

*EARLY STAGE
COMPANY
LEADERSHIP*

Establishing the
Best Team in Your
Industry



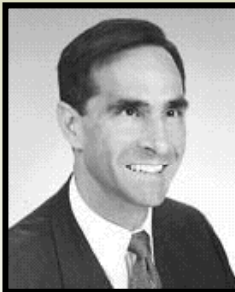
Spencer Stuart / Storm Ventures

Presenters



RICHARD S. GOSTYLA

Managing Director, Technology, Communications & Media Practice - North America




JONATHAN R. VISBAL

*Managing Director, Silicon Valley - San Mateo
& Director, Technology, Communications, & Media Practice*



DEBORAH M. SOON

Director, Technology, Communications & Media Practice



“Many Venture Capital firms will say that talent is the most important thing, but their behavior does not often reflect this belief.”

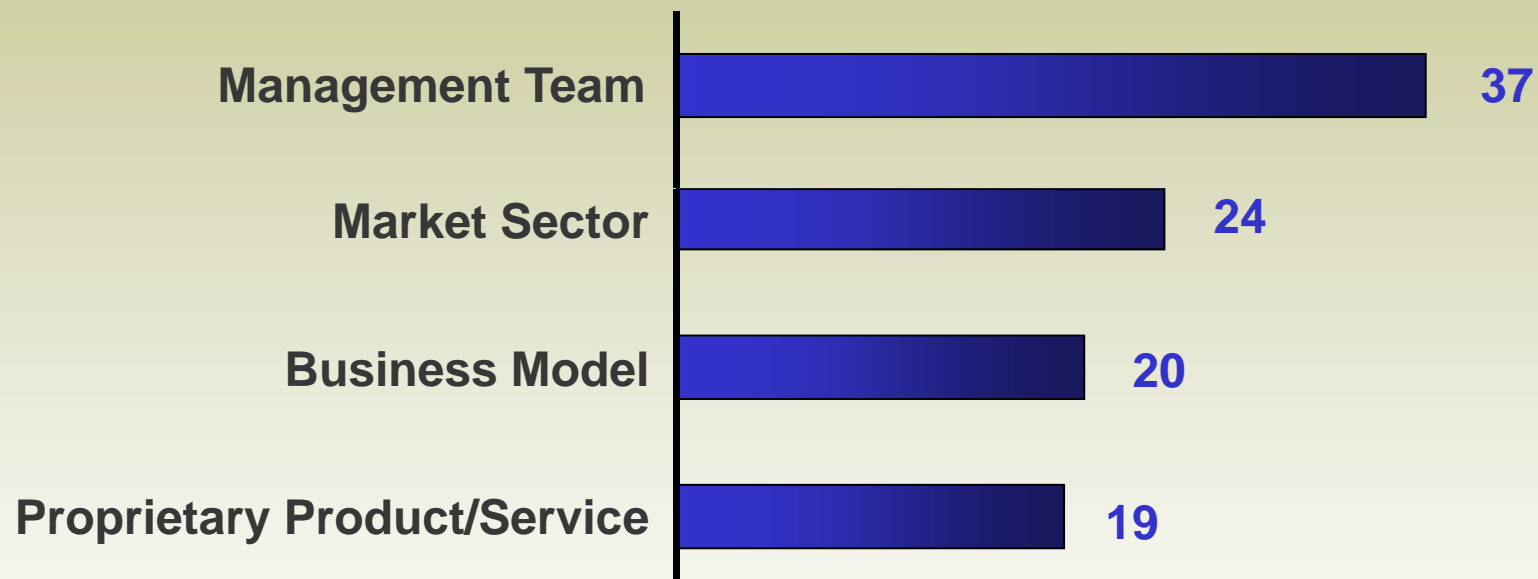
- Partner, Venture Capital Firm

Invest In Talent

Talent is clearly viewed as the most significant factor in a funding decision

Factors considered most important by investment professionals

Weighted importance out of 100*



Percentages of respondents that agree*

“My firm is able to recruit the most talented CEOs for our portfolio companies.”

