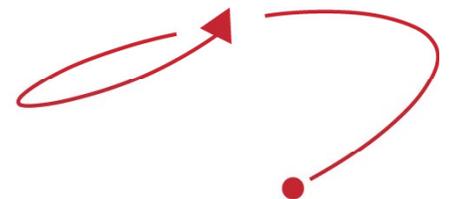


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An Insider's Guide to the High-Growth CEO Forum: The Making of a CEO Who Grew a Great Company

High-Growth CEO Forum member Jeffrey Beir tells about the vital role this unique CEO peer group played in helping him build eRoom Technology, a highly visible, highly valuable software company that successfully overcame many obstacles and challenges as it grew quickly and stayed on the leading edge in a constantly transforming business environment.

A CATLIN & COOKMAN GROUP CASE STUDY



CATLIN & COOKMAN GROUP

Mastering the Art of Corporate Growth

AN INSIDER'S GUIDE TO THE HIGH-GROWTH CEO FORUM: THE MAKING OF A CEO WHO GREW A GREAT COMPANY

Over the four years Jeffrey Beir was a member of the High-Growth CEO Forum, he grew eRoom Technology into a powerful company that he described as follows in a letter to employees:

“Since we founded the company in 1996, we have attracted an incredibly impressive team, built a world-class, award-winning product and created a company that disrupted conventional models for collaboration. We defined a category that made a market, and we built a product that defined a standard. We weaved and dodged to find the right combination of product, market and business model. We delivered six generations of eRoom software, each more revolutionary than the last; built a profitable and predictable business that shows no sign of relenting; and inspired the interest and envy of software goliaths in a way that has kept us vigilant, aggressive and innovative to the core.”

By 2002, with these collective accomplishments and with annual sales of over \$38 million, Jeffrey had created an exciting, well-respected, high-performance company that became an attractive strategic acquisition target for Documentum, the undisputed leader in its market category. The transaction was worth \$210 million and was the largest private software company transaction of 2002.

In 2003, Jeffrey won the Ernst & Young's Entrepreneur of the Year Award for Information Technology for New England in a competition that recognizes great business achievements around the world. In his acceptance speech, Jeffrey credited the High-Growth CEO Forum with playing a pivotal role in his success as a CEO.

The purpose of the High-Growth CEO Forum is to provide CEOs with a sounding board of peer CEOs who stand on the same firing line, enabling them to gain the kind of insights into critical business issues that they can't get anywhere else – including from their Boards, management teams or other professional advisors. Each Forum consists of a tightly knit group of 8-12 CEOs from similar stage, high-tech, venture-backed companies who meet quarterly to discuss their current business challenges, advise each other about critical decisions, and develop best practices for managing growth. The Forums are led by partners from the Catlin & Cookman Group who are experts in advising fast-growth CEOs. Every meeting's agenda is carefully customized to stimulate idea exchanges on each CEO's specific Member Challenges and Best Practices.

In this joint interview, Jeffrey Beir and Katherine Catlin, founder and partner of the Catlin & Cookman Group, discuss the many powerful benefits that come from participating in the High-Growth CEO Forum and how the Forum helps CEOs build truly great companies.

Advice and Insights You Can't Get Anywhere Else

Smart people working as a team...Cohesive group of CEOs all experiencing the pressures of leading a high growth business...Sounding board of trusted individuals.

When you won the Entrepreneur of the Year award, you said you couldn't have built such a great company and won the award without the High-Growth CEO Forum. Let's go back to when you first joined the Forum. Why was the concept attractive to you?

Jeffrey: In 1999 I received an e-mail about the CEO Forum from Dan Schimmel, who I knew from business school. eRoom was founded three years prior, so we were no longer a start-up. We were still small, and I had a couple years of being a CEO, but this was my first founder and CEO experience. I got thrown into running a company and was dealing with issues that were different from just general management issues: raising money, dealing with Board members, dealing with lawyers, bankers and accountants, and building a strong culture. There was no vehicle to get any of that training before we started the company; it was on-the-job training to a great extent.

My perception was that I'd get direction from the Board to help me learn to be a CEO. I thought the Board would take me by the hand and coach me and show me the ropes. It couldn't have been further from the truth. You show up at the first Board meeting and they expect you to be an experienced CEO leading a Board meeting. You can get some guidance from the Board, but you also quickly realize the Board's goals and your goals are not completely aligned. As investors, they have an additional set of requirements and needs, and as a CEO you have a different set of issues, some of which the Board can help you with and some they can't.

You quickly realize that there are issues you want to talk about with someone that you can't talk about with your Board, because you don't want to show "weakness." You don't want to show them what may have gone wrong if you don't yet have a fix. You also can't talk about these issues with your management team because many of them are involved in some of the issues, so that's not an objective sounding board. Friends and spouses are

not as close to the business issues and what's going on, so you feel very lonely as a CEO.

I was intrigued when Dan sent me this e-mail describing a small group of CEOs who would meet regularly; Dan stressed that the group was built around trust and the chemistry of smart people. I realized I was missing this sounding board of trusted individuals who were all in the same situation I was in as CEO, in the same economic environment I was in, dealing with the same phases of growing a company in various industries. There was nowhere else to get that sounding board.

I think it was important that the CEOs in the High-Growth CEO Forum were all experiencing the stresses of being a high growth company with outside investors, targeting to be a public company or to create a significant M&A event. I think if we had members who were building a family business or a lifestyle business, it wouldn't be as good a fit. Not to say the issues couldn't be similar, but I think we all had Board issues, we had hiring/firing issues, we had investment and capital-raising issues. It was important that we were in that high growth, venture-backed company phase.

Had you looked into anything like this before?

Jeffrey: I had looked at the Young Presidents' Organization; my uncle was a YPO member and he had strongly encouraged me to join. I talked with people at YPO and participated in a couple of their events, but I never applied, partly because I was way too busy and a lot of what they did sounded like boondoggle trips. That wasn't what I was looking for; I was trying to build a business.

I went to conferences as well. Those are primarily vehicles for networking and remaining current on technology issues. They aren't focused on the CEO or on the issues of a CEO.

