



Stanford eCorner

Public vs. Private Pros and Cons

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Video URL: <http://ecorner.stanford.edu/videos/1268/Public-vs-Private-Pros-and-Cons>

Richardson reviews the pros and cons of going public versus staying private. She gives an example of a successful private company, as well as a few well-known public companies.



Transcript

So again, summary of pros or cons. Again, I am not talking so much about capital structure today, but I think they are pretty clear. The pros of a public company is access to capital, right? You go public. You get an access with enormous amount of cash. You can grown your business. You can do things. The equity markets are available to you. It helps you grow. Of course if you go to the classic route of getting venture investors, they want to monetize that value. The employees get stuck in a company.

You all have a chance to share in this success and granted, I don't think there is going to be anywhere near to kind of explosion in IPOs that we had five years ago, but you know what, there is going to be some good ones and you just have to look around in eBay in Google to say. You know, the valley is still thriving and there is still gold in them-there hills and that is exciting to be a part of that. And I don't think there is anything wrong with making money so, that is what is really great. And then the downers I have talked about in my talk today, you know you have to weigh the cultural impact and some of the other things. On the private side, of course the downer is access to capital and monetizing the investment. That is really the tough one. And certainly you can create profit sharing for your employees, but the founders of the company, the CEO of the company, their net worth is tied up in a private asset that is not freely traded. So that is just something that you need to think about. Now, for some people, and in some parts of the world in geographies, this is perfectly OK-- If you don't know about this company, you should. They are a fabulous company called the SAS Institute.

It is the single largest and most successful enterprise software company that is private. They are roughly a billion and a half of revenues. They are in North Carolina. Have been profitable every quarter and every year for 17 years. This is an incredible company. Every year, Dr. Goodnight, who is the CEO, PhD himself founded the company. Every year, he does a poll with his employees and asks them if they want to go public. And every year, an overwhelming percentage of the employees, dominant says no. You know they like their life.

Now you could argue, oh gees! But you know, heck! It is a lot easier to get people who can live a great life in North Carolina. You know, you are in the valley, you know you can't-- For what you could buy for a mansion in North Carolina would probably buy you a mail box in Palo Alto. That can't work. And there is some truth to that. But I put that out there to you because there are great examples of private companies that I think, do have great cultures and should be looked up to.