



## In the News

### Start-up visions

#### **Kola's timing on business-compliance software is 'karma'**

*By Andrea Coombes, MarketWatch*

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**SAN FRANCISCO (MarketWatch)—If you're going to start a company, it helps if you can portend the future.**

Vani Kola doesn't feign that skill.

Instead, the chief executive of software-maker **Certus** uses words like "luck", "karma", and even "foolishness" to explain her sense of timing: She started building a software product to beef up companies' governance policies—months before the words Sarbanes and Oxley became the hyphenated icon of corporate regulation.

"Entrepreneurship, honestly, is about having the boldness of vision to be ahead and having the guts, or foolishness even, to want to bring [it] to action," Kola said. "It was interesting from a timing perspective. Karma, if you will."

Others say Kola's got a sense of timing. "Vani's been well known to us in the analyst community for a long time," said John Hagerty, an analyst at AMR Research, in Boston.

"She brings the vision of someone who started a company in the 1990s, saw it through the boom and sold it at the top of the market," he said. "She has the experience of what it takes to bring a company from nothing to something pretty quickly."

### **An idea borne of corporate scandal**

In 2001, a few months after selling her first company, RightWorks—her first start-up—for about \$667 million, the now 40-year-old Kola started thinking about her next venture. At about that time, scandals at Enron and elsewhere started making headlines.

"The more I was looking at the news and reading what was going on, my view was that there would be a backlash and management would be held to a different grade of responsibility than hitherto," Kola said in an interview at Certus' offices near San Jose, Calif. The privately-held company has about 50 U.S. employees and 40 in India.

Kola started developing a product designed for companies eager to set themselves apart by raising the bar on corporate governance.

"I thought there would be a... new standard because there was so much loss of life," Kola said, speaking metaphorically about the toll corporate scandals took on investors' confidence, and pension plans.

In 2002, the federal government gave Kola's idea a hefty boost in the form of the Sarbanes-Oxley Act and its requirement that

companies faster and more accurately report their financial condition—and any possible risks to their bottom line.

## **Competitive market**

These days, complying with Sarbanes-Oxley is every finance executive's nightmarish toil, and about two dozen companies compete with Certus to provide executives with software to handle the workload.

Competitors include big players like Oracle, SAP and IBM, and smaller ventures such as Axentis, OpenPages, and Paisley Consulting.

Overall, companies will spend \$6.1 billion on Sarbanes-Oxley compliance this year, with 28 percent or about \$1.7 billion going to technology costs, said Hagerty, of AMR.

But those tools include hardware, plus security and document-management software, Hagerty said. With its software aimed at specific Sarbanes-Oxley rules, Certus is competing in a market with total sales of about \$300 million, he estimated.

Certus appears in good position to pitch its product. For one, auditing companies speak highly of the product, according to analysts, and that's a boon.

"The auditors make or break this market and Certus is definitely well endorsed by the auditing community," Hagerty said.

While one Deloitte auditor wouldn't endorse a specific product, he spoke highly of Kola.

"This is a very crowded and competitive market. You have elephants playing in here, IBM, SAP and Oracle," said Lee Dittmar, a principal at Deloitte Consulting and co-leader of the firm's Sarbanes-Oxley practice.

"Vani's competing head-on with them. The neat thing is she's got the chutzpah to do it. That doesn't scare her at all," he said.

Meanwhile, Certus scored in the top 10 among 26 compliance-software makers rated by research firm Gartner in December.

Gartner's clients appear to like the company as well. Certus "shows up in the top 3 among vendors that our clients are looking for," said French Caldwell, research vice president at Gartner.

Kola has been "very active in the marketing of Certus, more so than some CEOs," he said. "She's a practical visionary," he said, noting Kola's Frontlines Forum, a seminar where regulators, auditors, finance executives and others have a chance to meet and discuss the regulatory landscape.

"She's been proactive in getting the people who are actually making the regulations or people in the key framework ... getting them directly in front of the end users," Caldwell said.

That helps Kola sell the Certus product, but also to be in the know on what's coming next.

