

Public vs. Private Companies

Everyone is broadening their search parameters to uncover new opportunities in the present marketplace. Previously unexplored career possibilities are now being actively considered. By and large, most IT executives have built their careers in the publicly held companies. Management style, culture and politics can differ significantly between publicly and privately held businesses. Even the dotcoms, though small, offered a business mind-set that, while entrepreneurial, was perhaps a hybrid of the larger stock company and a family-owned or closely held business. I am not saying that one is better than the other, but it pays to know something about these differences. Because most of us have spent our careers in the larger and mid-tier public companies, I am going to focus on some of the issues that often surround the private ones. These are purely my own observations taken during my years as a search consultant, from dealing with closely held clients and speaking with people who have worked for such enterprises.

- If you are not part of the family, don't plan on becoming the CEO or President. There are exceptions to this, but they are few.
- If you are considering a senior IT position in a private company, and the CIO position is held by a family member who is younger than retirement age, don't plan on being promoted to that position anytime soon. If you are content being a number two and the company is stable, this may be a very good opportunity, as long as you don't mind someone else calling the shots.
- If you are the CIO of a privately held company and the President appoints their son or daughter, who has a BS in Computer Science and an MBA, to be your understudy; update your resume and start looking for a new position. Ultimately, this family member will be your replacement.
- Patience takes on added meaning in a closely held firm. It may have to be your most critical skill. Each of us can tell countless stories of the convoluted decision and approval processes that we have encountered in our careers. As an IT executive, when you go to top management in a private firm to fund your latest initiative, you're not only competing with every other request from other areas of the company, you have to factor in your boss' emotional needs. For example, let's say you are making a presentation to the owner recommending a hardware upgrade, new software or a department expansion to make the business more competitive. While you are waiting to speak to the owner, who is on the phone, you spot a brochure on his desk for a new seventy-foot Hatteras Motor Yacht, or you hear him organizing a syndicate to buy a professional sports franchise. You may have the most compelling financial arguments for your endeavor, but you may lose. I am not saying that executives in these firms are immature, but the difference is that you are asking them to spend money, which they may think belongs in their pocket. They may agree with you that your idea has considerable merit, but if they are happy with the status quo, you will have a difficult time changing their minds.

- If you are hired by the older generation of a family, who then plan to turn over management to their daughters or sons, be prepared to leave. I have seen many situations over the years, where the younger generation wants someone loyal to them, not the person that Dad hired. A CFO can be vulnerable here, especially if they happened to convince Dad not to finance Junior's youthful desire to be a Grand Prix race driver. But it may be that the younger generation wants someone of a closer age with life experiences similar to their own. Generational transitions such as this can be very awkward and political. They can be made potentially more successful if you have the opportunity to work as a peer with the younger generation for a few years prior to their promotion. If they feel that you have their and their company's best interests at heart, you should be less at risk.
- If any family member approaches you or interrupts you at your busiest time, you must first remember that their name is at the bottom of your paycheck. They may be asking you a seemingly ridiculous question at a time when you are under severe stress. Nonetheless you must not lose your composure.
- Company politics can be very vicious, especially if there is a power struggle among family members. Do your best to remain neutral at all times. Be a patient, attentive listener, but don't take sides.
- Loyalty ranks up there with patience. These are virtues in any environment, but I have witnessed numerous cases where people have enjoyed tremendous career growth and excellent financial reward because they have gone to great lengths to grow, protect and support a family held business. I can also tell stories of efforts that have gone unappreciated and not rewarded by a greedy owner, but enlightened leadership in a private company can frequently operate without some of the constraints that exist in a public company, allowing more flexibility for rewards. Loyalty seems to run deeper in these firms, perhaps because it is a family environment.
- Privately held companies are not all "mom and pops". There are some major global companies out there that are family held. Their management, processes, professionalism and successes rival those of many public firms. They can offer excellent career opportunities.
- Stock in a privately held company is worthless, unless the company is being sold.

If you are considering a position with a closely held company, as always, do some research before you accept a position.

- Because privately held companies don't have to file reports with the SEC, it will be more difficult, if not impossible to obtain detailed financial information. Visit the company's Web site, not just for content, but also to see if there are valuable links to trade associations, conferences, universities and other organizations. Some research here may provide needed insight into a company's success in its marketplace. Searching on-line press releases may reveal new ventures or other items of interest. Use your network contacts to gain more industry and company specifics.
- What are the duties of your proposed job? Does it appear to enable growth or simply maintain the status quo? Why is the job vacant? How many people have

- held it in the past five years? Try to get a feel as to whether the owners wish to take their business to the next level, maintain a cash cow or sell it.
- Try to determine how many family members are in management. What are their positions? What are your reporting lines? Will you be “sandwiched” between two family members? If so, will you be filling a hidden short-term role while your subordinate is groomed for your job?
 - All of the other interview scenarios and rules apply. Be prepared for a longer interview cycle. The heads of closely held companies typically hate turnover, are competitive and want to hire the best person available. Sometimes, resignations are taken as personal affronts. This makes the owners more defensive and they may request more interviews, ask for work samples and require some form of third party test or evaluation before finalizing their decision.
 - Interview with as many family members as possible. If any signs of an internal power struggle exist which could impact your success, either remove yourself from further consideration or keep your job network active if you join the company.

This list is by no means complete and I am certain many of you can add your experiences to it. If you have any thoughts to share on this topic, please forward them to me for inclusion in a future newsletter. As always, good luck in your efforts. If I can answer any questions or provide further information, please contact me at any time.

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