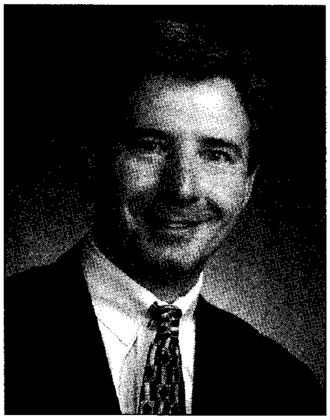

David Sikora
President and CEO, Ventix

EXECUTIVE INTERVIEW

by Emily Sopensky

DAVID SIKORA
PRESIDENT AND CEO, VENTIX

Late in July of this year, Ventix Systems, Inc., an emerging provider of enterprise knowledge management solutions nestled between training and help desks, brought David Sikora to its board of directors and as president and CEO. Only three weeks earlier, Sikora had been named Ernest & Young's Houston Entrepreneur of the Year for technology. He brought The Forefront Group (NASDAQ: FFGI) from a privately held Internet software utility company to a publicly held company. Then he helped Forefront strategically shift its products to survive the Microsoft dominated Internet wars. Even as he was pondering competing offers to buy Forefront, the offer to go to Ventix was made—amid many other offers. The Austin Software Leader *found out why Sikora chose Ventix and Austin.*

Q: This year you were named Houston Entrepreneur of the Year. Why did you leave?

A: We were ready for a change. We looked at the technology places in the U.S. It was Boston, Austin, or San Francisco. We wanted to stay in Texas. So Ventix made the decision for me pretty easy actually. We were prepared to stay in Houston but very open to adventure. I had been with Forefront for almost six years and was really, really grounded out. It was a very hard experience.

Ventix called almost two weeks before the Forefront deal closed. We started the discussions but didn't really have a final agreement until the week after. It happened really fast. In fact, everyone said, "Dave why are you doing this?" Most of the time I enjoy what I do. I enjoy the hunt. And the thrill of creating. I just didn't see myself going off and hitting the links.

Q: You decided not to work with Forefront?

A: No. They didn't need two CEOs. My last day was the day the deal closed.

My analysis of Ventix when I first saw it was that where Ventix is is where the whole IT [information technology] training, the market and all the companies that participate in it will need to be in two or three years. So it was a perfect fit. We [at Ventix] are doing things that are way down the road strategically. It really made a lot of sense.

Q: Did you know [co-founder and Chairman of the Board] Bob Fabbio before he initialized the conversations?

A: I did not know Bob then. Actually, the search firm [Austin MacGregor] made the first call and then Bob called with more detail. Forefront had $30 million in revenues when we took it public; we had 300 people. The decision was whether to do it all over again. Do I get into a similar situation at that same level and take the company to the next level?

I had a lot offers. With Forefront, in the Spring of 1995 we had $10,000 in the bank a week from payroll. Three years later, almost to the day, we sold the company for a $160 million. That was part of the attraction [of offers to me].

When you're running a public company, there's intense short-term pressure. Strategy is assumed. You can make changes along the way but it hurts when you do.

Q: Can you talk about that?

A: Sure. When we went public we did it with a whole family of Internet software utilities. I now have a lot of knowledge about when companies should go public and when they should not. After what I had to live through, I would never do it again the way I did it.

We went public at a very early stage. I always equate that experience with building a house and living in it at the same time. You have to move from room to room while part of the house is being completed. We socked that for about five quarters before we decided that Microsoft and others were going to touch everything that we were doing. We did not have the capital resources or favorable access to the capital markets to enhance our position and compete with that. So we decided to make a strategic change.

We had acquired our way into computer-based training. We did a pretty good analysis of that market and tried to match that to what we had. No one knew we were doing this. But we had this business, this really good asset. We made the decision at that point—it was controversial—to get out of the Internet software business as our main product strategy and focus all our resources towards computer-based training.

Because we had gone public as an Internet company, we lost all our shareholders. We had to go on the road to get new shareholders who would buy into this new IT training and education strategy. At the high of the Internet hysteria, our stock was at $21. At the low of our strategic transformation, we traded at $1.87.

Q: When was that?

A: Summer of '97.

We went public at the end of '95 at $8. We bounced around on a roller coaster. In the Fall of '97, people started catching on about what we were doing. Our stock went from $2 to $10 in 2 weeks. This resulted from going out and talking with institutional investors. Ultimately, what it boils down to is that we became profitable and were able to attract a particular kind of investor.

At the end of the day, profits are what create value. Despite how many news stories you get, it's earnings—or the prospect for earnings—that drives a company's valuation. Once we became profitable, we became a real company. We had two major public companies with an average market cap of $2.5 billion interested in us. CBT actually bought us and the other one—I never actually communicated this—was The Gartner Group. We ended up getting bought; the price was about $16.