Top Quartile Firms

60.9%

Other Firms

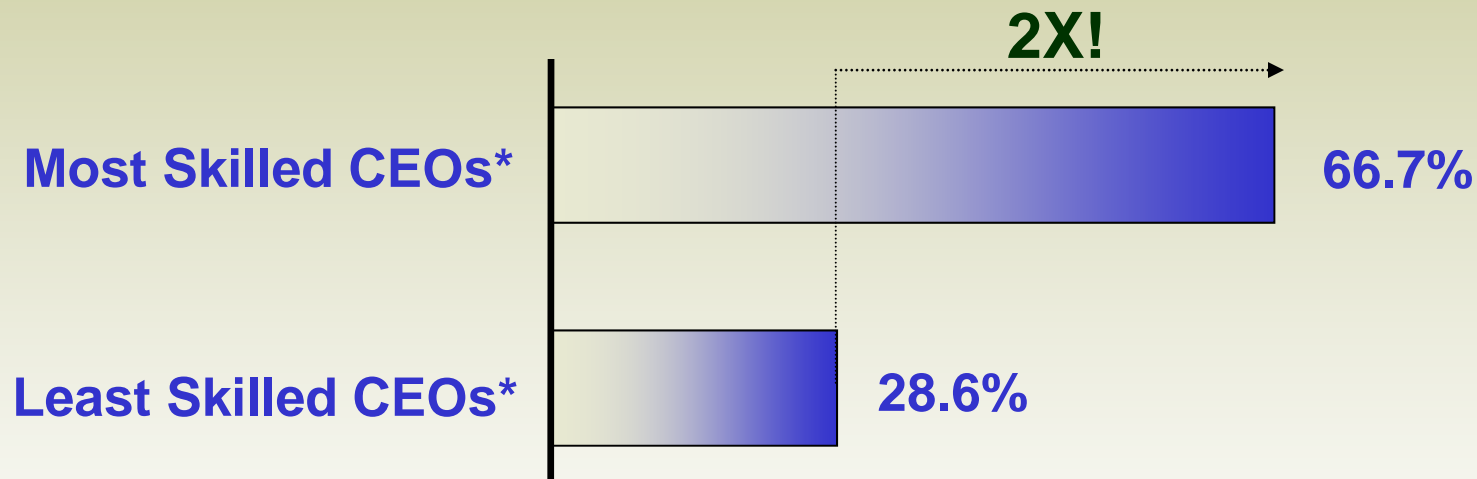
41.9%

Source: NVVA member survey respondents, Spencer Stuart/NVCA VC-backed Leadership survey, 2001
Spencer Stuart venture capital/private equity firm interviews

Invest In Talent

The best talent wins...BIG!!!!

Percentage of Companies Analyzed that Met or Exceeded Investor Financial Objectives



A portfolio stewarded by only the most talented CEOs may be more than twice as likely to meet financial performance goals.

* As evaluated by board director(s) of venture-backed companies

Source: NVVA member survey respondents, Spencer Stuart/NVCA VC-backed Leadership survey, 2001

Master The Art of Human Capital Acquisition

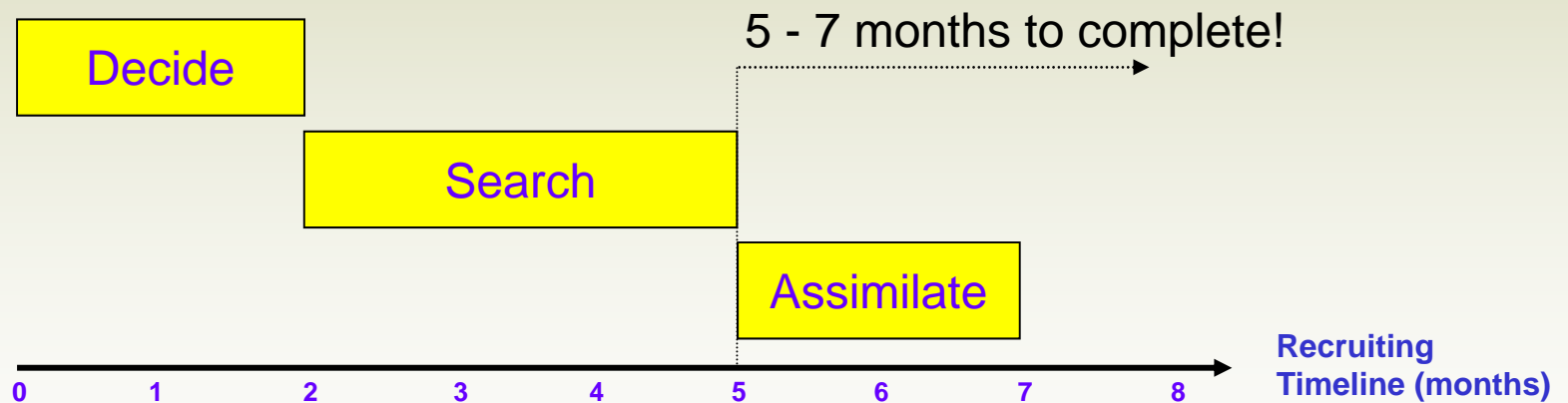
Ten guideposts to follow when recruiting executives for an entrepreneurial company.

