Why Today's Founder-CEOs Should Google Google

By Adam J. Epstein

Lore has it that when Google cofounders Sergey M. Brin and Lawrence E. Page raised some $25 million from venture capital icons Kleiner Perkins and Sequoia Capital in 1999, they promised they would hire a CEO to run the company. After announcing in July 2001 that Eric E. Schmidt would be CEO of Google, Brin and Page went on Charlie Rose's TV show and, among other things, were asked why they didn't name one of themselves. Brin responded: "Parental supervision, to be honest."

When 19th-century economists like Irving Fisher pioneered the concept of "highest and best use," Silicon Valley founders were facts not in evidence. Even so, the real estate term is just as applicable to how smart investors assess companies, and why founders should continually reassess their roles.

Consider, for example, Elon Musk. Few could legitimately find fault with his imagination, intellect, vision, work ethic, and propensity for risk. But, particularly as it pertains to Tesla, many could rightfully question whether the highest and best use of Musk's talents for Tesla shareholders is his serving as CEO.

More specifically, an experienced public company auto executive would very likely have seen Tesla's manufacturing and supply chain challenges long before Musk did, and he or she would have also known that even a single tweet antagonizing short sellers is one tweet too many. Put a bit differently, you rarely hear tales of General Motors & Co. board meetings needing to start late to clear away the CEO's sleeping bag on the floor.

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Next, consider Evan T. Spiegel, the founder and CEO of Snap. The company has plummeted far beneath its initial public offering (IPO) price, and according to Recode, at least 10 people who reported directly to Spiegel have left the company in the past couple of years—and that doesn't include a number of other senior executives who have also departed. Spiegel is a product genius who built a multibillion-dollar company. Just because you're a product genius, however, doesn't mean you have any idea how to be a CEO, much less a public company CEO.

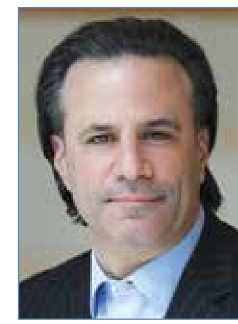
So what might have been higher and better uses of Musk's and Spiegel's talents to their shareholders? It's easy to envision each company being better off with experienced public company CEOs, and Musk and Spiegel cast as, for example, chief innovation officers.

Which brings us to the current crop of unicorns and decacorns lining up to undertake IPOs. It remains to be seen whether the public markets will ascribe similar valuations to them as the venture capital ecosystem has, but two things are common among these companies: they are unprofitable, and they are run by first-time CEOs.

The most forward-thinking first-time CEOs need to ask themselves three questions as they approach an IPO:

1. If I'm being 100 percent honest with myself, am I the CEO because it's just assumed that is what founders do, or do I think I am truly the best person for the job?
2. If I were to bring in "adult supervision," what would be the highest and best use of my skills and experience for shareholders?
3. Is it best to bring in a new CEO before the IPO, or after?

When in doubt, founders who are CEOs should consider Googling Google. Its approach worked out pretty well for Sergey and Larry—and their shareholders.



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