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Vivek Wadhwa: Forget the IPO, Build a Lifestyle Business



VIVEK WADHWA: The fastest way to get kicked out of a venture capitalist's office is to say that you want to build a business that grows steadily, focuses on employees, and creates wealth over the long term. Entrepreneurs with such ambitions are considered pariahs. The businesses they build are disparagingly called "lifestyle businesses."

Indeed, in Silicon Valley, the glory has always gone to entrepreneurs who take their companies public.

They call the IPO an "exit" and shower the company founders with accolades. Young entrepreneurs are brought up to believe that when the IPO happens, they become rich and famous; that they achieve a Nirvana of sorts.

Don't be fooled. This is just propaganda perpetuated by investment bankers who stand to rake in millions in fees and venture capitalists who want to cash out of investments. The IPO is no exit for the entrepreneur; it's the start of purgatory.

Entrepreneurs are good at taking bold risks and innovating.

They are not good at running public companies; they rarely deliver on their optimistic projections; few can deal with analysts who are ready to pounce on every word. For company founders, life usually becomes hell after the IPO. Instead of looking forward five years, they are forced to worry about every quarter.

Imagine how miserable [Mark Zuckerberg](#)'s life must be as he tries to revive his company's stock price. Instead of enjoying the billions that he is now worth, Zuckerberg faces the wrath of people who lost their savings after the [Facebook](#) IPO. Note how Andrew Mason was booted out of [Groupon](#). And that if Mark Pincus didn't control a majority share of [Zynga](#), he too would have been forced out of the company that he founded.

So an IPO shouldn't be the entrepreneur's objective. The goal should be to build a sustainable lifestyle business that does good for employees and customers — and that steadily builds wealth.



Yes, there are also the billion-dollar acquisitions that entrepreneurs can dream of — like Instagram and Tumblr. But the odds of cashing in big are the same as winning the lottery. You only get there when you have a big vision and a long-term focus.

My advice to fledgling entrepreneurs is always the same: build a company that you plan to be with for the next 10 years — that is the best way to increase your chances of success.

If along the way you get an acquisition offer, consider it seriously. The returns may not be enough for your investors — who are looking for a 10x return. But if you can make enough money to pay off your debts, put away enough for your children's education, and live comfortably for a few years, then cash in. You can always build another company. Then you won't be starving or risking it all.

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