- 1 Take action when needed. Don't procrastinate.
- 2 Hire competencies, not name recognition.
- 3 Hiring the right industry experience can be the difference between profit and peril.
- 4 Unearth the actions behind the experiences.
- 5 Look for emotional intelligence.
- 6 Don't let "resume myopia" limit the success of your search.
- 7 Due diligence is a critical part of the recruiting process -- do it!
- 8 Match candidate skills to the company's next growth stage.
- 9 Pay for quality.
- 10 Manage the assimilation process before and after the close.

Source: "The Ten Deadly Sins of CEO Recruitment", Richard A. Smith and Jonathan Visbal, The Venture Capital Review, November 2001.

Rule #1: Take action when needed. Don't Procrastinate.

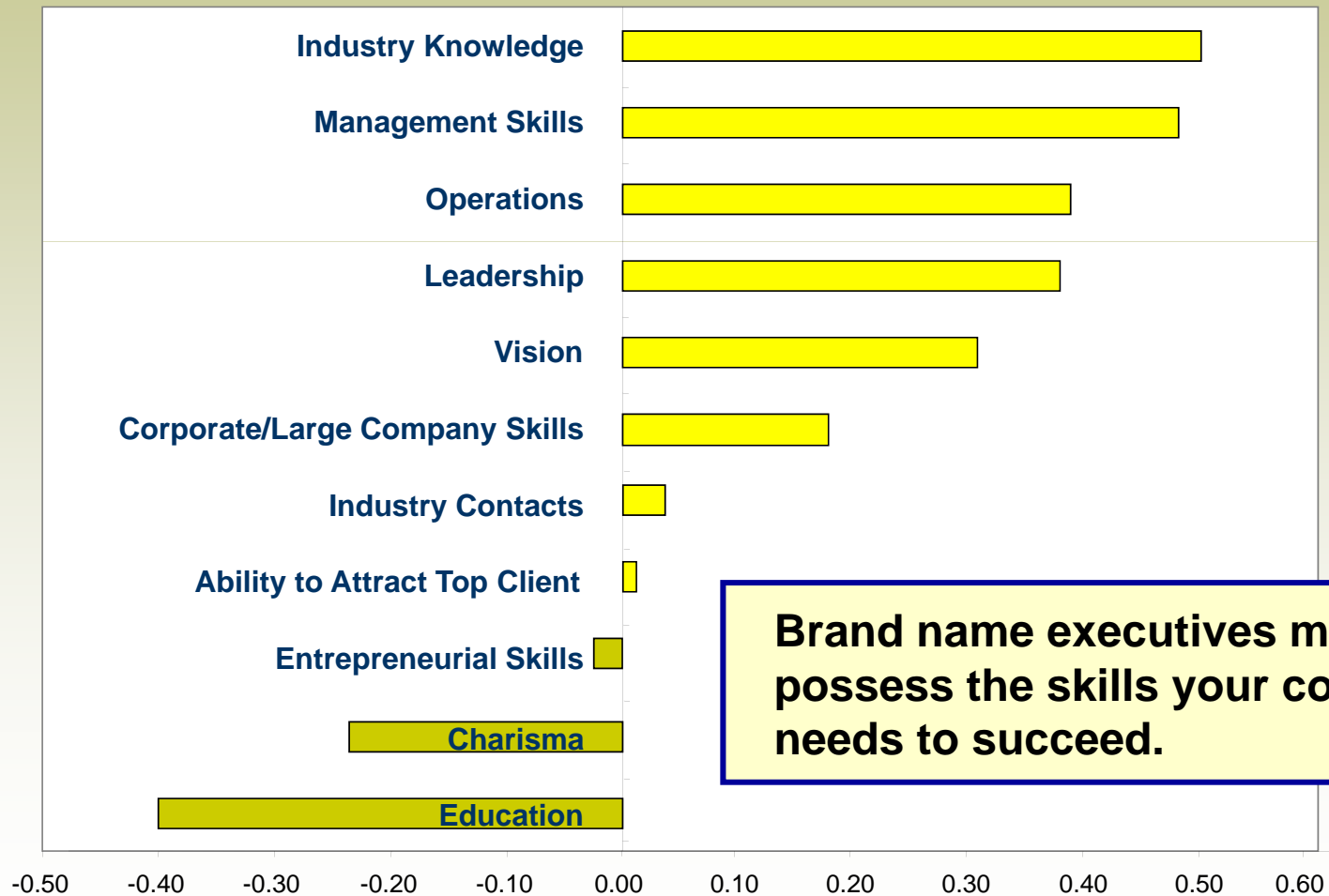
- Skirting the issue is a losing strategy.
- Identify issues related to faltering performance and address all issues.
- The time between decision and solution could be longer than you think.



