
Experienced CEOs can prove invaluable to tech startups

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The inspirational message, "Build it and they will come" played well in the 1989 Field of Dreams movie. But it's dangerously deceptive if you're a technical entrepreneur trying to enter the marketplace, business experts say.

"Many entrepreneurs naively believe that the superiority of their inventions will drive customers to their doors," said Bernie Hansen, a Seattle-area business consultant who has worked with Tri-Cities tech startup firms for seven years. "But you need an experienced individual who understands that a successful business is more than just its technology. He or she needs to demonstrate an ability to translate the technology into a financially viable business," he said.

This person, often called the Chief Executive Officer or CEO, sets the vision and leads the execution of strategies reflected in the business plan, according to Hansen. Without an experienced CEO, many promising tech startups languish or fizzle out completely.

"Founding entrepreneurs often have such confidence in their technical skills that they believe they can assume the role of CEO as well," Hansen said. But these kinds of role expansions rarely work. "Solving a technical problem takes a completely different skill set than financing, selling and servicing a commercially competitive product," he said.

When does it make sense for the technical founder to transfer the leadership reins to a seasoned CEO? Often it's when the firm first needs outside capital, Hansen said. In fact, according to venture capitalist Mike Templeman, it's common for private investors to require an experienced management team as a condition of investment. Templeman is a principal at the Seattle-based Guide Ventures, which invests in software and other computer-related companies.

"We often advise technical founders to recast their roles as Chief Technology Officer or Vice President of Development and to add a CEO who has sold products in the industry," Templeman said. "We look for executives who have had profit and loss responsibility, those who have been through what we call the 'death march' - meaning getting a working product out the door." That experience gives you the moral authority to ask employees to follow you through tough times, he added.

Denis O'Connor has that kind of authority with the company he leads, Advanced Diagnostics Inc., or ADI. The firm got started in Richland in 1995 with a new diagnostic imaging technology. Venture capitalists recommended O'Connor as a potential CEO. O'Connor was in the process of selling a medical ultrasound company where he served as CEO and wanted to get back into the entrepreneurial leadership role. He became CEO of ADI in 2000.

O'Connor's 20 years of experience in the medical industry, including ten major product introductions, was exactly what ADI needed to move ahead and gain visibility.

"I understand what it takes from a regulatory, market and clinical point of view to get a product from a prototype to a medical environment," O'Connor said. "I narrowed the company's focus to the most promising areas while instilling a sense of urgency among the team."

With his handpicked senior management team, O'Connor propelled the company into the marketplace. While keeping the research arm of the firm in Richland, he moved the headquarters to the biotech-rich environment near Seattle. Under O'Connor's direction, the company expanded its clinical trial sites to Virginia Mason Medical Center in Seattle and Johns Hopkins University in Baltimore.

ADI received FDA clearance to market its imaging technology in 2000. The firm has received nearly \$10 million in three rounds of investment funding and is pursuing an additional \$20 million. Last December, Samsung Corporation of Korea became a distributor and agreed to buy at least 100 of ADI's Avera™ imaging systems over four years. The first system was delivered this month.

How do you find CEOs with experience and qualifications as stellar as O'Connor's? There's a wide range of methods from casual to formal, according to Hansen. The most informal, though somewhat haphazard, is through word of mouth. The next step up is to go through trade groups, he said. Find out who is making things happen in your industry and approach them.

Leaders can emerge from your board of directors or advisory board. And, you can ask your accountant, attorney or banker to recommend their clients who have the characteristics you need. The most formal process, and usually the most expensive, is to hire an executive search firm, Hansen said.

A new way for CEOs and tech startups to find each other locally is Tech Job Connection. The free Web-based service at <http://www.pnl.gov/edo/resources/tjc/> shows resumes and job openings for tech companies in the Mid-Columbia area. An increasing number of Tri-Cities companies are hiring senior management team members who reside elsewhere to tap into the business infrastructure and industry connections in more urban areas.

How do you pay the CEO? "For cash-poor startups, you can give founder's stock or stock options," Hansen said. Once the company has obtained additional capital, you can offer a conventional compensation package, including a competitive salary and stock options."