MYTHS ABOUT BOARDS

And Ways to Make Them Work
Myths about Boards with Investors and Entrepreneurs

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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?
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 your 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
I'm putting you on the strategic planning team.

It's like work but without the satisfaction of accomplishing anything.

You're new, so let me explain how this works.

We have meetings and talk about the company's strategy in vague emotional terms.

In time, we convince ourselves that we're more than mediocre thinkers who sit around complaining.

We start believing our opinions will steer the company. We feel important. We feel ALIVE!!

Then we snap out of it and make viewgraphs that say we should keep doing what we're doing.

I like making viewgraphs.

Actually, we use last year's viewgraphs.
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.
I WELCOME ANY INPUT ON OUR CORPORATE STRATEGY.

I THINK WE NEED TO BE MORE CUSTOMER-CENTRIC.

YOU MEAN RAISE OUR PRICES?

I MEAN FOCUS ON THE NEEDS OF OUR CUSTOMERS.

YOU MEAN WE SHOULD BE A MONOPOLY SO THEY NEED US?

UM, NO.

WE SHOULD FIND OUT WHAT THEY NEED AND THEN GIVE IT TO THEM.

THEY NEED TO BUY OUR PRODUCTS.

THEY PROBABLY DON'T.

SO YOU'RE SAYING OUR MARKETING CAMPAIGN SHOULD USE PSYCHOLOGICAL MANIPULATION TO MAKE PEOPLE THINK THEY NEED OUR PRODUCTS.

YOU FINALLY HAD A GOOD IDEA.

I'M GOING TO STOP TALKING NOW.
Board Role Matrix  Where do you want to position your board?

- Strategy
- Problem Solving
- Governance
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