Be a decisive CEO. Decide before the Board decides for you!

Rule #2: Hire competencies, not name recognition.

Correlation of Executive Skills and Performance



Brand name executives may not possess the skills your company needs to succeed.

Source: Spencer Stuart investor client/placement survey respondents, historical analysis, 2001

Rule #3: Hiring the right industry experience can be the difference between profit and peril.

- Decisions must be made faster - and smarter - than the competition.
- Act quickly. Act decisively.
- Build confidence in the leadership team.

Executives with relevant industry experience can “hit the ground running”!

Rule #4: Understand the difference between leadership style vs. business results.

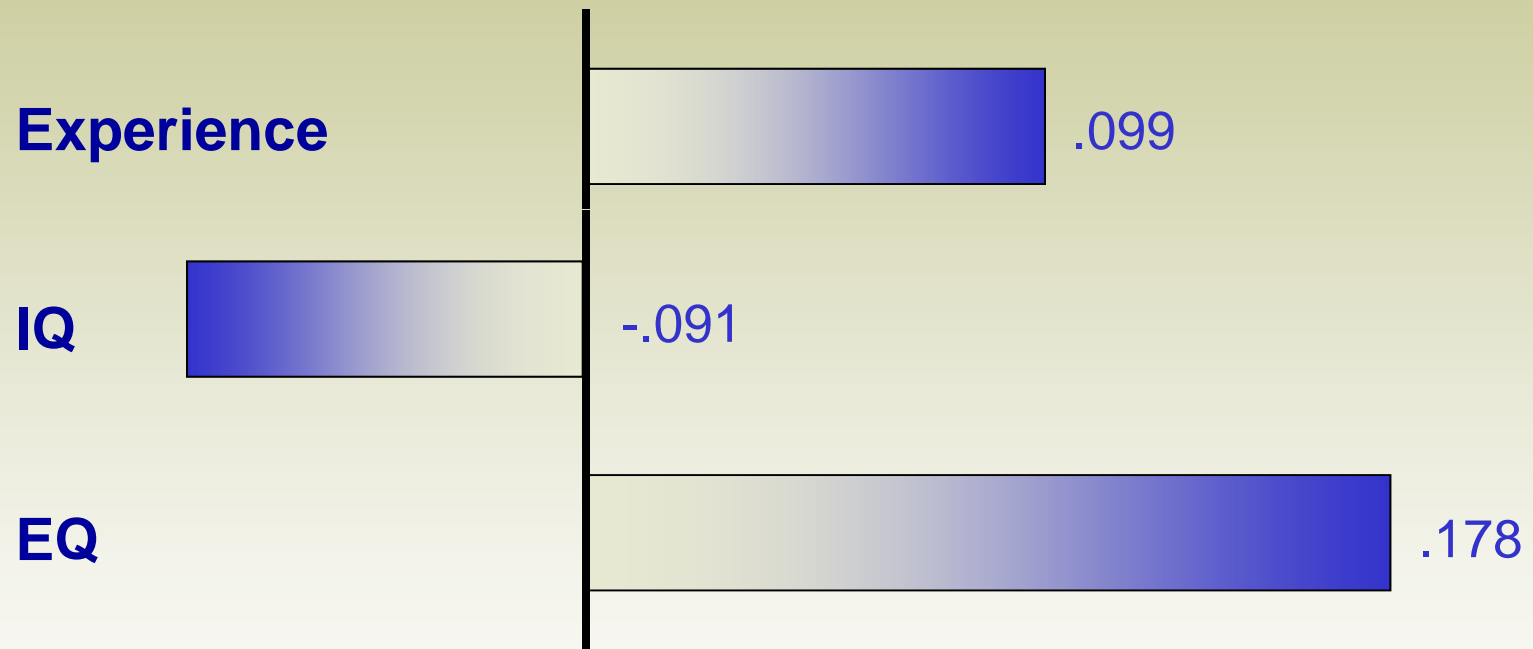
- The best predictor of success is past behavior.
- Competency-based assessments focus on behavior.
- Although work situations will change, an individual's stylistic traits probably won't.

