

Recruiting & Managing a Board

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Agenda

- ▣ Goal of Boards
- ▣ Types of Boards
- ▣ Recruiting Great Board Members
- ▣ Board Process – Flipping the model to make it useful for you
- ▣ Committees

Goal of Boards

Fiduciary Duty

- Fiduciary Duty is to represent all shareholders – smallest to largest
 - Is this in the best interest of "all shareholders"
- Vote their specific shares
 - Represent common or preferred as a group
- Approved at Annual Shareholder Meeting (put that on your calendar as well, check Bylaws)

Support the CEO & Company

- You are the CEO – you report to the Board, however, they are not your day-to-day boss
- You recommend, they look for blind spots
- Nose in – Fingers out
- Quarterly meetings, with regularly communications
- More frequent with pending topics (fundraising, deal, closing, etc)
- Coach: You and your team

Value to you

- ▣ Time is a forcing function:
 - ▣ Did you hit deadlines?
 - ▣ Are you still focused on the same tasks
 - ▣ If something changed, what and why
- ▣ Experience
- ▣ Therapist

Types of Boards

Boards are People

- ▣ Advisors operate independent of formality – it's a good place to start and not scary
- ▣ Starts 1:1
 - ▣ Come and go – establish value and chemistry
- ▣ Transitions to Board
- ▣ Executive Chair – member that acts as Chair, runs the meetings, sets the agenda (might be external)

Advisory Board

- ▣ Advisory Board has not legal/fiduciary duty
- ▣ Usually to support product, add creditability or test candidates for being solid BOD members
- ▣ Expectations and Milestones need to be documented – no FREE Stock -
- ▣ Advisory Agreements
 - ▣ Fl.co [FAST advisory docs](#)

BOD

- Odd number – includes CEO/Founder
 - 3 or 5 – Avoid 7 until mature rounds
- Appointed as part of a fundraising round – Angel or VC
 - Generally no economics – cost to the fund
- Independent Board member
 - Options – >than Advisory Board, still stage/experience dependent
- Travel costs to be discussed

Board Makeup

- Should co-founder(s) be on the Board?
 - At start, yes, you will fill three roles: President, Treasury and Secretary
 - Can change over time
- Should other exec members be on the Board?
 - Not usually – no hard and fast rules, but generally you have 100% of that person's attention without adding Board duties

Board Meeting Attendees

- ▣ CEO
- ▣ Board
- ▣ Board Observers – previous rounds of investors
- ▣ Counsel
- ▣ Key executives that are presenting

Board Comp & Terms

- ▣ Options if you're Venture Scale
- ▣ Cash if the company won't exit
- ▣ How much Equity – varies on stage and skill
 - ▣ Co-Founder
 - ▣ Board Member
 - ▣ Advisor

	Idea Stage	Startup Stage	Growth Stage
Standard: Monthly Meetings	0.25%	0.20%	0.15%
Expert: Add Contacts Projects	1.00%	0.80%	0.60%

Board Terms

- ▣ Usually perpetual to start
- ▣ Move to three year with staggered end dates (Year)

NOTE: Zone of Insolvency

- ▣ If your company can't pay your bills/payroll/
- ▣ Role shifts from shareholders to creditors

Recruiting a Great Board

Types of Board Members

- Industry Experience – but they won't be your VP Sales or Marketing
- Board Experience – stage appropriate
- Filling a Gap Experience – what don't you have on your exec team you could use? Strategy, Marketing, Sales, etc.
- “Brand Names” – these generally have a shelf life
- Watching their Money

Recruiting

- ▣ Spend time getting to know them – don't rush
- ▣ Get references from other CEOs
- ▣ Test Advisory Board role first before BOD
- ▣ Communicate expectations

- ▣ Don't get someone that just validates you – need to add value

Diverse & Inclusive Teams

- ▣ Lay your foundation with your Independent Board Member
- ▣ Female Ready Board Members
 - ▣ [Him for Her](#)
- ▣ More diverse and inclusive teams produce better results. That starts with the Board.

