

Establishing and Working with Your Board

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IQ VS EQ

Ego vs Humility

It's not about what you do, but it's
about how you do it

It's not about what you say, but it's
about how you say it

What is a Board?

A **board of directors** is a team of people elected by a [corporation](#)'s shareholders to represent the shareholders' interests and ensure that the company's management acts on their behalf.

Statements about a Board and Board Members

Do you agree or disagree?

Before reaching out to a board member on a significant issue, you should gather all of the facts and be prepared to provide a recommendation

- You don't want a Board member to find out something significant from someone else.
- You don't need to have all of the information; however, you need to have a plan for how you're going to gather relevant information – **credibility and foresight**
- Examples: CTO resigns, hear that a large customer is pulling their business, receive a notice of patent infringement, employee notifies you that she's being sexually harassed, receive inbound interest on fundraising

Your Board members will make a lot of management decisions

- Actually, your Board will make very few management decisions:
 - making acquisitions
 - selling the company
 - create stock-option policies
 - establish executive compensation packages
 - hiring/firing the CEO
- What is the most important one? CEO!!!
- Maintain control of your Board
 - Be very careful when selecting an Independent Board Member
 - Take the Board seat negotiation very seriously
 - 5-person Board (2 Common, including CEO, 1 Independent, 2 Preferred)
 - with 2 founders

The most extensive discussions related to Board-related decisions will take place in the Board meeting

- Actually, the start of all key strategic topics should happen outside of the Board meeting.
- The different perspectives being shared at the Board meeting should surprise no one.
- The Board meeting should be used to further refine such thoughts and confirm the intended path.

Board members make decisions on behalf of all shareholders

- Fiduciary duty – highest standard of care
 - Duty of care: act in good faith and believe that actions are in best interests of company
 - Duty of loyalty (business judgment rule) – may not engage in self dealing
- Preferred stock vs. Common stock can create inherent conflicts
 - Timing of a sale
 - Terms of a fundraising

To fill your non-Founder Board seats, only seek out people who know your industry very well

- Board members should have unique and strong complementary skills.
- Industry, fund-raising, recruiting, strategy.
- Having one Board members that is a subject matter expert in your business is typically very helpful.
- But sometimes, functional expertise can be sufficient (i.e. strong at SaaS sales and marketing but doesn't have experience in the specific industry.)

There is an optimal format for Board Meetings

- Who attends?
 - Some CEOs have other business leaders in the company attend and/or present
- What is presented?
 - Some CEOs have a word doc with a few bullet points
 - Some CEOs have the “40 page deck”
- How long is it?
- Is there a social element?

There is an optimal way of communicating with Board Members

- People digest information in different ways.
- Some Board members will rely on email. Some won't read it.
- Some want to have a discussion. Even then, some may prefer a phone call while others may prefer to meet.
- Some may want email and then a call.

Summary

- Open, honest and timely communications with Board members are critical
- You make the day-to-day management decisions; board members provide advice (with one major exception)
- Most significant business discussions with Board members happen outside of the Board room
- Board members may have competing interests while being a fiduciary
- Leverage your Board members for their strengths, which may not be industry knowledge
- Identify the objective of each Board meeting and customize the format accordingly
- Understand how your Board members digest information and customize communications accordingly