

Forming & leading **great** boards

A workshop for innovation CEOs
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What do I know about boards?

- Serve on two public company boards (NASDAQ: CWST, NYSE: IRET)
- As a CEO, led three corporate boards, including one startup
- Currently coach 8-10 innovation-sector CEOs on boards et al.

Agenda check

1. Where are you with your board?
 - a. Don't have one yet
 - b. Forming
 - c. Underway
 - d. Ready to shitcan the lot

2. What do you most want to know about boards?

Potential discussion flow

1. The job of a board
2. Your job on a board
3. When to form a board
4. Who should serve
5. Finding independents
6. Agendas, decks, & other key details
7. Board dramas (there will be some)
8. Final thoughts

What is the **job** of a board?

1. To look after the interests of all stakeholders in the company
 - a. investors (first & foremost)
 - b. customers
 - c. employees and others

That means ensuring financials are correct and prudent, company is within the law and acting with integrity, and major strategic decisions are consistent with the firm's commitments to its stakeholders

2. To support the company's management in running the company

These are two pretty different jobs

What else might they do?

Make introductions to customers, potential investors, key hires

Support key projects where they have particular expertise

- Interviewing a CFO
- Considering a new product direction

But remember the general rule for directors:

“Noses in, fingers out”

What is the **job of the CEO** on the board?

1. Help the other board members do their first job
 - a. Provide financial summaries
 - b. Gain & document approval for budgets and large-scale plans and projects
 - c. Show that your decisions around funds, equity, manpower are appropriate

2. Use their expertise to help build the business

When should you **form** a board?

- Usually between Seed and Series A rounds
- When the money gets serious
- When the investors get serious
- When you want to look serious

Who should serve?

- Lead investors, obv
- CEO
- Other co-founders, frequently
- Independent (usually just 1 in early stages)
- Size of board usually negotiated with major investors
 - 3 or 5 in most early stage firms
 - 9 to 11 in public firms

What do you want from an **independent**?

You want useful advice and, let's admit it, borrowed credibility

You want maturity, time commitment, ability to disagree with super-confident VCs

What's the area of greatest risk — the biggest unknown in your goal?

What topic, if part of an independent's credentials, would imply their confidence in your concept?

- Real estate social platform for developers: a major developer
- Software to help parents teach babies to sleep: a published pediatric expert

How do you **find and ask** a good independent?

- Early clients who love what you do; referrals and LinkedIn
- Suggestions from VC... but make sure you know what you need before accepting VC direction; this person is more important to you than them

Asking:

- Pitch your business as if it's a fund-raise
- Describe the goals & obstacles; ask if they can provide the help you need
- Explain board meeting schedule, offer recent decks if any
- Have investor support on what you can offer in equity and/or retainer
- Invite major investor(s) and candidate to meet each other as a next step

Details

Schedule	Maximum: monthly; typical: semi-monthly; minimum: quarterly
Agenda	Proposed in advance by CEO to Chair; once agreed, sent ahead along with presentation materials
Participants	Directors, observers (if any), CFO (if there is one), other senior management (selectively: some times and for some portions)
Motions	Prepared in advance, or sent around afterwards: approvals of budget, approvals of equity options, changes in legal structure or financing
Minutes	Prepared by CEO/CFO, and VERY short. ("Budget was presented. A discussion followed.")

Your board **deck**

- **Simple simple simple** - they read tons of them
 - Ordered to match pre-agreed agenda
 - Very few words
 - Biased towards structured info, not narrative: charts, tables, graphs
 - NO CLIP ART or anything else to make it pretty
 - Semi-standard format, to lessen cognitive load in reviewing it
- **High-quality**: no math errors, no typos — check & re-check it ruthlessly
- **Sent out in advance**: at least 24 hours, better 3-4 days ahead
- **Preserved as part of the company record** (required in DD later)
- **Pro tip**: Ask investors for sample board decks they like; ask other CEOs for sample decks (and offer yours in return)

Sample **agenda** page for a quarterly session

1. CEO's headlines/scorecard (*one page*)
2. P&L for quarter just ended
 - a. Vs. plan, & vs. forecast if you had one
 - b. Include cash position, headcount
3. Key metrics review
4. Discussion topic 1
5. Discussion topic 2
6. Other board business
7. Wrap-up
8. Appendix (motions, balance sheet, collateral, etc.)

Board feedback, direction, input

Boards want to help. Lacking direction, they will be all over the place

- Cue them where you need it (“I’d like to do the monthly update quickly, then get the product strategy question I need help with.”)

Still too much? Are they **ordering**, or just **suggesting**?

- Don’t defend, don’t argue (“Thanks, that’s intriguing...”)
- Take good notes and think it all over afterwards
- Summarize input in post meeting email (“Here’s what I heard:”)
- Come back for details, update them on what you decided to do

Board **dramas**

- Disagreements: how serious?
- Super shitty news
- The security of your job as CEO

Big picture

Your board should be a resource, not an adversary

- If it's feeling adversarial, don't avoid: seek to take things down a notch

Never deliver big bad surprises in the meetings

- Under-promise, over-deliver

Stay in touch with directors in between meetings

- Socialize big issues individually
- Let them know how something worked out that they advised on
- Send fun updates on key wins, milestones, beating numbers

Final thoughts

A good board is an **asset** to you, since you don't know it all

A good board helps **professionalize** your company as you seek further financial and commercial support

Running a board isn't something you can do at the **last minute**

Respect their time, plan ahead, bring quality to the meetings, invite their help, ask for feedback, be appreciative