The VC guys do a number of events to bring together CEOs and founders for day-long panels,

cocktail parties, schmooze fests. This is a great way build a community of New England technology people; you get to meet great people. It's great networking, and they do a good job of connecting people and making sure you know someone who might be helpful. But that's one-to-one and usually the value comes after these schmooze fests when you get together for lunch or breakfast with someone and you talk about an issue. It wasn't a small community or a consistent set of people getting together and building on the experiences of the past.

That was one of the most valuable aspects of the Forum. We got to know each other so well: our businesses and our management styles and the

It was more than getting together with CEOs and talking about a tough issue at hand. It became an experience—a set of people who could give you reasoned advice from an incredibly valuable perspective, not just basic advice.

issues we were facing. Each meeting built on a prior meeting. It was more than getting together with CEOs and talking about a tough issue at hand. It became an experience—a set of people who could give you reasoned advice from an incredibly valuable perspective, not just basic advice.

Candor Right from the Start

Very direct conversations about business issues...Complete trust in sharing highly confidential information...Ability to put toughest issues on the table...Valuable time away from the day-to-day to think strategically about the broader issues.

What did you find when you got to the Forum?

Jeffrey: First off, great people. I remember being struck at the first meeting at how direct and how candid people were about the issues in their businesses. They were just laying it out there. CEOs tend to bluff a little bit; we put a positive spin on things; that's the only way we raise money—you have to see the possibilities, right? With the Forum, there was some spin, but to a great extent, people put their deepest, darkest questions and their toughest issues on the table and opened themselves up to getting advice from others, which, candidly, men are not very good at. At this point it was all men; several women joined the group later.

That candidness surprised you?

Jeffrey: Yeah, and it got more candid too as we got to know each other better. I remember the one-line non-disclosure statement that we put together; it was right to the point. It basically said, "What we discuss in the room stays in the room." There was just immediate trust; I'm not sure what the root of that was. I think we all knew we needed something and knew that the only way we were going to get value was if we were very candid about the issues that we had and to put them out there and not be worried about being criticized for having any weaknesses.

Katherine: My view is that it's a strength to be able to say "I'll put my weaknesses out on the table." Everybody has weaknesses, but nobody wants to be perceived as having any weaknesses. It's a sign of strength that you actually even use the word. Because I don't use the word; I don't say this is something for weak people to help them. This Forum is actually only suited to extremely strong, self-confident people.

Jeffrey: Perhaps weaknesses is a wrong choice of words. It could be insecurities, questions or just issues related to the business. In the whole brain

exercise,* we talked about our individual preferences; there were areas where we had strong inclinations and preferences to act and think, and other areas that we tended to avoid. I think we all learned by comparing with each other what our preferences were and where we tended to avoid.

In my early days as a Forum member, two of the issues I brought before the group were people issues. I got better and better at dealing with those issues because they weren't a preference for me. My preference was just saying "Do your job and get it done" and not having to deal with it until it comes to a head. Through the Forum I got the encouragement and saw the results of taking the more direct approach of dealing with things crisply and everybody was better off for it.

Going back to the first meeting, Dan wrote in the e-mail the word "chemistry." He said, "The key to these groups is 95 percent chemistry." I think that is so totally true. The same processes, the same methodologies, the same structure with the wrong people and it wouldn't have worked. It really is about self help and group help and being able to open up. If people felt guarded or felt they were being criticized or worried that people didn't have empathy or weren't listening to their issues, I think it would have just quickly fallen apart and I wouldn't have gone any longer.

I remember being embarrassed about going to the group. I didn't want people in the company to think that this was a goof-off time for CEOs. I remember not telling my CFO about it and not telling my Board about it probably for a year—putting things on my calendar that were rogue meetings—I don't know if it was about being afraid to show a weakness; I

*The whole brain exercise is a tool for identifying individual thinking styles and approaches to problem solving: Analyzer, Innovator, Implementer, Collaborator. Comparing your own preferences with those of the people you work with can improve communication, teamwork and leadership skills.

was afraid it would be perceived as fluff. My CFO used to call this the boy scouts meeting once I did tell him about it.

There was an implied perception that the Forum was a boondoggle in a nice location, with nice dinners, chitchat, and self help, but where was the hard benefit coming out of it? In reality, what would happen was that after many meetings I would be on the cell phone on the drive home from the Forum with new clarity of thought around issues we had been dealing with. I could crystallize the right priorities and galvanize a course of action coming out of these meetings. I'd be saying, "Okay, we have to go fix this. We have to get together tomorrow on this issue; it's more important than these other four things; stop those and let's go do this."

One of the key values for me of the Forum was that on a predictable basis, I was stepping back from the trees and really reflecting on the longer term and the broader picture of the business. It forced me to do that, partly by having to write the quarterly update, partly by having to check in on the milestones Forum members put in place for ourselves each quarter, and often with preparation of the Member Challenge. It caused me to think strategically and more broadly about the business and frame it in a way for others to get feedback. Quarterly was the perfect frequency for that because we tend to go quarterly from a revenue and a P&L perspective, but it also felt like long enough to get stuff done but not so long that you didn't have the opportunity to step back and reflect.

Catalyst for Addressing Tough People Issues

Ideas and input for making tough decisions about the management team and the business...A place to get to the heart of problems, understand solutions and build the resolve for change.

What specific issues did the Forum help you with?

Jeffrey: There were so many—from product and market strategy to planning processes with the team to culture-building to managing Board dynamics to changing sales models—but I would say 25 percent of the issues members put on the table at the Forum were tough people issues. So, I'll start with those. I remember, and this has happened many times in the Forum, bringing up a small concern about Charles*, a member of my management team. I said, "I'm not sure but I'm sensing that I might have hired the wrong guy." It was like giving the Forum a piece of thread off your sweater and they started pulling on this thread. They started asking questions: "What are your concerns?" "What behavior have you seen regarding this individual?"

You start describing things that give you pause and, remember, you haven't talked about these issues with anybody. You can't talk to your Board about this; you can't talk to your management team, you can't talk to the people who work with him because that would disempower this person. So it's the first time you're talking about your insecurities about the hire you made.