Focus on the “how” behind the “what”.

Rule #5: Look for emotional intelligence.

Correlation with Success

(only those three factors)

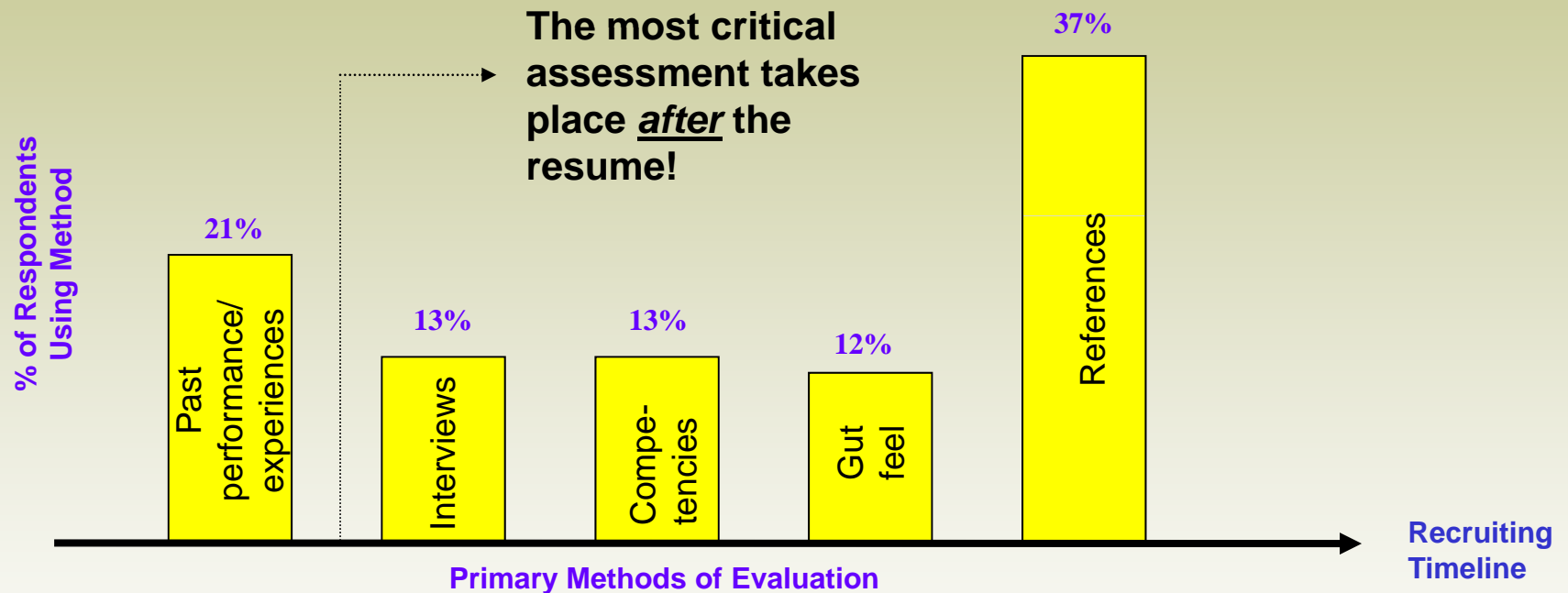


“Leadership and Judgment are the two most important qualities we look for in a CEO. Judgment is emotional intelligence.”

- Andy Rachleff - General Partner and Co-Founder, Benchmark Capital

Source: Spencer Stuart investor client/placement survey respondents, historical analysis, 2001

Rule #6: Don't let "Resume Myopia" limit the success of your search.



