

Effective Startup and Emerging Company Boards



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Startup Boards



Boards for startup companies can either greatly aide the success of a company or can deeply speed their demise....



Setup – some definitions



- **Startup**

- “A temporary organization designed to search for a repeatable and saleable business model who’s founders desire to change the world.”

- **Startup Board**

- “A group of experienced mentors and coaches who's focus is clearly on helping the founders succeed in that mission.”

- **Board Meetings**

- Board meetings should not be operational reporting sessions with information flowing one way. They should not be for the benefit of the Board. They should be for the benefit of the CEO and the senior team. (Fred Wilson – Union Square Ventures – NYC)

The Situation



75% of Startups Fail



They fail when they have run out of money



They run out of money when they lack the progress or results to raise more



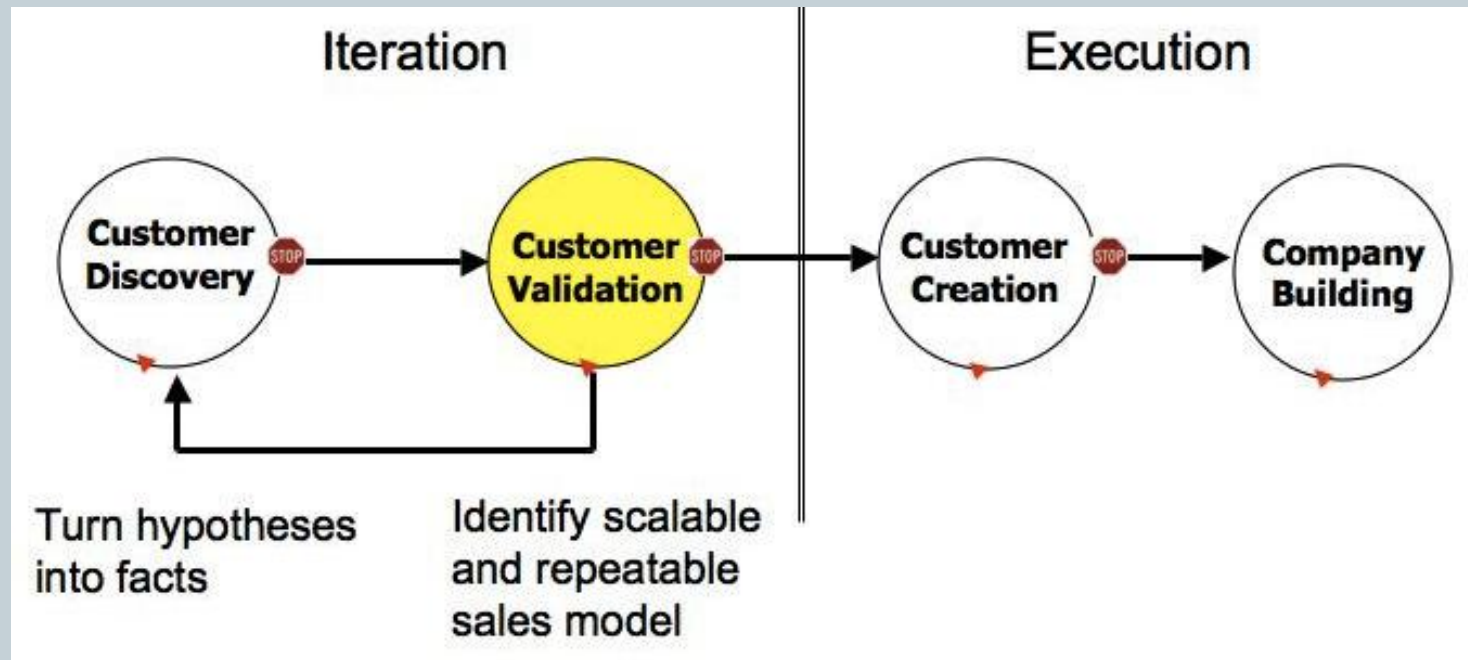
Generally that is because they were ineffective at achieving customer validation and customer development fast enough

What is Customer Development?



“Most startups fail due not to the failure of product development but due to the lack of customers”

Source: Steve Blank www.steveblank.com



Build, Measure & Learn... repeat

Startup Formula



Great Idea + Fantastic Team + Execution

Time as a function of money

Startup Formula: So what can a board do to help?