Charles was a culture fit problem. His style of dealing with people was fairly authoritative and very brusque. It wasn't that eRoom was a soft place; it was a collaborative place and we didn't question someone's value or merits. But Charles made people feel bad if they did something wrong.

He joined eRoom right after we had missed the quarter, when the Board was a little concerned about the financials. He was very good at focusing people on what to do. He got people running a little scared, and we saw some improvement in the business over the next six months. He did help us in

some areas; I can't take that credit away from him; but culturally he just broke glass everywhere he turned.

The Board, however, what did they see? I was trying to make Charles look good to the Board because I hired him, and to them the business was doing better. He was there during the time when things got better, so the Board was feeling good about him. The goal of the company was to build a predictable revenue stream for the IPO. I had also tried to hire him to be a complement to me, someone who was more of an operational guy who would get down into the data to understand what we needed to do to make it work better, someone to set and track the metrics. The Board wanted to see more metrics and Charles tried to do some of this and there was some forward progress. But he was obsessed with title and power and it was clear he was not a partner of mine but rather someone who wanted me at a distance so he could have total control.

I started sensing this a couple quarters in; he was a guy who wasn't collaborative; he wasn't willing to work with me; he was threatened when I talked to his people. There was a lot of "blame-storming" and tough, blistering e-mails that he would send out to the organization and even to me sometimes around things we were doing wrong.

Before hiring Charles, we used to do e-mail after dinner and I remember asking one of my executives, "How come you don't answer my e-mails after dinner any more?" He said, "I don't want to go on e-mail after dinner; I'm afraid to go on e-mail because I don't want to get another of those messages from Charles; it ruins my night and I can't sleep."

One of the founding principles at eRoom was to have fun and make money. If you take the fun out of it, the money part just doesn't do it for people. So

* Fictional names have been substituted for the real names of eRoom personnel in this interview.

this came to a head very quickly because Charles was pushing hard to be made a COO.

Again, think about the Board. From their perspective, they were hearing only good things. They were seeing the numbers and seeing the metrics and things were looking better and I was feeling progressively more and more concerned.

So let's go on to the Forum. There was a meeting in September of '99; this was the sweater thread pulling experience. I remember saying to the team, "I'm not sure I trust this guy" and there was silence in the room. The Forum team immediately questioned what I needed in this role. There were a lot of questions about his behaviors. The Forum was very much focused on building the long-term value, the culture fit and the chemistry of our companies and, to some extent, took a very different view than the Board took, which was looking at the numbers and the external view of success. The Forum members recognized that if you're building a management team, you're building for the long term; you want to make sure the team is complementary with each other and works well with each other. And here was a cancer in my team that was going to limit our growth for the future, so this was going to translate into future business issues if I didn't deal with it.

What the Forum team did was put the issues out on the table and help me recognize I had a much bigger

problem than I thought I had and I needed to deal with it pretty quickly. It took me from my first concerns in January until September to find somebody to talk to about it. Then it took me until December to terminate Charles. Part of that was the confidence built up that it wasn't about me; I knew he was the wrong fit for the company. He wasn't taking us where we needed to go and that we would be better off without him and we would survive without him. In the Forum we spent a lot of time talking about how work was getting done around him and the feeling that things wouldn't crumble if I pulled him out and, in fact, we might get back to where the departmental teams were working pretty well but with more focus on the metrics. So I made the decision to let Charles go.

Max, who worked for Charles and was my first sales hire, grew a little bit during this period, and he stepped up when I removed Charles. I turned to the management team and said, "I need you all to step up and I need us all to go forward."

One of the things we talked about in the Forum is that you're always hesitant to pull the plug on someone because you're worried about what to do in the interim to fill the gap. The Forum was a vehicle to talk about what you would do. They helped me recognize that by having Charles out of the way, we would probably be better off and we would probably be moving faster and that was exactly what happened.

Keeping Your Board Aligned with What Is Best for the Company

Coaching for how to communicate with your Board to keep them aligned with the direction you're going...Getting a different perspective from the Board's on key issues...Recognizing and bridging the disparity between the Board's primary focus and yours.

Jeffrey: The Forum was incredibly valuable in helping me learn to manage my Board more effectively, but I had to learn from my mistake in communicating my decision about Charles to the Board. As I've said, my Board was in a very different place and only seeing Charles' success, while the Forum was helping me deal with what was a big problem. I remember calling on a Friday afternoon one of my most seasoned Board members and saying "I've decided to terminate Charles," and his response back to me was "Why don't you just bury the f-ing company?" Talk about not keeping the Board aligned! I didn't have the Board support initially to do the termination. That was a little bit of a misstep, but it wasn't fatal.

But then coming back from that I remember conversations with the Forum about making sure we got the Board more on board. It was a good vehicle for discussing how to stay aligned with your Board, when to bring the Board in on tough issues like this and how to get support for decisions. That discussion really did help me to make sure we didn't blindside the Board in the future and I was able to use the Board a little bit more effectively.

Katherine: This was an issue that we talked about over several meetings because it did have this consequence with the Board. One of the outcomes of this decision was that the company did continue performing just fine on predictably ramping the revenue, which is what everybody wanted.

Jeffrey: There was a related issue that the Forum was very helpful with. With Charles now gone, I still was experiencing pressure from the Board to hire someone in a senior position; there were concerns about my marketing and sales guy being senior enough. We were building this thing to go public, and I needed more time to be externally facing, so there was a lot of pressure to bring in a middle layer.

It was a good vehicle for discussing how to stay aligned with your Board, when to bring the Board in on tough issues like this and how to get support for decisions.

We had some great discussions in the Forum about what does this middle layer do—is there a job there—would there be a COO—is it an SVP of sales and marketing—what do you want this person to be—the whole “structure-follows-strategy” discussion and how to figure what is the right role for the CEO and for someone else in this capacity as a support to our strategy. The Forum had several meetings on that topic over several years about how to build that kind of executive team. The Board was pushing for a COO so that I didn't have to be involved in the operational details, yet I knew in my gut that we were not at that scale yet; we hadn't figured it all out. I still needed to be involved in the operational details.

