

Todd Chow knew the search for a well qualified CEO for his favorite portfolio company, Secursiv Networks, would not be easy. Secursiv is a Boston based network security software company that has developed a very good product and has gained some initial revenue traction. After a rather lengthy process, exhausting both personal networks and using a professional search firm, the board has to decide between three solid candidates. Even though all three candidates (Adam, Burt, and Charlie) could be a solid CEO, none of them stand out as the obvious choice. In order to get a better overall picture of the their strengths and weaknesses, Todd prepared a short summary that he emailed to his fellow board members:

Fellow Secursiv BOD members,

In order to facilitate a decision on our CEO search at tomorrow's board meeting, I have prepared a short summary of each candidate below. Looking forward to seeing you again!

Todd

+++++

Adam Smith

Adam knows the industry well, and has spent the last 3 years focused on solving a very similar customer problem to what we are doing with Startup Inc. At his current employer, IBM, he is a VP in charge of about 160 people and with a total P&L responsibility of around \$65M of annual sales. Most of Adam's references have come back very strong, he is considered one of the shining stars at IBM. However, one of his peer references mentioned that he could be quite political. There are some concerns related to Adam's lack of start-up experience. He is also quite focused on a high base salary, and has asked some questions that lead me to believe he is not well educated on the value of equity in a growing start-up. Adam lives in Newton with his wife and two kids.

Burt Nelson

Everybody in the industry knows Burt, he is truly one of the most influential people in the network security world. Over the last 20 years he has focused on solving the exact same problem that Secursiv is going after, and he truly understands the value proposition. In addition, since he is a frequent speaker at industry events and quoted in the press we will get significant exposure if he joins the company. Burt has been involved in 4 prior startups, all focused on the security industry, and he is quite a hard working person (as reinforced by his references). He does not have prior CEO experience, the most senior position he has prior held is that of COO (for Good Company Inc, with about 35 direct reports). Even though Burt lives with his wife (who is

a winery manager) in San Francisco, his entire extended family is here and he is looking forward to moving back. The team unanimously likes and respects Burt, he has even crossed paths with some of them in prior lives.

Charlie Walker

Charlie is a well known person to us. He was the CEO of Success Inc and Even Greater Success Inc, both of which were investments of ours. However, he was also CEO of Implode Inc were the market was not really developing as fast as we were hoping, and it was complete write-off. Charlie is one of the hardest working people in the Boston entrepreneurial society but he took the last year off to learn how to fly his plane (which he uses to commute to his house in Florida in the wintertime). During his career Charlie has never worked directly in the security industry, but he has all the applicable knowledge of how to build a business and create shareholder value. Charlie is asking for 10% equity and a full acceleration upon any kind of exit. He says he thinks we should consider the fact that he is willing to work for an annual salary of \$50k before complaining about his equity requirements. He has a point there..

MIT OpenCourseWare
<http://ocw.mit.edu>

15.431 Entrepreneurial Finance
Spring 2011

For information about citing these materials or our Terms of Use, visit: <http://ocw.mit.edu/terms>.