



# MYTHS ABOUT BOARDS

And Ways to Make Them Work





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## **Myths about Boards with Investors and Entrepreneurs**

**Steve Grizzell, CEO InnoVentures Capital**  
BS, M.Ed and MBA. SBA licensed venture capitalist, Angel investor and  
venture debt provider.

**Made over 200 investments totaling over \$20 million. Started two  
venture funds with assets of \$23 million – 16 years of venture capital  
and angel investing.**

**Peace Corps Volunteer – Philippines - 2 years**  
**US State Department – managed Indonesian refugee camp - 18 months**  
**Started oil services company in Indonesia - 2 years**  
**International Development Consulting projects in Egypt, Morocco,  
Norway, Romania, Slovakia, Poland, Jamaica and Trinidad**

# My Experience on Boards

- I am not talking about all boards
- Not large corporate boards, non-profit boards or boards of advisors
- Boards for early growth stage companies with investors.

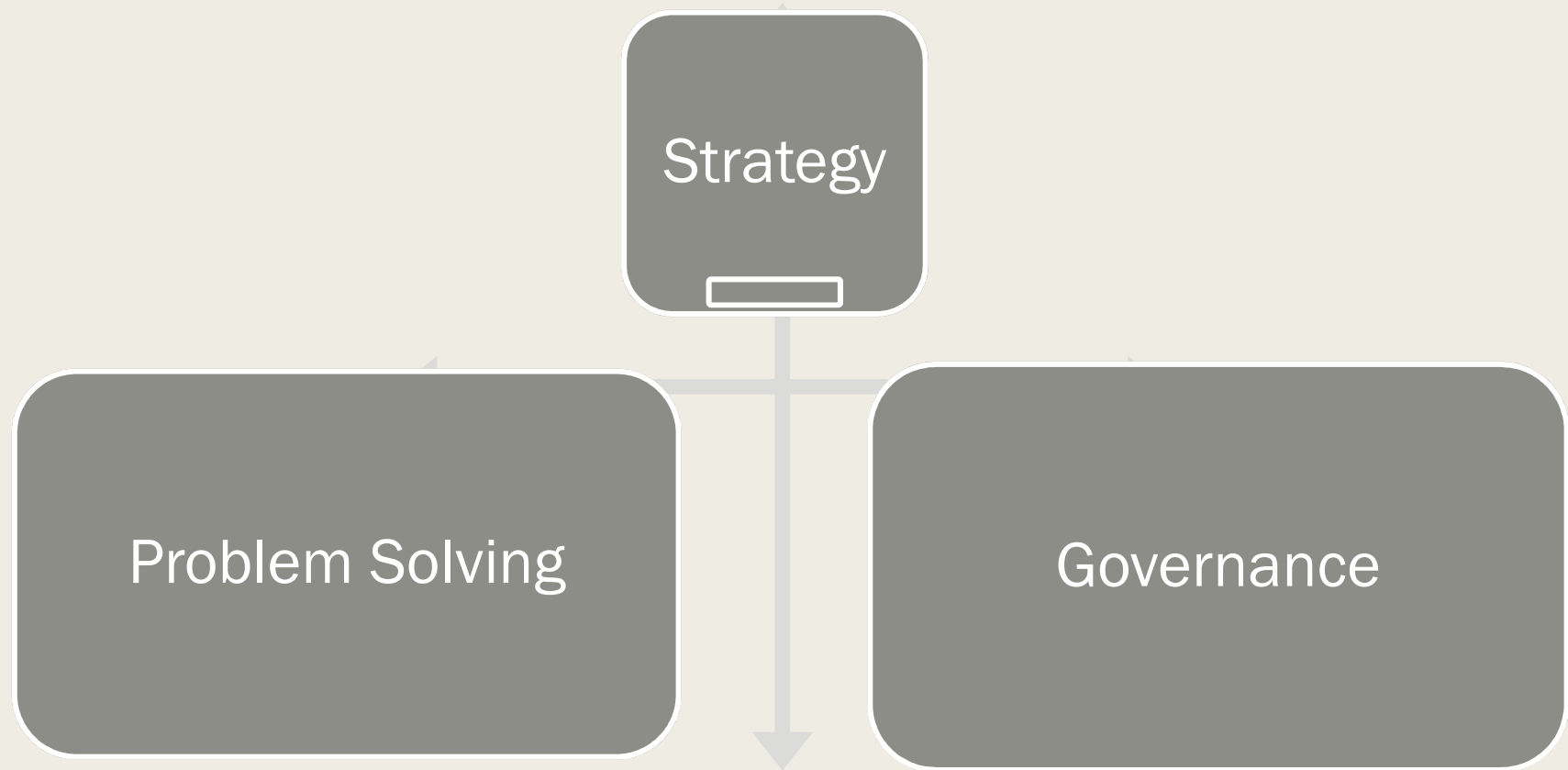
# What is Your Experience with Boards – I really want to know.