The Forum was giving me very strong guidance to ask, “Is there not a way to do it without creating a layer; is there not a way to bring in skills to complement the team?” Yet the Board wanted someone in that middle layer. Unfortunately we went with the Board's guidance and hired another kind of EVP at that middle layer. This time we went to the opposite extreme of personality profile from Charles. Michael was more of a fun guy; people liked him a lot; he was very personable. However, he turned out to be someone who faked it a lot. He took credit for other people's work, didn't work very hard, and presented stuff to the Board that wasn't his own work. So we had a different set of issues; he was only occupying space.

With that situation, we dealt with it much more rapidly. The good news is that I had hired a CFO, Luis, who was just a wonderful human being and

who built incredible value with the company. He was more than a CFO; he had a lot of the operational skills we were looking for. So in this scenario, I made a much quicker decision that Michael is not the right guy and I had a backup plan, which was that Luis was going to take over the responsibility for some of the aspects of the operation. Luis and I convinced the Board that we didn't need to do this EVP layer because Luis could do that job. We could flatten the executive team and get this to work. In fact, the Forum was there to help coach how we might structure it, and how we might get the Board aligned with this. This was close to filing the IPO and the Board was concerned about management bandwidth and making sure we had the team in place to be a public company.

Katherine: The Board's advice that a COO or another layer is needed is so common, and it's often so wrong and misguided. They're trying to help you out because they think you're the founder who can't do it all but wants to do it all and needs that partner. You really came up with what I see as a best practice, the collaborative team that does the work together. You figured out how to get consensus in the team once you had the right people. That's what I call the "new breed of leaders," and Boards don't get that. They're sort of still back in the old fashioned, hierarchical way of doing things.

Jeffrey: What you quickly realize about the Board, especially if they're investors, is that they're not as close to the cultural issues, the organizational structure, the day-to-day issues. They just know the pattern match that they've seen before. They typically think you should get someone in an operational role who deals with one set of issues so the CEO can deal with another set of issues. eRoom was a collaborative company—the product was collaborative and the culture was collaborative—so what we built was more about the team as

leadership, not the CEO as leadership. Not that the CEO wasn't a leader; we complemented each other's strengths and we listened to each other and we worked better as a team, aligned on goals and objectives. People understood how their piece fit into the whole.

Katherine: I think that was what helped make the company so successful.

Jeffrey: No question. It was very different from a hierarchical model with a CEO and a COO and everybody working for the COO.

So the second time we had to let an executive team member go, we had much more Board support, and we had clarity about how we would manage the executive team going forward. We put a very crisp plan in place and asked this guy to leave. I remember sending the e-mail out that Michael was leaving the company; and it was one of those moments when I hit "send" and heard cheers all the way down the hall. So even though we did this one quickly, it wasn't quick enough!

Katherine: That's a big learning that we've talked about many times at the Forum. No matter how quickly you let the person go, it is never soon enough.

Jeffrey: And the sub-learning is that you will survive. You will get through that transition, and you will find that you are probably actually better off with the person gone during the transition while you're looking for either a replacement or restructuring. You have this fear that everything will fall apart if you take this person out, but the exact opposite happens. People step up; people feel unencumbered. So that's the people side of it and the Forum is a great vehicle from that perspective.

The Forum Is Your Very Own Early Warning System

Identifying trends before the rest of the market, competitors and the Board see them... Recognizing that the rules have changed and re-planning is essential...Beating the rest of the market back to recovery.

Jeffrey: The second area of real value from the Forum was around the market crash and rethinking the business plan. The power of the Forum here goes back to why the community of people needed to be in the same economic space. When the market crashed, a lot was written in the media about the crash but what was missing was what was going on second to second and moment to moment in our businesses as the market was crumbling around us.

The Forum had a quarterly meeting just before the crash. We had a dinner where we were talking about going public and celebrating our successes, and I remember Dan Schimmel saying, "Wait, you're going public and you're not profitable yet?" And I replied, "Dan, it's not about profits; it's about revenue growth, it's about buzz." In just the next week, the market crashed.

In the next meeting, the Forum provided a vehicle to get real-time data back from other CEOs who were experiencing the same economic pressures that we were feeling. You had a quarter's visibility into what it was going to be like. I didn't have to wait until my quarter was done to say, "Oh, I missed my numbers; am I the only one that missed?" I could see from everyone else that it suddenly got a lot harder to close business. All of a sudden customers got much more conservative about buying ahead of demand, and we all were experiencing the same issues at that instant, so we could talk about it.

eRoom moved faster than most companies in my venture investors' portfolio because the Forum was there to help us all recognize together that a change was occurring. And then as we all went to our planning exercise with a new set of objectives, we critiqued each other's plans. Where else are you going to get that critique?

We had a quarter's head start on recognizing that the goal just changed; instead of revenue growth and hype and buzz, it was back to basic business fundamentals, get to profitability, and protect the cash flow. I think eRoom moved faster than most companies in my venture investors' portfolio because the Forum was there to help us all recognize together that a change was occurring. It was quarters before some companies realized and said, "Whoa, we've got to slow down spending."

We didn't even have to have the Board tell us this. Normally, you go to a Board meeting and say, "Oh, we missed the quarter," and the Board says, "Cut back, no spending, lay people off." We got ahead of it; we said, "Okay, stop hiring."

The Forum provided the early recognition that the crash was not merely a short-term issue, but in fact the world had changed. And then as we all went to our planning exercise with a new set of objectives, we critiqued each other's plans. Where else are you going to get that critique? There was no other data to look to; there was no historical data. This was new. It was just happening and we were in the throes of it. But we could look at each other and say, "I think your plan is too aggressive, Jeffrey. I still think you're being too optimistic" and poke at each other and make sure we were building a plan that was conservative enough to protect cash, keep expenses under control and get to break even. So we had a number of meetings to review each other's financial plans, going to the base assumptions and whether they were credible or not.

Katherine: We did the replanning but still in the context of vision for the long term. The new situation required some revisioning and the visions did shrink down somewhat, but the new plans were defined as "here's what we're going to do differently in the short-term but it's still going to get us to our vision." I think that focus on vision was different from most companies' planning during that time.

