to sell a business: Prisciotta and Weber (2005) estimate that too many owners fail to plan for their eventual exit from their business in a timely manner. They outrageously value their enterprise or they wrap up in the day-to-day operations. They should be prepared to sell at any time (negotiation) and should not wait too long to sell, even by merger or acquisition. Another solution can be Employee Stock Ownership Plan (ESOP), i.e. a qualified retirement plan with vesting schedules, contribution limits and other requirements.

In one hand, we propose a financial theoretical model for exit strategies. In another hand, we would like founders to formalize their vision, their ultimate goal with their spin-off firm and find scenarios if it failed.

1- **Planned exit**: from the early to the late stage, everything is planned and discussed with advisors, family, shareholders. Founders are emotionally and financially ready and can reintegrate their mother company.

2- **Anticipated exit**: for each stage, founders decided to change or to maintain their strategy, their management, their status and statute according to environment, advisors, family and shareholders. Founders offer themselves the possibility of being ready.

3- **Opportunity exit**: founders decide to pull the trigger, hoping that the potential buyers with cash appear several times and that they will catch it. They can also decide to reintegrate or to create another firm, substituted by VC’s managers. The psychological aspects are less prepared in this case and more dangerous for founders.

4- **Restrained exit**: founders have to exit their firm, pushed by VC and merger. It’s emotionally and financially the worse situation. How can they reintegrate their mother company after failure? Do they really want to? Even if they obtained a fair return on their investment, do they really want to stop manage their company? Can parents sell their child?

Sometimes, it’s not about the answers; it’s about the questions. "So, this weekend, lock yourself in a room and envision the future of your business. If you don’t do it, someone else will” (Vitulli, Dealernews, 2007: 28).

**CONCLUSION**

The results of this study have several implications. The main contribution from these findings is to describe VC and founders’ reactions to disagreements.

First, we found the same results than Castaldi (1986:60). According to him, significant differences emerge between CEOs who are owner-managers (CEO-OM) and those who were non-owner-managers (CEO-NOM) for three roles: CEO-OM perceived the work role “technical concerns with products and markets” as important, whereas CEO-NOM prefer the work roles “providing a staff service in a nonoperational area” and “business control”. Faced with this challenge, some founders tend to prefer to keep all the work roles, forgetting the VC intentions. They can decide in favour of outside members. As Clarysse, Knockaert and Lockett (2007: 258) concluded, after testing their model on a sample of 140 high tech start-ups in Flanders, that those firms are more likely to develop boards with outside members with complementary skills to the founding team.

In particular, they focus on whether or not the outside board members have either complementary or substitute human capital to the founding team. Second, our findings give reason to believe that VC most often use exit when the future of the company is at stake. VCs decide in favour of a buyer. The acquisition of smaller technology firms by larger businesses reflects both demand- and supply-side factors. Baumol (2004) argues that large firms seek to obtain technology from smaller, entrepreneurial businesses, which are much more effective at developing revolutionary breakthroughs, by means of licensing arrangements, strategic partnering or the outright purchase of such companies.
Third, according to Parhankangas and Landström (2004: 238), it’s crucial for founders and entrepreneurs to understand that they are dealing with an active partner, "not likely to overlook problems in one of the portfolio companies". As they need financial partners, they also find an owner able to manage. Even minor, financial partners can close a dream and transform it in nightmare.

Fourth, our study provides a useful methodological tool for researchers and practisers interested in examining the effect of an exit strategy, not only in a financial way. Scholars demonstrate the importance of the exit possibility to raise funds; McKaskill, Weaver and Dickson (2004: 173) show that "while it’s true that many other factors (…) are all necessary, the private equity investor is really focused on the exit". They insist on the very few private equity funded firms achieving an IPO. We insist on the entrepreneurship risk taken from managers in large companies, betting on an invention commercialization. This research raises a number of interesting issues that should be addressed with continuing research effort. We are particularly drawn to consider how and why employees decide to engage in a voluntary creation with their mother company, as well as to consider the longer-term implications of the decision for each partner.

The practical implications of this study are many. Perhaps most importantly of all, our results suggest that entrepreneurs must “begin with the end in mind” (Steven Covey in The Seven Habits). They should have worked with financial service professionals and also in cooperation with their attorneys, property and casualty brokers, retirement plan third-party administrators and others for many years. This relationship with other professionals is commonplace, necessary, and serves the founder’s best interests.

REFERENCES


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