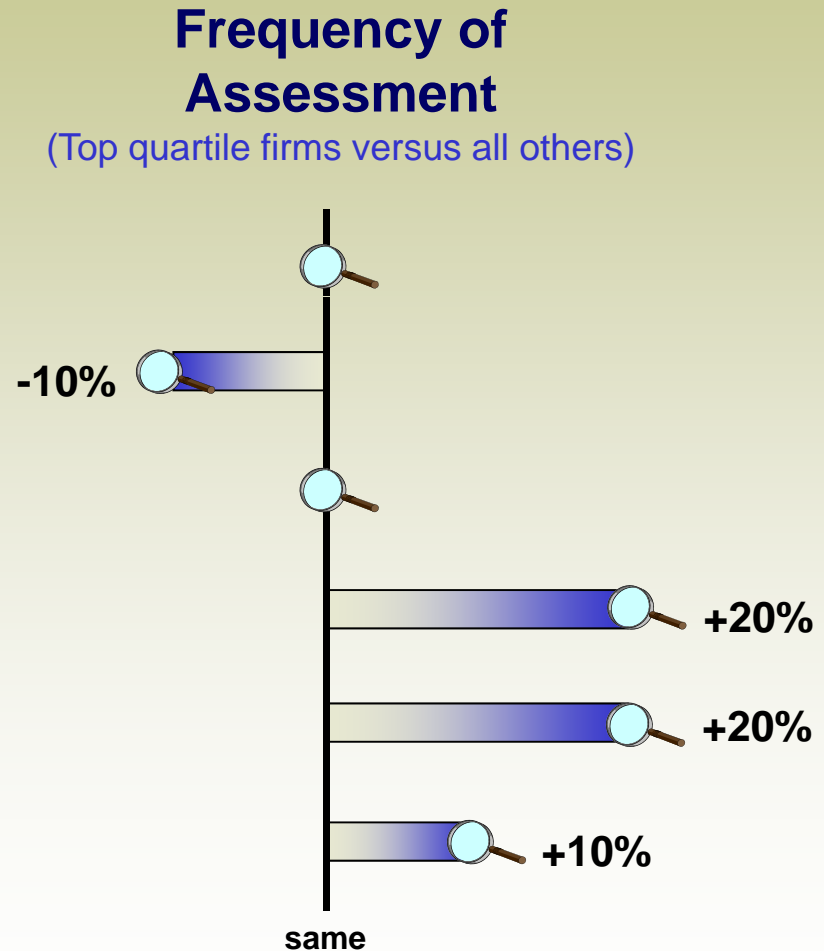
Seek out both objective and subjective data.

Source: Spencer Stuart investor client/placement survey respondents, historical analysis, 2001

Rule #7: Due diligence is a critical part of the recruiting process -- do it!

Assess candidates based on:

- Resume Review
- Informal Discussions/Interviews
- Gut Feeling
- Formal, Competency-Based Interviews
- Check References Provided
- Check Independent References



Source: NVVA member survey respondents, Spencer Stuart/NVCA VC-backed Leadership survey, 2001
Spencer Stuart investor client/placement survey respondents, historical analysis, 2001

Rule #8: Match candidate skills to the company's next growth stage.

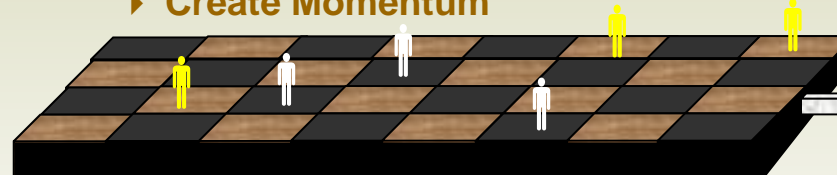
Post-IPO

- ▶ Scale, Scale, Scale
- ▶ Implement Policies, Procedures and Controls
- ▶ Leverage Assets



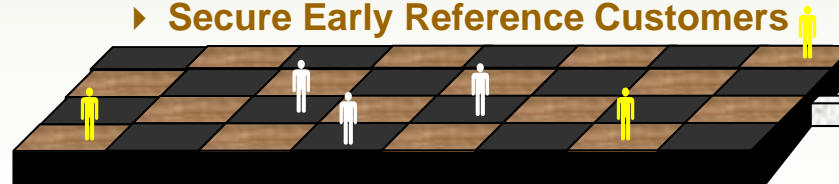
Pre-IPO

- ▶ Refine Business Model & Vision
- ▶ Expand Scope and Reach of Customer Base
- ▶ Create Momentum



Early Stage

- ▶ Identify Business Model
- ▶ Raise Capital
- ▶ Develop Products
- ▶ Secure Early Reference Customers



Rule #9: Pay for quality.

- Star talent is expensive.
- You will compete with other companies for the best of this talent.
- Don't let the founding team's compensation position hinder your willingness to hire the best people.

Rule #10: Manage the assimilation process before and after the close.

Recruiting Stage

Best Practice

Decide

- Communicate the decision to go to search.

Search

- Enlist the founding team's support during the search

Assimilate

- Setup a formal assimilation process

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