Jeffrey: One of toughest things about building a business in the pre-crash era was that there were no constraints. Capital was cheap and you could do anything, so the pressure from the Board was “Do everything.” And you really had trouble finding out what was essential for your business. Even in a period of free capital, you have to focus on a few things to be successful.

The beauty of the crash and then of the Forum was that now all of a sudden there were some constraints. Cash was a constraint. Getting to profitability was a constraint. You were forced now to say given our vision, what are the couple things I should do to achieve that vision, not what are the 50 things I should do because it’s popular to do it. We used the vision to help focus.

That’s when you realize that a long-term strategy can help you make decisions today, this quarter.

Without a long-term vision or strategy or without constraints, decisions are very tough to do because you don’t have anything to compare it to, to throw it up against to say this is more important than that because everything appears important. So visioning was even more important in the post-crash era and then focusing and figuring out the few things you would do that would get you there was absolutely essential.

Katherine: Which again is a nice example of what seems counterintuitive. The other example was that you thought the world would fall apart with the EVP gone and the opposite happened. Here, you think you just have to put your head down and focus on the short term but without the long-term vision, you can make the wrong decision. It seems counterintuitive to be thinking long term when you have to make critical short-term changes. But it’s the only way to be successful.

Using Best Practices and Values to Win

Learning a set of principles and management practices that contribute to success...Taking a holistic view of the business plan...Dealing with the down times and re-emerging stronger than ever.

Jeffrey: Subtle things happened as a result of the Forum that you don't realize are happening at the time. What we all learned over the course of four or five years in the Forum was a set of principles, best practices, and values we live by and run the business by. One of the things that became so apparent to me was how important the vision and the strategy are to the day-to-day operation. I think almost all of us took it for granted that of course we'll put in place a long-term vision and strategic growth initiatives that drive the plan. You have that framework that allows you to operate and run the business day to day and it's just assumed. It's become so much a part of what I am that I would be unable to function now without clarity on the company's vision and the long-term strategic growth objectives.

Katherine: The replanning included the notion of the holistic view; it's not just the finances and how to get profitable more quickly. We got into issues of partnering, product development, reorganizing the company, and sales model changes, so it touched all the different parts of the business. In so many people's minds, the term business plan is all numbers. But it's really numbers *and* the action priorities for each department, each part of the business. They all had to change in some way and there were actions associated with that to support the budget line items.

The Forum was a good vehicle for going through the key elements of the business model; what bets you were going to make and what bets you were not going to make; reviewing the whole business plan before you went to the Board and getting honest feedback about the plan from bright people in the Forum who were close to what you were doing.

Jeffrey: Up until that point eRoom had tried a lot of experiments; some were successful, some weren't. The replan forced me to get a tight plan where every dollar spent was focused on an area that I knew was contributing to the goals of the company. The Forum was a good vehicle for going through the key elements of the business model; what bets you were going to make and what bets you were not going to make; reviewing the whole business plan *before* you went to the Board and getting honest feedback about the plan from bright people in the Forum who were close to what you were doing.

Jeffrey: It was at this point that eRoom engaged the Catlin & Cookman Group for consulting on strategic growth initiatives and longer term planning. We were stuck at this point. What can we do now? What do we do in an era of constrained capital and more careful spending? We didn't know what was important and what we should do. So by coming together as a management team and using the Catlin & Cookman Group's Profit Spiral model as a vehicle to start that longer term vision and working your way back to growth initiatives, it became abundantly clear that there were a few strategic initiatives that would drive the business for the next 12 months and beyond and that were going to get us to our vision. The clarity from that Catlin & Cookman Group process was incredible from that perspective. It also created alignment for the team about what was important and what wasn't.

This must have been a pretty depressing time. Was the Forum helpful in terms of psychologically getting through this bleak period?

Jeffrey: There were a couple of Forum meetings where everyone was discussing getting out of their CEO role. It was really painful for a while being a CEO. There was an aspect that just wasn't fun. We weren't talking about high growth and winning. We were talking about cashing out and getting out. But

what was great was that while it was depressing as you were going through it, you realized that you weren't alone. You had some moral support to think about whether quitting was what you really wanted to do and, if not, how do you get back on track. How do you get back to what you loved before about being a CEO of this company? If you can survive these awful times and begin to grow again and have people begin to be engaged and thrilled by that, then that will taste even better because you did it in the face of incredible adversity.

There was a turning point where we all hit a deep low before pulling back out. All of the companies in the Forum survived the downturn. Because we dealt

***A lot of CEOs imploded during this period.
Not a single one in the CEO Forum.***

with those issues of how not fun it was to be a CEO and we all got back on track and figured out how to re-energize. The liquidity events moved way out in the future and it was now about growing a business, which is what it always should have been about. We were the first ones to recognize that the rules had changed for the financial models. We recognized early that the rules had changed about how to build a business and we got back to basics long before anybody else. A lot of CEOs imploded during this period. Not a single one in the CEO Forum.

Peer Advice for Defining an Exit Strategy

Creating options and value for the company even in a down market...Helping the CEO determine the best role for him post-acquisition.

Jeffrey: As a result of the replanning work, eRoom continued to grow; we got to profitability; we distanced ourselves from competition in this period and things were pretty good. We ended up creating value that was very appealing to an acquirer at a time when no acquisitions were happening. Because of the Forum, because we all got back to business, because we grew something that was now valuable to the new market—something that was profitable and competitively differentiated and leading in its industry—we created options for ourselves. Instead of being sold for bits and pieces, we had a business that was valuable.

The deal negotiations with our acquirer from initial conversation to closing lasted for about nine months. It was on again/off again several times during that period, and the CEO Forum lived through all of that with me, although they didn't know the name of the potential acquirer. The acquisition was super sensitive information that I couldn't share with employees. The Board's vision was still focused on an IPO and building a very large, very successful software company and they weren't convinced at all that the deal made sense. So the Forum was a great vehicle for weighing the options of going it alone, partnering, being acquired, and, if acquired, how to maximize the value.

Everyone in the Forum was feeling the challenges of extended liquidity cycles, how hard it was to grow a business in this environment and competitive issues and consolidation. We all were

recognizing that if we could create value by doing a business combination, then this was a viable option. We talked a lot about how to get the Board aligned with the decision to be acquired.

