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**Jim O'Sullivan of Ross & Company**

Decisions, Decisions, Decisions: Hiring A First Time CEO

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# Decisions, Decisions, Decisions.

## Hiring a first-time CEO

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The first time Ray Sozzi was appointed as a chief executive officer, he called a confidant and mentor and said, "What am I doing in this role? I'm scared to death." His mentor replied, "Good, you should be scared. Don't worry, you're ready, just trust your instincts, and you'll do fine." When recruiting a person to lead a company, gaining a greater understanding about their leadership style, beliefs, and instincts for the role is critical. This is even more challenging when deciding to appoint a person with no previous CEO experience into a venture-backed company.

When hiring a CEO, stories like Ray Sozzi's first day demonstrate the importance of the "gut check" a new leader should feel. Today, with more than 25 years of operating experience, including marketing, sales and service, engineering, manufacturing, finance and strategic planning, and having served as a chief executive officer for several emerging high-tech companies such as Datalogix (acquired by Oracle) and Magic Solutions (acquired by McAfee), it's easy to ascertain that Ray has a proven track record of increasing operating profit and shareholder value. More often than not, it would be better to have a seasoned CEO like Ray lead a venture-backed technology business. Inevitably, there

are times, for a variety of reasons, that a first-time CEO becomes the choice. Along with the standard interview process and conducting several reference checks, a deeper comprehension about the pattern of his/her decisions should be ascertained. This goes directly to a potential CEO's ability to trust their instincts.

Ross & Company recently surveyed and interviewed some of the best CEOs of development-stage software companies for our leadership series - Lessons from the Software Startup. Most, when asked to give advice to a first-timer, echoed - "Trust your instincts." What does this really mean? Well, the best leaders responded that as a first-time CEO, it's expected that this person has developed a level of professional maturity to almost naturally know how to make adjustments and assess what to do and when to do it for the business. To illustrate, in 1998, Tom Thomas stepped into his first CEO role at Vantive, a CRM software provider. He already had several years of experience in various leadership roles, most notably as the first CIO of Dell Computer. Along the way, he gained confidence about decisions around vision, strategy and leadership for all aspects of e-commerce, information systems and technology. Having served in key leadership positions

making critical decisions had prepared him for this new appointment. Once in the CEO role, it was natural for him to quickly recognize and decide that Vantive needed an attitudinal change. At a large employee meeting, Tom calmly stated that he found that many people had an "entitlement mentality," and that if anyone wanted to leave and were not committed to the company, they should go. He went on to further state, "If you are around the water cooler, I expect you to be talking about how we can improve the company performance and make it better, as opposed to complaining about what you're not receiving." This first major decision set the tone for several choices by Tom and his team. After much success, the company was acquired by PeopleSoft in 1999 for approximately \$433 million.

CEOs make tough decisions that affect the lives of so many. Human beings naturally want praise, approval and popularity over criticism, dismay and contempt. The reality is the CEO of any sized company, whether venture-backed or publicly-traded, is not really the boss. It's a lonely position that is beholden to shareholders, customers, employees, and countless others. Some CEOs practice what is termed - mushroom management - meaning that it is better to hide, keep employees in the dark, rather than be open and candid. Hiring a first-time CEO without taking a hard look at how that person makes decisions is like mushroom recruiting. The best leaders learned before ever being hired as a CEO to make decisions by smartly taking action and trusting his/her instincts about their knowledge of the business.

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### About the Author

Jim O'Sullivan leads Ross & Company's Information Technology business with a particular expertise in software, information systems and business process outsourcing.

Previously, Jim was a member of the Technology, Communications & Media, and Software practices at the largest privately-held executive firm, Spencer Stuart. Over his 10-year career, his notable assignments include C-Level, Vice Presidents and/or Partner searches for: AT&T Solutions, DexMedia, Kodak, IBM, Information Resources, Inc., MSN, OMX Technology, Oracle, Orbitz, Reed Business Information, WebMD Corporation, Wolters Kluwer, Technology Solutions Company, and Unisys. He has also advised venture capital and/or private equity firms on senior leadership appointments for their technology portfolio investments. Jim is the author of *Lessons from the Software Startup* and *Lessons in Privacy: The Strategic Value of the Chief Privacy Officer*. He has also written extensively about leadership for technology, security and privacy. Jim recently served as a judge for the Software & Information Industry Association's Codie Awards.

Prior to executive search, Jim was the General Manager at a national information technology consulting firm where he founded and oversaw its Human Capital Management Software & Internet Division.

A graduate of King's College Phi Alpha Theta with a B.A. in history and mass communications, Jim was elected to serve in his senior year as the President of the Student Government. He earned a Juris Doctorate from the Quinnipiac University School of Law, graduating with distinction in trial advocacy and nonprofit organizations.

He is a board member of the Executive Search Roundtable, an international association of recruiting professionals dedicated to quality, research and search execution. Jim has also volunteered for Habitat for Humanity and the American Red Cross.

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