



Entrepreneurship Lecture 14

Harvesting the Entrepreneurial Venture

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Harvesting the Venture

“Actual cash return on their investment”

(Kuratko, 2017)





LIFE EXPECTANCY OF PRIVATE BUSINESS

- Average life: 24 years
- Only 3 of 10 private business survive into a second generation

(Kuratko, 2017)



THE MANAGEMENT SUCCESSION

- ✓ The transition of managerial decision
- ✓ The greatest challenges that facing by the owners and entrepreneurs in business private

(Kuratko, 2017)



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Barriers to Succession Planning

- The founder/owner:
 - Death anxiety
 - Dilemma
 - Legacy
- Family:
 - Fear of loss
 - Fear of sibling rivalry
 - Spouse's position

(Kuratko, 2017)



BASIC RULE

- ✓ Develop a succession plan
- ✓ Identify the key factors in succession

(Kuratko, 2017)

The Key Issues

- Emotional issue
- It requires structural changes & cultural changes
- Family succession:
 - Transfer of ethics
 - Values
 - Tradition

(Kuratko, 2017)

The sources of succession

- ❖ “The founder and the heir get along”
- ❖ The mutual respect
- ❖ “Natural leader”

(Kuratko, 2017)

Sustainable Family Business Model

- Confluence of family success
- Business success
- Responses to disruptions

(Kuratko, 2017)

Developing a Succession Strategy

- A. Understanding the Contextual Aspects
- B. Identify successor qualities
- C. Developing a written succession plan

(Kuratko, 2017)

Understanding the Contextual Aspects

- Time
- Type of Venture
- Capabilities of Managers
- Entrepreneur's Vision
- Environmental Factors

(Kuratko, 2017)

Identify Successor Qualities

- The adequate knowledge of the business
- Good health
- Enthusiasm about the enterprise
- Perseverance
- Value
- Management Skill

(Kuratko, 2017)

Developing a Written Succession Plan

- Management continuity
- Legal advice

(Kuratko, 2017)

The Harvest Strategy

The Initial Public Offering:

- History and nature of the company
- Capital Structure
- Estimate and use of net proceeds

(Kuratko, 2017)

Complete Sale of the Venture

The motivations on selling the venture:

1. Boredom and burnout
2. Lack of operating and growth capital
3. No heirs to leave the business to

(Kuratko, 2017)

Complete Sale of the Venture

4. Desire for liquidity
5. Aging health problems
6. Desire to pursue other interests

(Kuratko, 2017)

Steps for Selling a Business

- I. Prepare a Financial Analysis
- II. Segregate assets
- III. Value the Business
- IV. Identify the Appropriate Timing

(Kuratko, 2017)

Steps for Selling a Business

- V. Publicize the Offer to Sell
- VI. Finalize the Prospective Buyers
- VII. Remain involved through the Closing
- VIII. Communicate after the Sale

(Kuratko, 2017)

Additional Consideration

“Tax implication“

(Kuratko, 2017)

Exit Strategy Option

- 1) Acquisition
- 2) Earn-out
- 3) Debt/equity exchange
- 4) Merge

(Kuratko, 2017)

Reference

Kuratko, D. 2017. Entrepreneurship: Theory, Process, Practice. 10th ed. Canada: Cengage Learning.



thank you

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