Once they became aligned, my Board was exceptionally valuable during this period; what they do best is to make sure the CEO is being coached properly during a deal. They sit behind the CEO; I can't sell the company without the Board's approval, so I have a second level of defense. They're good at the deal aspects; they're deal guys; that's what they do.

Katherine: We also had many discussions about your role and helping you gain clarity about what you wanted to do; what you personally wanted to get out of this, not just financially but in terms of a role.

Jeffrey: Yes, there was a lot of discussion about whether I really wanted to make this happen or not and what did it mean to be acquired. What were the terms that would make it exciting vs. an awful experience to go through and while the Board was helpful on the strategic and deal side, the Forum was helpful on the operational side.

The Forum continued to help with issues once I did the deal; they were a sounding board on career guidance about whether I would sign up with a job for Documentum and which job. The Forum was still exceptionally valuable with that since they knew me so well.

Advice to Other CEOs

Infinitesimal cost compared to both short- and long-term value received... All about making your company better... Having a sounding board of people who don't have a financial or employment interest in the company.

What advice would you give to others about joining the CEO Forum?

Jeffrey: The typical concern for CEOs is the time commitment – 1 1/2 days each quarter. They worry about taking too much time away from the business. So first and foremost is to advise CEOs that it's not about time away, but it is about time at a distance from the company. It's about stepping back to look at the broader picture and checking in on how you're doing in achieving your longer term objectives. It's a very powerful vehicle for that.

Money should not be a concern either. The dues are a tiny drop in the bucket compared to the value you

It was about helping eRoom be a better company and helping me be a better CEO...

can get in making your company stronger and more successful.

The issues for me in terms of apprehension in joining were not so much about personal development. They were about convincing my Board that it was valuable and so I tended to not tell them. With employees I was concerned that maybe if I was doing this, then I was less of a CEO because I needed to seek outside help. But over time I built the confidence that this was not about seeking help; this was about a Forum for exchanging ideas and getting early indications of what other people were dealing with and having a smart set of people give input into what we were doing.

I think the personal development was more subtle, and you only see it looking back. You realize that it changed you as a person and what you fundamentally believe about building culture and building a company and aligning around a strategic set of objectives. That becomes such a part and

parcel of what you do that you can't execute otherwise.

It's not about time away, but it is about time at a distance from the company. It's about stepping back to look at the broader picture and checking in on how you're doing in achieving your longer term objectives.

At some point you did tell your Board and your employees?

Jeffrey: It wasn't that I told them; it was that I became less secretive. I became more comfortable in my own skin that it was not about helping me with a weakness; it was about helping eRoom be a better company and helping me be a better CEO.

Katherine: By the way, Jeffrey is the only person who hid it from his Board, but it's still an issue of how everyone convinced their Boards. So the question now, Jeffrey, might be how would you today convince your Board or how would you tell another CEO to convince his/her Board?

Jeffrey: As a second time CEO, I'd tell them I'm doing it and tough if they didn't like it. As a first time CEO when you haven't built that credibility with your Board yet, I think you have to convince them.

Frankly, the time and the money are invisible to the Board. If you don't want to tell them, you don't have to. But if you want to let the Board know you're doing it, then it's about telling the Board that it is about building a team and about having another sounding board of people who don't have a financial interest in the company or employment position in the company who can help you think through issues that sometimes are better discussed out in the open. I have no problem feeling

... about building a team and about having another sounding board of people who don't have a financial interest in the company or employment position in the company who can help you think through issues that sometimes are better discussed out in the open.

comfortable with that today; it was hard to do it before.

What advice would you give to VCs who are Board members to encourage their portfolio CEOs to join the Forum?

Jeffrey: We've tried that; I can't change the elephant. Turn the clocks back to the beginning before the CEO Forum, when eRoom was a company we founded because we wanted to create a company that people were so proud to work for that they would tell their friends. So we invested in the earliest days in building a set of values and a culture and since we didn't have a product yet, the only thing we could talk about externally in the press

was the kind of company we were trying to build. There was a TV news story on the company and what we were building, and I remember getting a phone message that was pretty humorous after a Board member saw this on the nightly news. "Jeffrey, what are you doing over there, building a country club?" Now, it was a little bit in jest, but I needed to defend it. There was a business reason for doing this; you build the right culture, then you can attract the right team and then you can build the right business. And that worked beautifully at eRoom.

Through the eRoom experience, I think my Board learned a lot about how important it was to build the team right. I did have Board members tell other CEOs, "You should talk to Jeffrey about how he focused on building the team and building the culture from the beginning because that's why eRoom is such a great company and a great deal today." It's progress; it is big progress with VCs. When times get tough, that's when you find if you've built an entity that can come together and survive, and if the leadership team gets stronger in tough times, then you've built a great company.

The Forum Leader Adds Powerful Value

A meeting format that challenges and drives discovery...A supporting knowledge framework that builds a shared vocabulary and approach to problems...A model for the leadership team you're trying to build...Added value from year-round support and advice.

What does Katherine Catlin bring to the table as the leader of the High-Growth CEO Forum?

Jeffrey: Lots of things. First of all, the Forum would not be what it is today without Katherine. If it was a bunch of CEOs getting together quarterly, it wouldn't work. Katherine embodied the principles of who we wanted in the Forum. The chemistry is there because she made sure we brought the right people in. It wasn't her decision, but she kept us honest around the team building itself with the right complement of additional CEOs. She would do first screening and bring people to the table but she was always encouraging us to focus on the fit. The recruits had to be CEOs who wanted to exchange ideas, listen to and give feedback, and who wanted to grow truly great companies.

Katherine had an amazing ability in our sessions to hear issues that were early issues that many of us were going to experience. She would quickly say "Maybe we should put that on the table and build a Best Practices discussion on that particular issue" or "Jeffrey, would you present a Member Challenge on that?" So she's very good at seeing things that others would benefit from and poking there a lot, so obviously agenda development and issues-capturing were some of her skills. Also, the processes that we put in place with Member Challenges, milestone setting and accomplishment review were hers. The format of the agenda was purely Katherine's; she asked us all for input, but she drove the agenda and made sure we kept ourselves on track.

