

Sterling-Hoffman

EXECUTIVE SEARCH

Specialists in Software, Sales, People.

INTERNATIONAL HEADQUARTERS: 425 UNIVERSITY AVE., SUITE 800, TORONTO, ON M5G 1T6 TEL: (416) 979-6701 FAX: (416) 979-3030

Toronto, ON Mountainview, CA Burlington, MA <http://www.sterlinghoffman.com/>

CEO Spotlight: Shellye Archambeau, MetricStream, Inc.

By Angel Mehta, Managing Director, Sterling-Hoffman Executive Search

Published in The Sterling Report, June 2006

Ever wonder how to get to the top of mammoth technology companies like IBM? Volunteer for the assignments nobody wants – and find a way to hit a home run. Angel Mehta, Managing Director of Sterling-Hoffman, chats with one of IBM's highest ever ranking female executives, Shellye Archambeau (currently CEO of MetricStream) about the glass ceiling conspiracy myth, the ever blurry line between work and home, and solving the compliance issue for corporate America.

Angel Mehta: A venture capitalist told me recently that he insists on his CEOs having a deep competitive streak. Do you think this is necessary? Where does it come from?

Shellye Archambeau: I grew up as the oldest of four children; my parents had four kids in five years. I can't imagine having four kids in five years but, as a result, we grew up very competitive. It did bode well for me in terms of the future, so I agree that competitiveness is key. Where does it come from? In my case, I was very athletic growing up but grew too fast... by the time I hit high school (about 9th grade), I was 5'10". The ligaments in my knees weren't supporting that so I had to wear a brace, which kept me out of sports. So instead of doing sports, I got involved in every club and organization I could because of this need in me to compete.

Angel Mehta: Over compensating a little?

Shellye Archambeau: Exactly. I basically ran every group I could get into, and when I joined IBM out of school, I had my heart set on being CEO some day.

Angel Mehta: When did you know you were not going to be CEO of IBM?

Shellye Archambeau: I don't think I ever realized that I was NOT going to be CEO... IBM has their special 'list' of people they plan to develop, and I was targeted as somebody who could have ended up at least in the CEO circle if not a direct report.

Angel Mehta: What got you onto IBM's 'high potential' list, if that's a fair way to describe it?

Shellye Archambeau: Probably, the types of assignments I volunteered to take. They were always high risk or turnaround jobs. Some were jobs that didn't exist before, which in a big company is always a major risk.

Sterling-Hoffman

EXECUTIVE SEARCH

Specialists in Software, Sales, People.

Toronto, ON

Mountainview, CA

Burlington, MA

www.SterlingHoffman.com

Angel Mehta: Did you make that choice consciously or were those high-risk opportunities forced at you?

Shellye Archambeau: Conscious choice. I learned that if you take high-risk jobs and do well, there's a lot of visibility that comes with that. You get a chance to show people what you can do. As a result, I actually moved fairly quickly through IBM. I was one of the youngest female executives named, and when I left the company, I was the highest-ranking African American female from what I know. It was a great career... I learned a lot. The only problem was that I was spending more time being internally focused than externally focused as I got higher and higher in the corporation.

Angel Mehta: Is it true that being externally focused is always better? The world needs operational experts, doesn't it?

Shellye Archambeau: Yes, for sure; you have to know how to work within the organization to make things happen, and that takes a lot of time and energy. The problem is it's easy to make the 'inside' your specialty, which helps you in IBM or the company you're with, but it's not necessarily valuable outside once you leave the company you're with. Maintaining focus on what is happening outside your four walls is critical.

Angel Mehta: IBM is obviously a great company... but could you point to something that you did NOT like about it?

Shellye Archambeau: The amount of time it took to change things was very frustrating. If you had a new initiative that you wanted to launch, it could take 12 or 16 months to get it internally sold. You know what I mean Angel? When I was with the company – and I think it still operates this way – things were very matrixed. For example: I was in Japan, based out of Tokyo running IBM's Asia Pacific business for the public sector.