- How many of you have been on boards?
- Describe the board a little.
- What percentage of Boards that you have been on are good?

My Question: After over 200 investments, I asked, Why is the communication with investors and entrepreneurs so bad?

- “ *“I don’t know why the board just watched the company go bankrupt”* ”
- *Stanford MBAs*
- *“Arrogance, Fear and Greed”*

# Board Role Matrix: What's the Point of a Board?



# Problems with Best Practices for Boards

## 3 Best Practices for Early Stage Boards

So, to summarize, here are three best practices that all boards should follow:

1. Think about the board in terms of skills. Draw a map and make sure you have the key skills covered. Make sure you fill all board seats. Having another pair of hands to guide a company to success is very helpful. *I just want more money from investors and introductions to new customers.*
2. An annual board assessment can be quite valuable in your quest to build a great board. *Pissing off investor board members*
3. You should have high expectations for you board, just like you do for the management team. *They invested in an entrepreneurs for the CEO to do the work. How many hours a week is realistic to expect of Board members?*

**WHEN PEOPLE TELL ME "YOU'RE  
GONNA REGRET THAT IN THE MORNING"**

**I SLEEP IN TILL NOON,  
BECAUSE I'M A PROBLEM SOLVER.**





## Myth #1: Boards are for Problem Solving!

- How much time does a board member have? (Investor availability vs Entrepreneur Expectations)
- Should the entrepreneur share problems?

Myth #2 Board members are interested in rolling up their sleeves and working to make the company successful

- The expectations versus the reality of the angel investor and venture capital investor
  - Passive income
  - Venture partner dynamics

Myth #3 Open communications with your board members is the key.

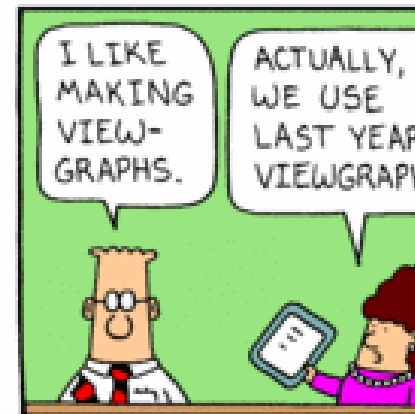
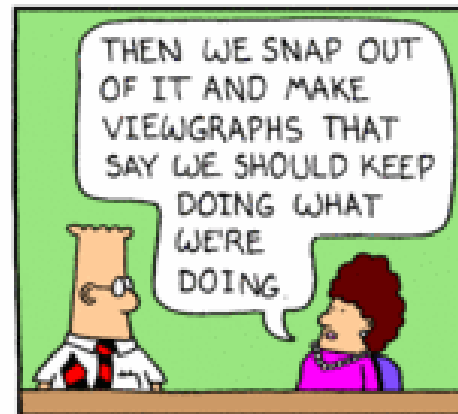
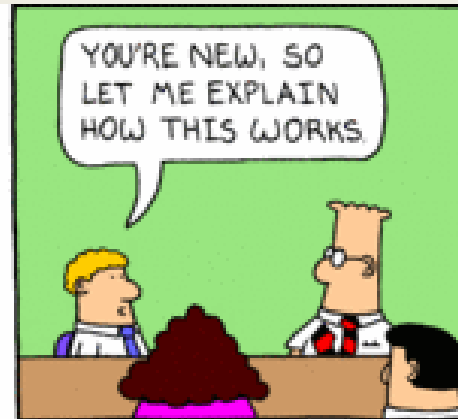
- Directors used my problems against me to fire me”
- You answer the person not the question