Help
drive lean
startup
practices

Help find,
select,
recruit &
coach
team

Help
apply best
practice
tools and
learning's

Great Idea + Fantastic Team + Execution

Time as a function of money

Help CEO
manage
scare
resources

How can a board hurt?



Providing bad advice or strategy du jour



Making inappropriate decisions



Grand standing or driving outcome that only serves their financial interests



Requesting projects and follow up that is a distraction



Being complacent to lack of progress or poor leadership



Making board preparation a huge time sink for team



Being a rubber stamp

Startup Board – What do you really want?



Mix of skills, experience and backgrounds



Strong operational experience and bias



Experience in helping create successful startups



Balance of founder, financial and independent directors



Mature, objective team players



A board large enough to provide real value as coaches and small enough to be effective

The Lean Start up Board



- Board aligned on lean startup model, customer development process, and stage appropriate metrics
- Board makeup with right mix of skills, experience and sector knowledge
- Board focused on using meeting to:
 - Expose appropriate metrics and progress
 - Discuss key strategic and tactical decisions
 - Focus on validated learning
 - Actively discuss when to pivot in any element of strategy
 - Provide coaching, ideas and feedback to management team
- Meeting frequency appropriate to supporting fast decisions and iterations (monthly at first, at least)
- Efficient, focused discussions, 2-3 hours max
- Board meeting is an interactive discussion focused on key challenges, strategies and decisions

Sample Board Meeting Agenda



- Administrative
- Exec Summary of Meeting Content (1page)
- CEO Update
- Key Metrics Review
 - MVP Status & Roadmap
 - Lean Startup Validation Board
 - Customer Development Metrics (AARRR.....)
 - Key Experiments Log & Outcomes
 - Business Model Canvas Review
- Operations Updates:
 - Finance Update
 - Sales/Partner/Channel Update
 - Development Update
 - Marketing Update
 - Patent Update
- Strategic Discussion
- Closed/Executive Session

Lean Startup Machine



lean**startup**machine

Validation Board

Project Name
How's the UX

Team Leader Name

Track Pivots	Start	1st Pivot	2nd Pivot	3rd Pivot	4th Pivot
Customer Hypothesis	Boot-strapped startup founders				
Problem Hypothesis	Cannot find or hire UX experts				
Solution Hypothesis					

Design Experiments

Riskiest Assumption

Have trouble finding and paying for UX experts

Exploration

Need 6/10 Yes

GET OUT OF THE BLDG

Core Assumptions

Assumption

Assumption

Invalidated		Validated	
1	2	1	2
3	4	3	4
5	6	5	6

www.ValidationBoard.com ©2012 LeanStack, the first. Please don't use it and use money without consulting a consultant, or attorney, or lawyer, or any other company (the latter not to blame if found)

Customer Development Metrics (AARRR....)