That was a \$1.6-billion business and when you look at my P&L, which I was responsible for, about 80% of it had co-owners at different line items. If part of that \$1.6 billion was to drive 'X' amount of hardware revenue into my customer set, then I had an executive responsible for hardware that also had the same number. So, as part of my overall Asia Pacific number, there's also someone in Japan that owns that number. When you wanted to make trade-offs... let's say, I felt that I could get \$1.6 billion by doing less hardware but more services... that becomes a problem because the hardware guy needs me to generate that amount of hardware for his plan. So working through all that and being able to actually optimize the market was tough.

Sterling-Hoffman

EXECUTIVE SEARCH

Specialists in Software, Sales, People.

Toronto, ON

Mountainview, CA

Burlington, MA

www.SterlingHoffman.com

Angel Mehta: I noticed you had done a stint at Loudcloud, which is now Opsware... I've never quite figured out: what exactly was Loudcloud doing at the time?

Shellye Archambeau: Loudcloud was doing outsourced mission critical website management; essentially a software infrastructure provider, but at that time, nobody knew what that meant. If you're going to create a category, you need a few hundred million to do it so positioning was a challenge for us. The other challenge Loudcloud faced was that they were getting most of their business from small startup companies... these were the easiest sells during the boom days of late 1990s, because they needed reliable scaleable websites fast. But, of course, when the bubble burst, these dotcoms started to disappear and so did a good portion of Loudcloud's business. In order to survive, Loudcloud changed its focus from start-up companies to the enterprise. This was not easy, let me tell you, because aside from re-orienting our entire sales organization, big companies just aren't a green field where they take your product or offering the way it is: they have existing systems that must be integrated.

Angel Mehta: What about MetricStream is different from the other vendors offering compliance management tools and business process management software?

Shellye Archambeau: Probably the piece that people don't understand is there are a lot of companies out there that offer compliance solutions and/or quality solutions but they tend to be very niche focused. One offers a Sarbanes-Oxley solution; another has a solution for addressing FDA regulations, etc. If you need one to help you manage the quality of what suppliers are providing, you buy a different solution. The problem is if you solve every element of compliance individually, it's going to cost you a lot of money. British Petroleum stated last year in their annual report that they spent over \$130 million complying with various regulations. We have applications that sit on top of a platform, so as you handle more and more compliance requirements, it's less expensive.

A good analogy is that of building a house. Suppose you started by building a bedroom. You lay down the foundation for the bedroom, you ran the plumbing, the electricity, you put up the walls etc. got it all done, and then you build a bathroom and you did the same thing; lay the foundation, did the plumbing, did the electricity... you would never build a house like that. You build a foundation, you run the electric wiring, the plumbing etc... through the house and then you build out the rooms, right? Why do you do that? Because it's a lot less expensive. It also makes sure that you have a pipe that will run water consistently all through the house; that your electricity can be managed from one circuit box versus separate individual wiring. Well, we're approaching this world of compliance in the same way and we're changing how it can be done, by providing multi-regulatory solutions that sit on top of a compliance optimized software platform. We're also giving companies what they don't have today. When you have 20, 30, 50, or hundreds of different applications that are managing different aspects of compliance, it's almost impossible for the CEOs and the Chief Compliance Officers to have visibility and a sure understanding of what's happening and where their risks really are. MetricStream fixes that problem.

Building Software Companies... One Leader at a Time.

Sterling-Hoffman

EXECUTIVE SEARCH

Specialists in Software, Sales, People.

Toronto, ON

Mountainview, CA

Burlington, MA

www.SterlingHoffman.com

Angel Mehta: So when customers don't understand your offering, what's the strategy? Does it essentially turn into hand-to-hand combat where you're relying on the direct sales organization to win on a customer-by-customer basis?

Shellye Archambeau: Certainly there is still a lot of hand-to-hand combat. But we also invest a lot of effort in establishing strong partnerships and helping educate analysts about what we do, as customers tend to rely on analysts for advice.

Angel Mehta: Is this a market or problem that you foresee getting bigger with time?

Shellye Archambeau: Absolutely. There is no indication that governments are going to roll back regulations. Just look at the trend, over the last 20 years, 50 years... every year there are more and more regulations, new requirements, new mandates on the marketplace – not less. So yes, this is going to continue to grow and if companies don't sit back and look at this thing strategically, it's going to continue to be a huge hit to the bottom-line.

Angel Mehta: Let's talk corporate politics for a minute... I interview so few female CEOs that I always like to ask: in your experience, is there really a glass ceiling in the high tech world?