- Unengaged boards that just review financial statements and budgets. Governance myth

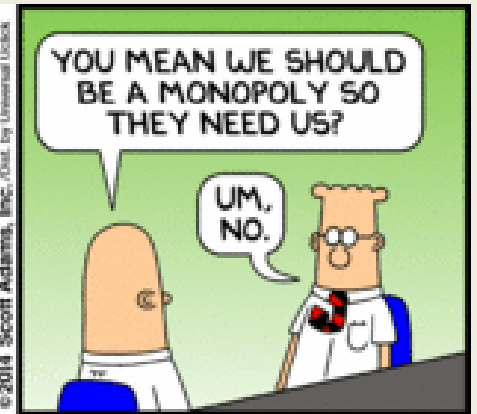
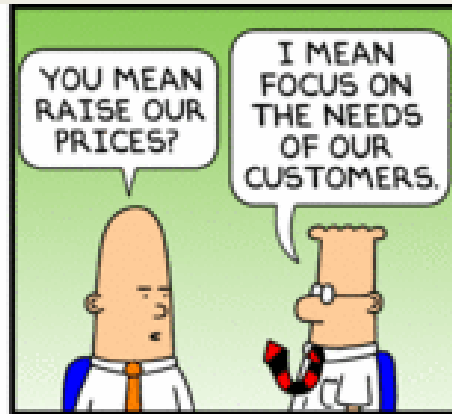
## Myth #4 Boards are just for governance

- strategic direction, capital allocation and return of capital, and executive compensation – all really governance issues.
- What does strategic direction mean?
- The good lawyer on the board



Myth #5 Boards that use formal planning tools like Lean Startup, etc operate better.

- SWOT analysis, KPIs, Lean Startup, Nail It Scale It and MOKRs.
- The tools are irrelevant because unless the people using them have different agendas and the company's culture.