The value of the Forum is not just the day and a half each quarter; the value is all year long. The value is having access to people on the phone; having access to Katherine when she sensed, "Jeffrey, you're going through so many issues; can I help?" So you literally get services all year long; not just four times a year.

There were lots of conversations in between the Forums on have you thought about this and have you tried that. A lot of consulting went on that was extremely valuable, sometimes from Katherine and sometimes from other CEO members. We occasionally had emergency meetings on specific topics that we needed to get together on.

Also, let's not underestimate all of the materials from the Catlin & Cookman Group and its consulting practice. Katherine provided all of the frameworks, the structure, and materials, so we had a common vocabulary and a common approach. You probably could have used many different methodologies, but the fact that we were aligned on one and Katherine through all her years of experience could bring that to bear was important. We often took specific pieces of the Profit Spiral and used that to go at specific issues. It was a framework and vocabulary that helped us talk to each other.

Another big value came out of the fact that, like any kind of team, all the CEOs had different preferences on the whole-brain model. What was always interesting was to see someone who was great on analytics presenting how they tied vision to operation and feeling that pang internally of saying "Whoa, I could do a whole lot better there" and getting the energy up to say I'm going to go focus on improving in that particular area.

Since we each had our strengths, we could learn from each other and benefit from the whole brain of the CEO Forum team. There were some who were collaborative in their approach; some who were much more analytic and yet together we could see all sides of an issue and deal with how do we make the decision and how do we communicate the decision. The CEO Forum is not unlike a model for

the leadership team that you were trying to build. I think there's a little bit of a microcosm of building a management team that Katherine went through in building the Forum.

If you're not willing to take ideas from others, then don't do this. Sometimes the Member Challenges can be tough, and it can be uncomfortable if you're

not really secure in the position you're in. It's a smart group of people and they don't pull punches. It's not unlike dealing with your Board; you take the input and you make your own decisions. You're still the CEO and are ultimately making and being held accountable for the decisions. You need to take this as input and think about it and say, "Now given all the context that I've got, what is the right answer?"

Learning from Other CEOs

Learning from helping others with their Member Challenges...Making sure you're covering all the bases when making critical decisions...A peer exchange to help you build a truly great company

What would have happened if you hadn't had the Forum?

Jeffrey: There are so many decisions I made along the way that I wouldn't have had the confidence to make: personnel elimination decisions, changing the business plan, pulling the plug on the IPO, doing the deal with Documentum. It was an important sounding board and feedback mechanism for what were really hard decisions. Often these decisions don't have a lot of data; they are based more on gut feel and experience and you're predicting the future. How else would I have done that? I would have had to find some other vehicle to do that that was separate from the employees and the Board.

In terms of learning from others, I learned a ton about operationalizing the vision, hiring/firing, dealing with adversity, getting the team to come together during tough times, and compensation issues. There was a lot of discussion on compensation and tying compensation to the objectives, as well as motivating without compensation. We also talked about pricing models, sales models, partnering, channels, and, obviously, about dealing with the Board. Fundraising was a big topic during the tough times, expanding into new markets. We spent some time on re-architecting the products and creating the next generation and how do you manage that with the current generation; how do we take the team to the next level when some people want to stay in their comfort zone and stay on the current plan. There was a huge list of things we discussed over the years.

I remember when Mark asked me, "Jeffrey, what will you do to ensure you're building a half a billion dollar company? What are you doing to ensure you're going to be there in three years?" Talk about mind expanding. You think you're talking about vision but you might be talking about 18 months out. But if you start with changing the industry and redefining the landscape and then you come back from there to what do I need to do today, you can

potentially change the industry and redefine the landscape. But if you start with I'm just going to double the company and increment here and there, then you might miss one big mega-trend that's out there. We were actually going through the replan, and Mark was the one who said, "How do you make sure when you do that that you aren't missing the big opportunity down the road? What is the thing that will make you a half a billion dollar company?"

Katherine: The Forum is a way to be sure you're covering all your bases when you make a decision. By hearing others' ideas and their issues as well as your issues, it points out all the different things that need to be part of your thinking so you're not missing something.

Jeffrey: When we were dealing with someone else's Member Challenge or something that someone else had put on the table, it wasn't that I was just there to help someone else. As I was doing that, I was also reflecting on my own business and on my own issues and asking myself if I was doing the right thing here; was I healthy here; had I done the right set of things. It had to do with questioning and probing and thinking it through. It was more about a peer exchange to help you get better.

When you go to your Board, you sometimes think they know better or they like to think they know better. It's not like that at the Forum; you don't have that feeling of people sitting around pontificating at you about what you should be doing. I've never felt that in the Forum.

In the beginning it was all focused on business issues but during the crash we began to recognize that there is a personal part of this—is the CEO balancing life? So post-crash, we all committed to having one personal milestone per quarter that was really not about the business but about the person. Mine was to build a tree house. Someone held my feet to the fire and said you need to build the tree

house. So that summer, while we negotiated the deal with Documentum, I built the tree house. Swinging a hammer is good for the soul. Building that tree house made me a better CEO; it helped me get through the deal and kept me sane and that's what the CEO Forum can do for you. You are so much more energized coming out of the Forum; you get that clarity to come back and say I'm going to do this and I'm not going to do that.

Catlin & Cookman Group: Corporate Profile

Building a Community of CEOs Who Are Growing Great Companies

In today's fast-paced world, CEOs have the toughest job of all. While it's both exciting and rewarding, it can also be extraordinarily challenging. Where do CEOs turn for guidance? Since 1989, CEOs of emerging-growth companies have come to the Catlin & Cookman Group for our unique expertise and resources – proven methods and frameworks to plan for and manage growth and change. Our sole focus on the CEO experience sets us apart, and the highly targeted resources we offer – CEO forums, consulting processes and practical tools – are developed exclusively for CEOs who are committed to growing great companies.

