

Engineering Experience Helps Tech CEOs Drive Growth

By Lynette F. Cornell, Mass High Tech Intern

Companies looking for a new CEO may be looking in the wrong places for people with the wrong backgrounds, according to the latest report from **Vell Executive Search**. The report, which analyzed the CEOs of 38 technology product companies, revealed a number of surprises, challenging some common beliefs about what makes for a successful tech CEO.

The biggest surprise was discovering the importance of engineering backgrounds, said **Dora Vell**, CEO of the Boston-based firm. She said that most companies overlook people with engineering experience in favor of a candidate from sales.

However, the **Vell** report indicated a significant advantage for CEOs of smaller companies with an engineering background. Midsize companies with revenues between \$100 million and \$1 billion whose CEOs had engineering experience had a median three-year growth rate of 98 percent, compared to just 66 percent for companies whose CEO had no engineering background.

Vell theorized that the CEOs with engineering experience are more familiar with the technology than non-engineers and are better at looking toward the technology's future.

"No one asks for an engineering background, and these people out perform everyone," **Vell** said.

In a separate comparison, those with sales or marketing experience did well too. The report analyzed the 35 percent of companies whose CEO had experience in sales, marketing or both. Of those companies, the ones whose CEO had marketing experience performed the best with a three-year growth rate of 200 percent. In contrast, CEOs with sales experience produced 147 percent growth. Companies whose CEOs had both sales and marketing experience performed the worst with 79 percent growth, 8 percentage points worse than those with CEOs who had neither background.

The report also indicated that founders as CEOs produced greater revenue growth than non-founder CEOs. This contradicts a long-held theory that people who are good at starting companies are not good at leading them long-term. The numbers show that the median three-year growth rate for companies where the founder is the CEO was 93 percent compared with 89 percent for an externally hired CEO and 58 percent for an internally hired CEO.

Founders tend to be particularly successful because of their alignment with the vision of the company, said Alan Trefler, CEO of Pegasystems Inc. Trefler founded the Cambridge-based business process management company 26 years ago. In his experience, the advantage a founder has is passion for the company.

For athenahealth Inc. cofounder and CEO Jonathan Bush, the founder advantage stems from an intimacy with the product. For 12 years he's led the Watertown-based provider of health-care software. He said that what drives him to excel is something he calls a social mission. His social mission is to improve product reliability so that fewer people die from avoidable mistakes and more people have access to quality health care.

The reason companies with a newer CEO didn't fare very well was because that company had most likely hit a rough spot, which had prompted them to replace the CEO, said Kathryn Roy, a business consultant who worked on the survey.

For companies looking for a new CEO, **Vell** advises looking beyond old ideas on what characteristics are important for successful CEOs.

"Forget the theory and forget what we think we know. Look at what actually works," said **Vell**.

Dora Vell is the CEO of Vell Executive Search, a premier retained technology executive search firm in Boston. Ms. Vell is an internationally recognized expert in recruiting technology executives including: CEOs, COOs, CTOs, CMOs, CROs, board members and others. She works with VC-backed, PE-backed private companies and public companies. She can be reached at dora@vell.com.