Perhaps most memorably, some note that Kola's seminars are fun. "That was probably one of the best Sarbanes-Oxley events I've been to, and I've been to a lot," Dittmar said, speaking of the Frontlines Forum in August, where he met Kola.

A wine sommelier offered a wine tasting during dinner, Dittmar said, and a singer entertained. The singer "made up a song about Sarbanes-Oxley, a folksy, homey song that made light out of a very serious subject. And everyone enjoyed it. We laughed," he said.

"The fact that I can still remember an event at a conference tells you a lot. Most events are pretty dry and boring."

## **Challenges ahead**

Still, despite her relative success, it will take all of Kola's sense of timing to make it in a compliance-software market that's bound to tighten in coming years, once companies are up to speed with documentation and other processes required by the law.

"There's a pervasive attitude towards compliance which is 'if 60 is passing, then if I get a 61 I've probably wasted time and money,'" said Robert Kugel, vice president and research director at Ventana Research in San Mateo, Calif.

"In theory, lots of companies should be using all manner of software to help them automate compliance processes," Kugel said.

"But it remains to be seen to what extent companies are going to invest money to do a better job when it's possible for them to do an OK job at what might appear to be a lower direct cost," he said, adding that the long-term costs of sticking to current systems could well be higher than moving to an automated software system.

Others say the market's just gearing up. Companies "can't go through all this manual work they're doing year after year," said Julie Marobella, a senior research analyst with research firm IDC.

"There's going to be an emphasis on making it repeatable and sustainable. That's where the tech companies come in," she said. "The bulk of the software spend is going to happen in 2005 and 2006."

At that point, Certus will have to be offering a wider range of product. And that's exactly Kola's plan.

Good corporate governance practices do much more than meet the letter of law, she says. They make companies more efficient operators, and more appealing to shareholders.

"I should know that it's not GE I'm buying when I'm buying Enron," Kola said. "Do you just want to get minimum sign-off or do you want to promote a holistic 'we're a good governance company?'"

Along with a "404" tool that helps companies comply with Sarbanes-Oxley's Section 404, Certus sells an audit tool, and a broad compliance framework. That product "can be the single platform to which companies can address their governance, compliance and risk initiatives," Kola said.

But, she argues, Certus offers more than just a product.

Think about Nordstrom compared with Target, and then think of Certus as Nordstrom. Kola's eager to sell a service and a relationship along with the product.

"You're getting a product, a promise of service and commitment, and you're also getting a partner who is focused on the future along with you," she said.

"We want to be proactive, at the forefront" of good governance best practices, she said. "We are a partner that gives you that edge. Those things may matter a hill of beans or not, but again those are choices you make."

## **What's next?**

Certus is Kola's second start-up venture. Where to next? She's in no immediate hurry to sell Certus and move on. "I'm here to

build a sustainable business. That's my dream. That's my legacy, if you will, that I want to leave behind," Kola said.

Still, she said, "there comes a natural time where you need new leadership in a company. Sometimes the best thing you can do there is hand the keys and let someone else drive. I believe that's important. When is that? I don't know, but I'm sure there is a day like that somewhere, let's say in the next five or 10 years."

As for being of that rare breed, a female chief executive, Kola says she never thought of herself as a woman with hurdles to overcome.

"Not just here in the Silicon Valley but even growing up in India, I was always doing things that were outside the norm, so to speak, whether it was going to engineering school, whether it was choosing to be a working woman, the way I chose to get married," she said. Kola, who married her husband while she was in college in India, did not participate in an arranged marriage.

"I've always sort of not felt that I wanted to be bounded by some convention defined by the majority," she said. "I never established my identity first as a woman, but first as a person."

These days, however, she's come to appreciate the ways women differ from men.

"If I was born a son instead of a daughter, a man instead of a woman, as a CEO, I'm sure I would be a different person," she said.

"I think I'm more sensitive as a manager. I get more emotional about my decisions. I connect with people at a deeper level. And my decision-making structure is defined by a willingness to allow other voices, but also at the same time not be afraid to be outside of the box in my beliefs, in my conviction or in my actions," Kola said.

"If anything, I think being a woman has enriched me as a whole person. I've never felt restricted. It could be because I'm lucky. It could be because of my mindset. It's probably a little of both."

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