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Google's long search for a CFO ends with a surprise hire

Search engine specialist plucks Pichette from Bell Canada; new finance chief moves from corporate world to granola world

By Matthew Monks

June 27, 2008

Google named a new chief financial officer on Thursday, luring Patrick Pichette away from Canadian telecommunications giant BCE.

The hiring of Mr. Pichette marks the end of a nearly year-long search by Google and signals the search giant's desire to branch into the mobile phone business.

It also surprised a lot of observers.

Mr. Pichette, 45, previously served as president of operations at BCE, the telecom formerly known as Bell Canada. He replaces Google CFO George Reyes, who held the position for more than five years and took the company through its 2004 initial public offering. Mr. Pichette starts at Google on Aug. 1 and officially takes over as finance chief on Aug. 12.

When Mr. Reyes announced last summer that he was stepping down, Google said it would name a replacement by the end of 2007. Indeed, speculation mounted that the company was having a hard time filling the position.

Google chief Eric Schmidt addressed the issue in a conference call in April. "We have a whole bunch of interesting candidates that we are reasonably close to," he said. "We have not made any offers yet. It's an important position for us to fill."

Google spokesman Matt Furman said in a phone interview that the CFO search "was a thorough process. It took as long as it did to find someone of Patrick's caliber."

Scott Simmons, founding partner of executive search firm Crist Kolder Associates, said Google may have faced a number of hurdles in its hunt for a replacement.

Typically, it's harder to fill high-profile jobs in markets like California and New York, he noted. Google's lofty stock price may also have turned off potential candidates daunted by the prospect of keeping the stock on an upward trajectory.

"Finance people want leverage. They want to know they can move the dial and create wealth. It's tough to move the dial on that [stock price]," Mr. Simmons said. "The first question you're gonna ask yourself is: 'Is it going to go soft on my watch?'"

He said Mr. Pichette was an unexpected choice, given his background running a major division of a large company. Mr. Simmons had assumed Google would look for a pure finance professional out of the technology industry.

Greg Sterling, internet analyst and founder of Sterling Market Intelligence, also said that Mr. Pichette was an unorthodox hire, particularly given Google's reputation as a laid-back, freewheeling Silicon Valley startup.

"I think there is a fairly stark cultural difference from Bell Canada and what he'll find at Google," Mr. Sterling said.

The hire suggests that Google is embracing its status as a blue-chip company, rather than the startup it was when Mr.

Reyes joined in 2002, he said. "Now Google is Madison Avenue. It's squarely mainstream. They're sort of reflecting that to the market."

Mr. Pichette will be paid handsomely to help Google make that statement, according to the offer letter the company filed with the Security and Exchange Commission. Should he complete his first year of work and earn his maximum bonus, he is due to earn more than \$2.1 million. That's a sizable pay bump from \$1.4 million he earned last year at BCE.

Mr. Pichette's net worth could climb considerably higher at Google when potential grants of Google stock worth several million dollars are taken into account.

Google offered him a base salary of \$450,000 and a \$500,000 signing bonus, to be followed by an additional \$500,000 bonus after six months of employment. He is eligible for an annual bonus of up to 150% of his salary, or \$675,000.

Mr. Pichette will have an option to purchase 11,112 Class A shares of the company's stock and an award grant good for 5,566 Google stock units. The Class A shares are priced at his start date of Aug. 1 and vested over four years. The grant of Google units is to be vested over four years, starting on the one-year anniversary of his start date.

In addition, Mr. Pichette is due two more grants of 910 shares each, with the first award coming after six months of employment, and the second due after one year of work. At Thursday's closing price of \$528, those two grants alone have a current market value of more than \$480,000 each.

Mr. Pichette is departing BCE as it struggles to close a pending \$52 billion buyout by a group of investors headed by the Ontario Teachers' Pension Plan. That deal has been held up by a legal challenge from the Canadian phone company's bondholders, but on June 20, the Supreme Court of Canada ruled the buyout can go ahead.

The court's decision overturned a May 21 Quebec Court of Appeal ruling that effectively killed the deal by ordering the company to consider the interests of bondholders.

Mr. Pichette joined the Canadian phone company in 2001 and is credited with updating its network and negotiating new labor agreements with its work force. Prior to joining Bell Canada, he was a partner in consultant McKinsey's telecommunications practice. From 1994 to 1996, he served as CFO of Canadian telecom company Call-Net Enterprises.

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