Q: So you took your money and didn't go to the links?

A: No. Everyone kept saying I should. But it's not about the money; it's about the game. Bob has a term; "cracking the code," he calls it. It's the idea of applying the same process and the same thinking to another problem. Solve that problem; crack that code. The money is the by-product. Obviously money's nice, but it's really about being involved in a good creative process.

Q: So what is the code that you're cracking?

A: In general terms, the code means you first find out the problem. Then you define a solution to the problem. Then you have to go out and convince people that your solution is a great solution. Then get money for that solution. That whole process is the code. We're in the process of putting together our department of commerce, as I call it. These are the people who are going to go out and collect money for our solution to the problem we've defined. We went out and analyzed the market; we built a solution; and now we're pretty close to collecting money.

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DAVID SIKORA—PRESIDENT AND CEO, VENTIX

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Q: You have a product this quarter?

A: When I joined Ventix, we were pre-revenue. Now we are post-revenue. We have actually several customers who are putting it into their facilities. It's called the Lighthouse Customer program. What the company gets is our product at a certain number of seats. What we get is some early visibility. That's pretty much where we are.

The good thing about Ventix – it's a testament to Hank [co-founder Weghorst] and all the guys that helped get the company going – is that they learned from past experiences. We've all been guilty of building things because it solved our own problem. I think that's a mistake that a lot of technology companies make. They think they know what the problem is. What [the company founders] did was a lot of homework to find out the problem. Now everywhere we take this product, everyone is just "wowed" by it. I've had people congratulate me for having this solution that the market really needs.

Q: So what are your projections?

A: We've been going through the business planning process for the years 1999 and 2000. After going through what we did at Forefront, one of the things I learned is it's really important to set reasonable expectations for the company even though there's a lot of pressure to aim high. So we try to realign everybody's interests and energies to over deliver on those realistic expectations.

Where I want to be a year from now is way ahead of our operating plans.

I've seen it all far too often with startups. Whenever you go to raise new money, everyone competes for what valuation you can get. First of all, valuation doesn't matter, or shouldn't matter, until liquidity is cheap. So, if someone tells me that Ventix is worth $100 million today, what good is that going to do anyone at Ventix if no one can do anything with it? It's just a number. What is going to happen in order to obtain that $100 million valuation is we're going to have to run at a pace that's not sustainable. And we're going to have to hire people in, and they're going to take stock options at really high prices. What you're doing is setting yourself up for potential problems down the road. Why not set up a situation where you can pace yourself and make the situation reasonable so that you can over deliver. Guess what? When you set a pattern of over delivery, then you see how value can deliver itself.

Q: When you say "over deliver" are you talking about quantity or timeframe?

A: On both of those axes.

Q: How do you convey that?

A: We haven't institutionalized this yet, but I've got this notion called "beehags." Big Hairy Audacious Goals. It's in a book called *Built to Last*. One of the premises in there is that companies should institutionalize this notion of big hairy audacious goals. That is, you have your operating plan. That's your corporate goal. Then, on the side, you have other goals with people. If you can hit these goals, then there should be some potential reward down the road. That's kind of the way I think of things. We can institutionalize that here. What's important when a company builds its value system is that, when goals are set, they're achieved. Doesn't matter if that goal is a day or a number, the bottom line is that it is agreed to by both parties and there is full expectation that it is achievable.

Q: That means that you have the freedom to make that happen?

A: Absolutely. You can't micromanage. If I'm doing my job right, then I'm hiring people who are much smarter, much better, and more energetic than I am. I can't get involved in every excruciating detail. I'm not flexible on underachieving goals. But in terms of flexibility in providing the resources and the authority to do things—that's important.

Q: What happens if they underachieve?

A: There are some economic ramifications. I've only been here two months, so I haven't developed any pattern of this. It's the patterns that are important. If you set up a pattern for overachieving, then you are doing well.

Q: Your board that you report to, how are they? How do they treat you?

A: They've treated me really well. They're accessible. From the standpoint of letting me build a company, it's worked out really well. What they bring in terms of their experience is across the board. Bob is cut from some of the same material that I am. He's in VC now, but he's really an entrepreneur. Then you have John Thornton, who is a McKinsey-Stanford MBA man. He's really smart, especially in providing a certain tenacity to the whole analytical process. He helps you exercise your thinking on different issues. Then Steve Andriole, who was the CIO for a Fortune 500 company, is our "customer" on board. We can test concepts with him. Then, there's Hank who has a lot of experience. It's a wonderful mix. We're all still pretty young, but there is a sense of maturity at Ventix. The average age is between 35 and 40 years and the average number of startups we've all been through is three. We're really not trying to prove anything. Except to be successful.

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