High-Growth CEO Forums™

More than ever, CEOs need a group of peer advisors to help grapple with issues they can't discuss with their teams or Boards. Our unique Forums are tightly-knit groups of CEOs from similar stage companies who meet quarterly to discuss their business challenges, advise each other about critical decisions, and develop best practices for managing growth. Our focus on customizing agendas to address members' real-time, bottom-line issues keeps the group accountable and the payback measurable. And, through our licensed partners, we are growing the number of High-Growth CEO Forums worldwide, creating a powerful, wide-reaching community of over 70 venture-backed CEOs.

High-Growth Consulting

To succeed, CEOs must create a shared vision and strategy with the executive team – and then execute ... flawlessly. We work closely with CEOs to define their strategic vision and annual plans, build and align executive teams, and create the organizational design, operating system and culture for impeccable execution. Our systematic, proven frameworks for growth deliver measurable results.

***Building the Profit Spiral®** Our foundation framework. Uncovers impediments to growth and helps CEOs and their executive teams create and implement strategic plans that include market focus, mission, values, vision, strategies, structure and culture — and an operating system to make sure the plan works. The result is the path to extraordinary growth.*

***Building the Executive Team as Leaders of Growth®** Defines the key responsibilities of the executives beyond their functional roles and develops a highly-focused and exceptionally strong team capable of leading the company to successful growth, breakthrough innovation and maximized profits.*

***Building the Awesome Organization.** Drives the strategic plan down into the organization – ensures that the critical metrics, operating processes, culture and activity alignment exist to execute the plan.*

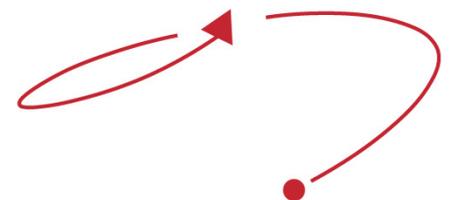
Thought Leadership

Our deep understanding of the high-growth CEO experience is reflected in our books, articles and seminars – and on our website, www.ceoexchange.com.

***Books:** **Leading at the Speed of Growth: Journey from Entrepreneur to CEO** (Wiley, 2001) and **Building the Awesome Organization** (Wiley, 2002) by Founder Katherine Catlin and Jana Matthews.*

***Seminars and Speaking Engagements:** “Growing Your Company: The CEO's Challenge,” a two-year, 7-part series for the Massachusetts Software Council, “The New Breed of Leader” at the Future Forward Conference, “Planning Bootcamp,” and many other engagements.*

Clients Include: Anaqua, Antenna Software, aPriori, Authentica, Authoria, Avotus, Bluespec, Circles, Concord Communications, Constant Contact, e-Dialog, Empirix, eRoom Technology, Experience, I-Logix, Inmagic, iRobot, LiveVault, PeopleCube, Monster.com, mValent, OneSource Information Services, PanGo Networks, Pantero, Soundbite, Steelpoint Technologies, The MathWorks, VFA, Sevin Rosen Funds, Polaris Venture Partners, and North Bridge Venture Partners



The Bottom-Line Impact Experienced by our Clients

High-Growth CEO Forums™

“The job of the CEO is inherently and unapologetically isolating. The High-Growth CEO Forum offers a refreshingly honest and sincere source of support and advice from peers who live on similar quarterdecks. Its format and strong facilitation differentiate it from other groups I have seen. The Forum is one of the most effective feedback and personal development mechanisms available to a CEO. It has made me a more effective leader and a happier, more balanced human being.”

Colin Angle, CEO of iRobot which had a successful IPO in November 2005 establishing a market cap over \$700 million. He was also E&Y Entrepreneur of the Year winner in 2003.

"I am a strong advocate for the CEO Forum. I grew and sold my last company for 5X more than it was worth when I started as CEO. There is no way I could have done that without the Forum. The quality of the people and input I got from them along the way was invaluable. We are all dealing with the same issues, just different context and timeframes. As you know, a CEO's biggest challenge is prioritizing – especially his/her time. The fact that most of this team never misses a meeting speaks volumes about the value proposition! As an aside, my current company is less than a year old and our last round post money was already 5X the first!"

Paul DiGiammarino, President & CEO of Anaqua. After a successful exit, Paul is again a Forum member.

“The Catlin & Cookman Group community was my most valued sounding board when I was CEO of eRoom – no other constituency could offer the direct, trusted and knowledgeable feedback a CEO needs when in the line of fire. Not the board, not my management team and certainly not my spouse. The CEO Forum provided me the opportunity to step back from the trees, reassess my long-term vision and strategy and gain clarity on often difficult and complex issues – and over time I built some fabulous friendships.”

Jeffrey Beir, former CEO eRoom Technology, and currently General Partner, North Bridge Venture Partners. Jeffrey was an E&Y Entrepreneur of the Year winner in 2003

“The Catlin & Cookman Group’s High-Growth CEO Forum was a major contributor to giving me the ideas and inspiration as an entrepreneurial CEO that led to winning the Entrepreneur of the Year Award.”

Dan Schimmel, former CEO of OneSource Information Services and an E&Y Entrepreneur of the Year winner in 2001.

“Given my scars and collective experiences, I would have thought that by now there would be nothing I could learn from a group such as this, but I am amazed at the insights I get from experienced and even newly appointed CEO's... I don't recall ever making a similar endorsement.”

Gene Robinson, CEO of I-Logix, Inc

High-Growth Consulting

“I’ve always been an entrepreneur, and one of the things I learned early on was that I couldn’t get any synergy in my business until I had a group of people working as entrepreneurs together. We have that now at Monster.com as a result of our work with the Catlin & Cookman Group, and we also have a plan in place that will guide our future growth while helping us preserve our unique culture even as we add more and more employees here and around the world.”

Jeff Taylor, Founder and Chief Monster, Monster.com

"The Catlin & Cookman Group has been an invaluable partner for Authoria - amazing people and processes for providing insight and peer-review, and for driving powerful ideas into action."

Tod Loofbourrow, CEO of Authoria Inc.

“When facing a difficult issue on my management team, or for the company as a whole, a quick call to my Catlin & Cookman Group consultant always provides an enlightened and unbiased point of view that helps bring clarity to the decision that must be made. I consider the Catlin & Cookman Group to be a vital member of my team.”

John Rizzi, CEO of e-Dialog