Acquisition

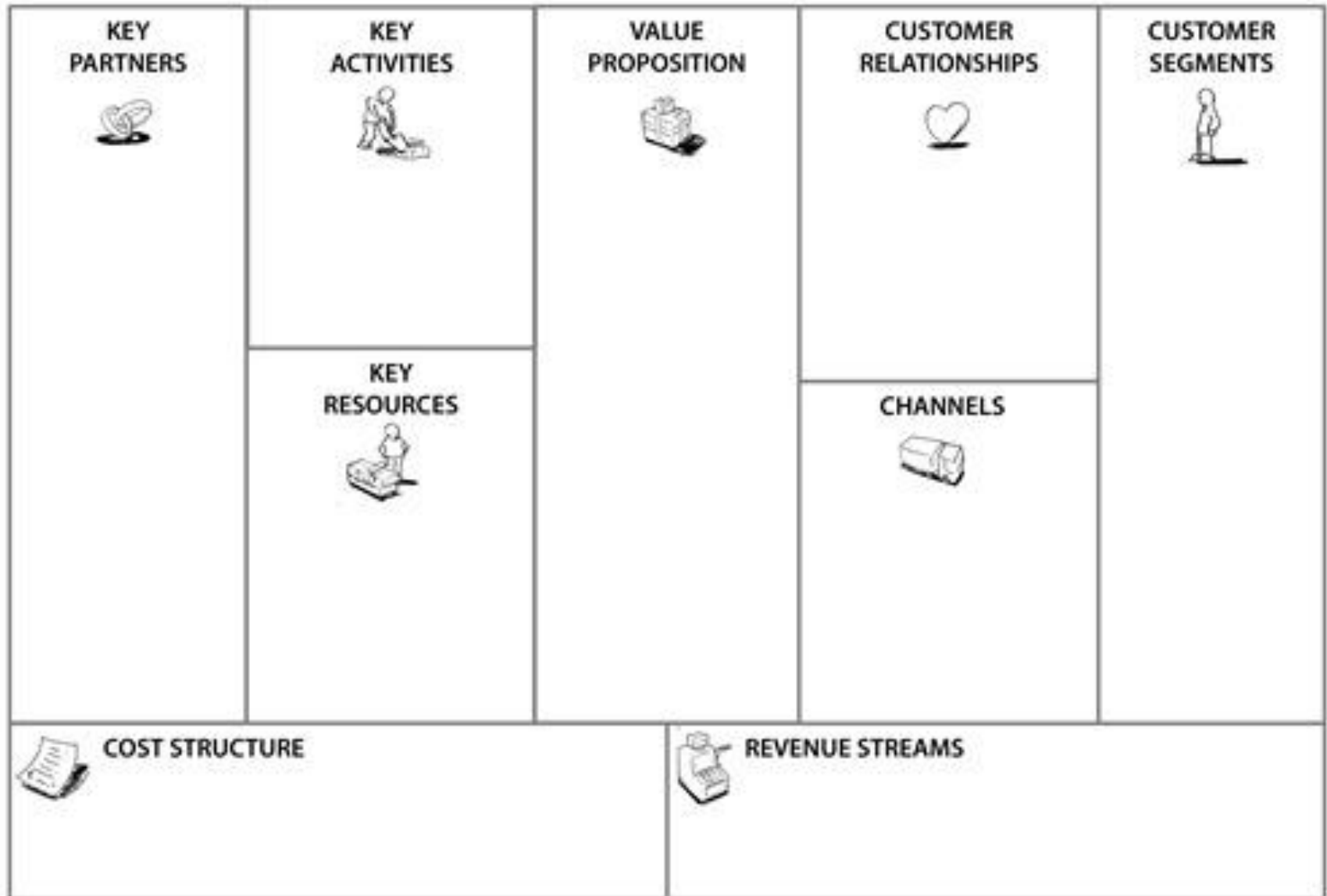
Activation

Retention

Referral

Revenue

Business Model Canvas



Difficult Startup Board Issues



- Transparency – Do the founders and CEO plan to use the board effectively or just manage them effectively? “The monthly dress up show” situation
- Conflicts of Interest:
 - Financial terms, strategy, partnerships
- Conflicts of Personality
- Conflicts of Perspective & Experience
- VC behaviors

Startup Board Challenges – How can you influence these factors?



- Board member lack of experience on roles, process, appropriate discussion, measurement/tracking, etc.
 - Don't confuse having money with being right this time
- Natural conflicts between founder board members and investor board members
- Entropy of discussion
- Ego, grandstanding, arrogance, filibustering, etc.
- Lack of preparation or process
- Breakdown of meeting due to absent, late or departing early attendees

Startup Board Makeup



- **Size**
 - 3 – 9? What is the right number
- **Representation**
 - Founders
 - Common shareholders
 - Investors
 - Independent members (and who are they independent of?)
 - ✦ Experts vs friends
- **Leadership**
 - CEO or chairman
- **Committees**
 - Compensation
 - Audit
 - Special Committees

Board Meeting Preparation



- **Before the Meetings:**
 - Communicate with board members one on one regarding key issues to be discussed
 - Distribute agenda, board materials and pre reading materials
 - Preparation of Resolutions & Summaries
- **During the Meetings:**
 - Drive agenda
 - Keep board focused on key issues
 - Allow and facilitate discussion
 - Reserve executive sessions for CEO feedback, etc.
- **After the Meetings:**
 - Action Items
 - Minutes
 - Feedback and Best Practices
- **Reference:**
 - The Practitioner's Guide to Building Efficient Board & Committee Processes: What Really Needs to Happen Behind the Scenes by Mark Roellig

Role of the Attorney



- Board Set Up
- Oversight of Planning & Preparation Process
- Adult Supervision in Meeting
- JUDGEMENT
- Follow up
- Driving the Process to Resolve Problems

Key Takeaways



Pick the right coaches



Really focus on Lean Startup Board practices



Don't try to build a startup with big company board practices



Invest the time in advance to make the meetings really helpful and productive



Deal with problems early – no time in formula for distraction

Thank You



Questions?

References



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