Shellye Archambeau: I don't believe that there is this conspiracy that says we're going to keep women out of top jobs. So if we talk glass ceiling in terms of conspiracy, the answer is: No – it doesn't exist. There are, however, some factors that cause the image of a glass ceiling that we all talk about. Sometimes women in the 'growth' stage of their careers don't make time the same way that men do to become part of the social networking relationship establishments. One reason is that they may have families and children. They make trade-offs by working very hard, and when they're done working, they focus on the other hat they wear called Mom and or wife. In doing so, they don't take the time to go for a drink with folks after work or to participate in some of the professional networking organizations – be they alumni groups, or trade networks or whatever. Therefore, they don't always have the informal access to both jobs and operations that exist in the marketplace. Men tend to spend more time doing that kind of thing, and so the result is that women are just not necessarily aware of what's going on 'after-hours'.

Angel Mehta: Did this happen to you?

Shellye Archambeau: Not exactly, because I became conscious of it. I'll give you an example of how the principle works, from my IBM days. If your goal is to be CEO of IBM, you're constantly asking: "what have the people who are in direct report to the CEO done in their career?" One of the things that quickly became clear to me is that everyone who was a real mover and shaker at IBM did an executive stint in the Asia Pacific region. And it was no coincidence that very few women had done the Asia-Pacific stint. I was the first African American female they sent overseas as an executive.

Sterling-Hoffman

EXECUTIVE SEARCH

Specialists in Software, Sales, People.

Toronto, ON

Mountainview, CA

Burlington, MA

www.SterlingHoffman.com

Angel Mehta: Was that because you were the first to volunteer?

Shellye Archambeau: I did. I asked for that job. I let people know, as we were doing career planning, I want to go to Asia. So after a couple of years of letting them know I want to go to Asia, I got the job. The problem is that only happened because I saw it as a step to get to where I wanted to go. A lot of people weren't asking for that position. Again, it's not that IBM said to its female executives, 'You can't go to Asia-Pac' – nobody prevented them from doing it. But if you have informal relationships with people who are at the senior level, they'll tell you things like, 'You really have to do a tour of duty overseas if you want to get ahead', etc. Nothing gets published in a handbook explaining this stuff. You become aware of it by networking, building relationships outside the office, etc.

Angel Mehta: What kind of hours do you work?

Shellye Archambeau: I was speaking to a group of Stanford students recently and somebody asked me the same question... Not to be trite but I had no idea how to answer that question. I carry a Blackberry, everybody has both phone numbers and emails, and I'm accessible all the time. If I were to give you an example of a day, it might start in the morning at 6 am. I'm on a call with India, then go and workout, get to the office, have a staff meeting, an investor presentation, a strategy session on a customer account etc.; go home, eat dinner, on the phone again with India because I have operations in India. During basketball season I hit all my son's basketball games that I could when I am in town but every time there was a time out or whatever I'm on the Blackberry to do emails or doing whatever; so a lot. But I do try to balance my time so that I am where I need to be like making almost all of my son's basketball games.

Angel Mehta: You mentioned operations in India. How do you deal with the enormous wage inflation?

Shellye Archambeau: Wage inflation is obviously concerning, but even with the wage inflation it is still a model that works for us. The skill sets and capabilities that we're able to draw and attract are good and we have a strong team with great skills that we're all very proud of. Going forward, I do think you'll see the market balancing out and wages leveling off. There was crazy wage inflation in the valley in the 1990s also, and we know how that turned out.

Shellye Archambeau is CEO of MetricStream, Inc. She has a proven executive management track record and over 20 years of experience driving sales growth in the technology industry. Prior to joining MetricStream, Shellye was Chief Marketing Officer and Executive Vice President of Sales for Loudcloud, Inc., responsible for all global sales and marketing activities. For interview feedback, contact Shellye at SArchambeau@MetricStream.com

Angel Mehta is Managing Director of Sterling-Hoffman, a retained executive search firm focused on VP Sales, VP Marketing, and CEO searches for enterprise software companies and lead investor in <http://www.softwaresalesjobs.com>, the #1 site for software sales jobs. Angel can be reached for feedback at amehta@sterlinghoffman.net

Building Software Companies... One Leader at a Time.