Board Process

Mechanics

- Quarterly meetings
 - Schedule the year in advance
 - In Person/Phone optional
 - Quorum

- Monthly Updates
 - Financials
 - Narrative: What you thought, what you learned, what you're doing about it

- Calls/Lunches - as needed

Two approaches to the meeting

Read the Deck

- ❑ Don't prepare in advance
- ❑ Laundry List of everything you've been doing
- ❑ Read the deck to the Board
- ❑ Two+ Hour Monolog

One (Two) Big Topic(s)

- ❑ Requires the Board to be prepared
- ❑ Public shaming if not
- ❑ Questions are asked and answered in advance
- ❑ Get feedback on one or perhaps two big topics

Quarterly Mechanics

- 7 days prior
- Google Doc/Slides
 - Agenda
 - Narrative with links (Doc)
 - Comments available – not editable. Tag @Name with questions
 - Slides
- Financial Packages – prepared by accountant
 - Income Statement
 - Balance Sheet
 - Budget – Forecast to Actual

Quarterly Mechanics, Cont.

- ▣ Cap Table/Options available
- ▣ Important things you're not doing now list
 - ▣ Great Ideas come up all of the time
 - ▣ From you, the team and your Board
- ▣ Quarterly Milestones
 - ▣ Past
 - ▣ Future

Quarterly Planning Worksheet

	A	C	D	E	F	G	H	I	J
1	Quarterly Milestones	Priority (ABC)	Impact (HML)	Q1 2021	Priority (ABC)	Impact (HML)	Q2 2021	Priority (ABC)	Impact (HML)
2									
3	Marketing Customer Acquisition (Owner)								
4									
5	Marketing Budget			\$4,500					
6	Marketing Channels			Trade Show					
7	New Marketing Qualified Leads			22			30		
8	Leads passed to sales								
9	Return on Adversiting Spend (ROAS)								
10	LTV:CAC Ratio			4.7			5.1		
11									
12									
13	Sales (Owner)								
14	Reps headcount								
15	SDR/Customer Success headcount								
16	New Sales Qualified Leads			8			10		
17	New Closed Customer			2			3		
18	Time to Close								
19	Average Contract Value (ACV)								
20	Repeat Customers			4			6		
21									
22	Revenue (Owner)								
23	Billings			Revenue Splits					
24	Major Accounts								
25	Collections			Day Sales Outstanding (DSO) how long from billing to collections					
26	Churn (lost accounts)								
27				MRR					
28				ACV trends					
29	Growth from prior quarter			16.00%					
30	Total (quarter ending run rate)			\$ 212,000.0			\$ -		\$
31	Product/Services								
32	Maior releases								

Meeting Agenda (Flipped)

- ▣ Big topic - What we need
- ▣ Next meeting dates
- ▣ Admin - Approvals of previous minutes, options, etc.
- ▣ Brief Update
 - ▣ Narrative Review, Financial, Product, People
 - ▣ What we thought, What we learned, What we're doing about it (emphasis here)
- ▣ In Camera – Just Board for CEO Feedback
- ▣ Executive Session – Board + CEO and Feedback

One Big Topic – What you Need

- ▣ Context and background to the topic
- ▣ What is the one big thing you need help with this quarter?
 - ▣ Product, Hiring, Fundraising, Selling, etc
- ▣ What do you need the most help with?
- ▣ Who can they introduce you to?

Board Minutes & Resolutions

- Two types of minutes
 - Practical – where you start with the Agenda and add your action items and decisions are documented
 - Legal – will come along later “significant discussion was held”
- Taken by one member – not CEO, Lawyer should do it for free
- Distributed as DRAFT immediately following Board Meeting, ask for feedback

Important things we're not doing now List *

- Make a list of great ideas that you are not currently pursuing
 - Pull the list forward from meeting to meeting
 - Won't forget them!
 - Stop talking about them!
 - Applies to Board Members as well

- What can you take on this quarter? Next Quarter? Next Year? Given current constraints

* Shout out to T.A. McCann

Executive Session & In-Camera

- After the main session
 - Executive Session - Board and CEO only
 - Actions are noted – minutes are "light"
 - Happens after each meeting – leave enough time
 - In-Camera
 - Board talks w/o the CEO
 - Happens after each meeting
 - Consolidated feedback to the CEO during Exec Session

- Always – so when it has to happen it's not new

Committees

- Compensation
 - All Board
 - CEO comp
 - Bonus amounts – not to level of detail as CEO

- Audit
 - Everyone

- Special
 - M&A

Resources

- ▣ Board Compensation [blog](#)
- ▣ Founder Advisory Standard Agreement [Template](#)
- ▣ Board resources [blog](#)
- ▣ Quarterly planning spreadsheet [doc](#)

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