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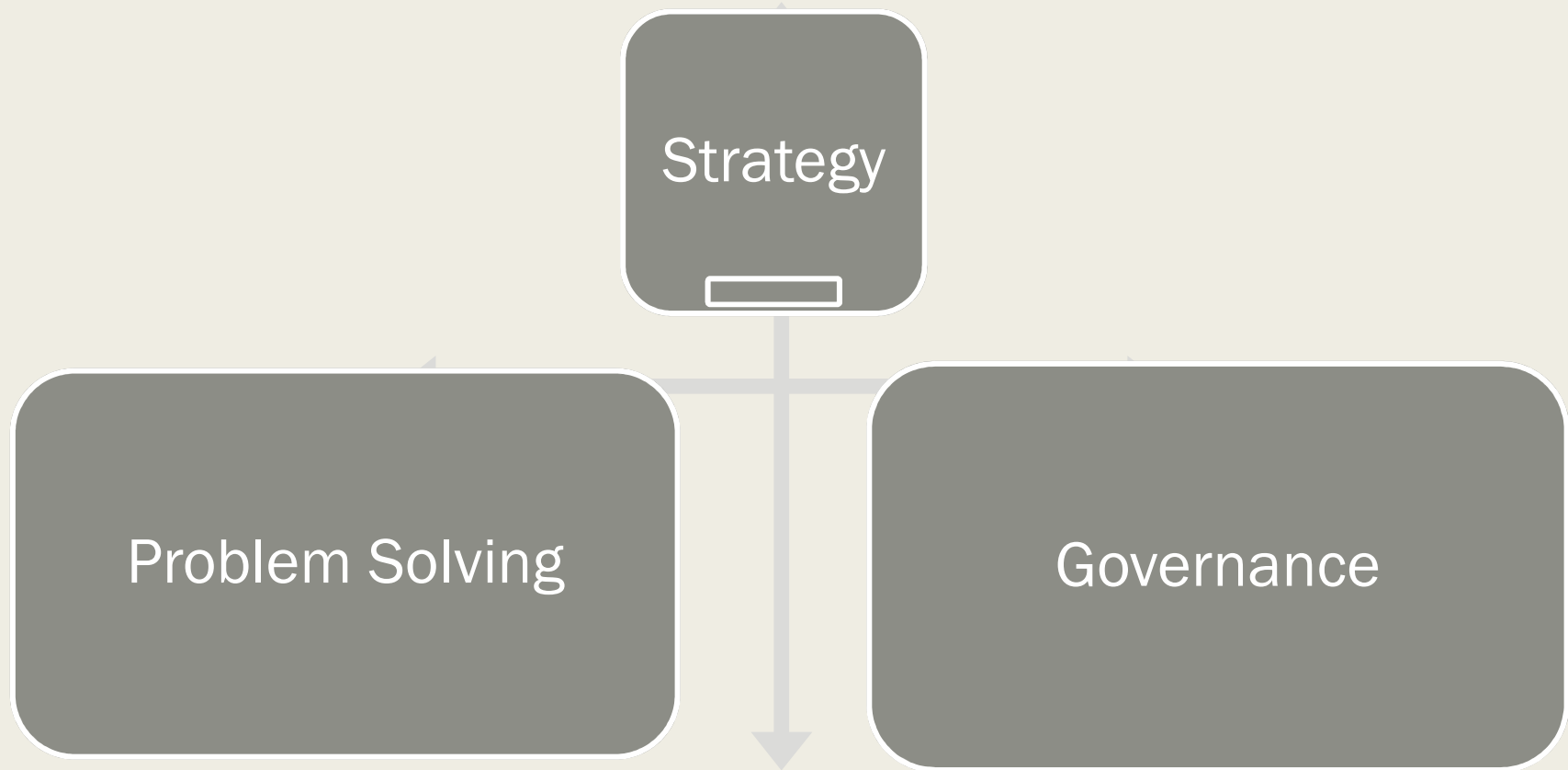
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# Board Role Matrix Where do you want to position your board?



# How to make things better

- Get the board and management to define clear expectations of what the board should do.
  - Use a matrix that shows the combination of problem solving, governance and strategy that you and your board want.
  - Then use problem solving tools to agree on priorities and strategy

# What is Governance?

- Is it more than having the board keep management from screwing the investors and staying legal?

# What is Strategy?

- Is the Board's role just to make sure that management doesn't come up with a stupid strategy?

NOW LET'S OPEN THE  
FLOOR TO SUGGESTIONS  
FROM PEOPLE WHO ARE  
UNQUALIFIED TO DO  
THEIR OWN JOBS, MUCH  
LESS MINE.



# How Do You Problem Solve When the Investor Board Members Aren't Experts?

- Using Something Like a MOKR

## Create a dashboard with KPIs

- It can be really hard to identify what are the most important problems and assumptions that need to be addressed. “We will get a profitable contract.”
- It is also really hard to identify what should be done to solve problems and how to measure it. “I will make 50 phone calls per day.”
- The “Sand Bagging” KPI strategy
  - *Is this deception?*

# Communication Skills and Culture

- Not listening, interrupting and thinking about what they are going to say next
- Not calling people on their behavior –  
“Corporate Games – like Hunger Games”



# Summary

- Few of us have been trained for being on a board
- Expectations are misaligned
- Communication with integrity is really hard
- Good boards know why they are there