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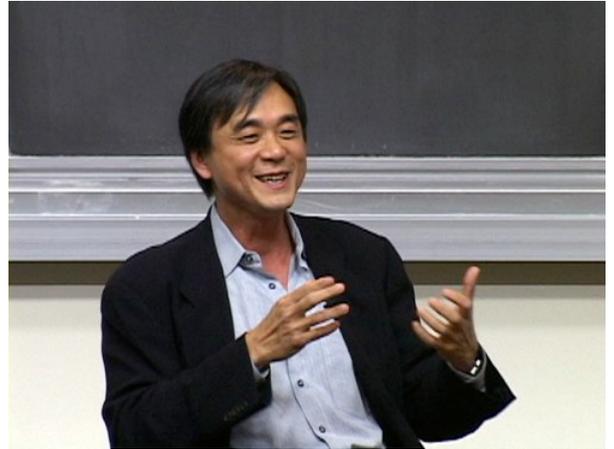
Private versus Public Company Tradeoffs: Building Credibility

Dominic Orr, *Aruba Networks*

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Video URL: <http://ecorner.stanford.edu/videos/1866/Private-versus-Public-Company-Tradeoffs-Building-Credibility>

Dominic Orr, CEO of Aruba Networks, describes the tradeoffs for an entrepreneurial company between being private or public. Orr argues that being public offers a significant benefit for an entrepreneurial company because it confers credibility and legitimacy which can aid the startup in selling to larger organizations. Of course, these benefits must be weighed against the costs and limitations imposed by being a public company.



Transcript

So the issue of whether pre-public and post-public, what are the trade-offs. The trade-off is very simple. When you are competing with large giants, respectable ones, for that matter, as we are, your credibility is very important, because you're going to go in, and you're going to offer to be the secure wireless infrastructure for all of Microsoft's 60,000 employees, 350 sites, 66 countries. You better be able to look people in the eye and say, "I'm going to be around, and I'm going to respond to contingency speedily and so on." And as a private company, you tend to have to exert a lot more convincing power for people to believe that. And it's also easy for competitors: they might be procured, they might go out of business, they might be this and that. And so you have to spend a lot of energy. And then once you get.. The IPO, actually, in the case of Aruba, is not for the purpose of raising money, because we, at the time of the IPO, we have probably like \$20+ million in the bank, we were cash-flow neutral to positive. So we don't need the money. But we went out and we raised \$100 million.

In that process, you get a branding process, branding of a corporate image. Now, people kind of read about you in Business Week, in Bloomberg and so on. And suddenly, you get exposure to the CIO and CxOs, and so on, so that when the technical team selected your technology, you don't get this blank stare from the high management, saying, "Aruba who?" Now, the burden that we have to pay, like I mentioned early on is, you're under a lot more scrutiny. Another thing is, of course, in the small company, one of the advantage you have to attract talents is through stock options and all these niceties. But after being public, you are under the so-called generally accepted accounting principle, the gap accounting, and you're under a lot of constraint of issuing stock options or else your company will never get profitable. So those are kind of the big thing that's on top of the well-known Sarbanes-Oxley compliances.