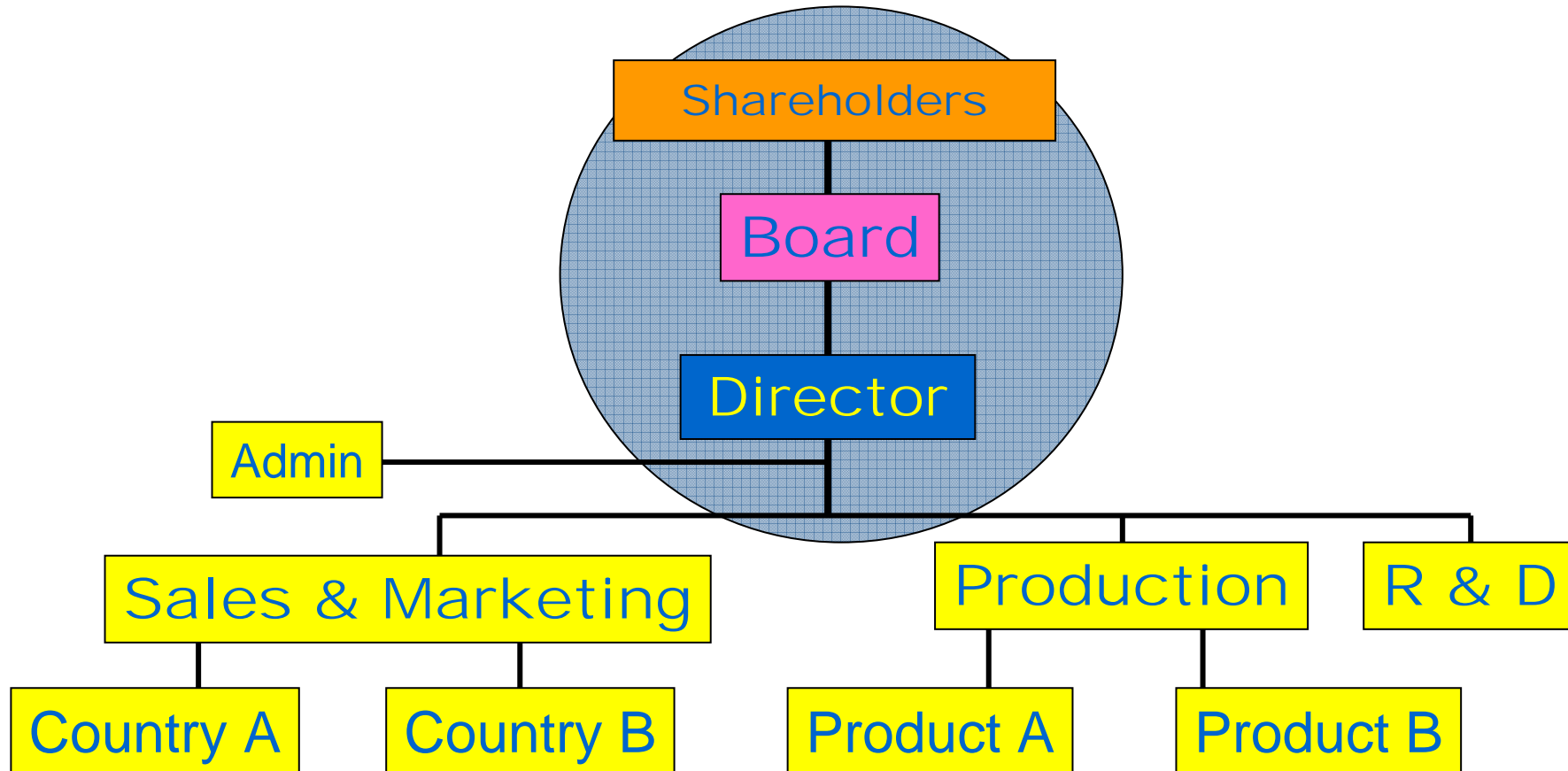


MANAGING a High tech Start-up



MANAGEMENT is --- impacting peoples' behaviour!
--- the Noble Art of ---
---- achieving Results ---
--- by means of *OTHER PEOPLE*

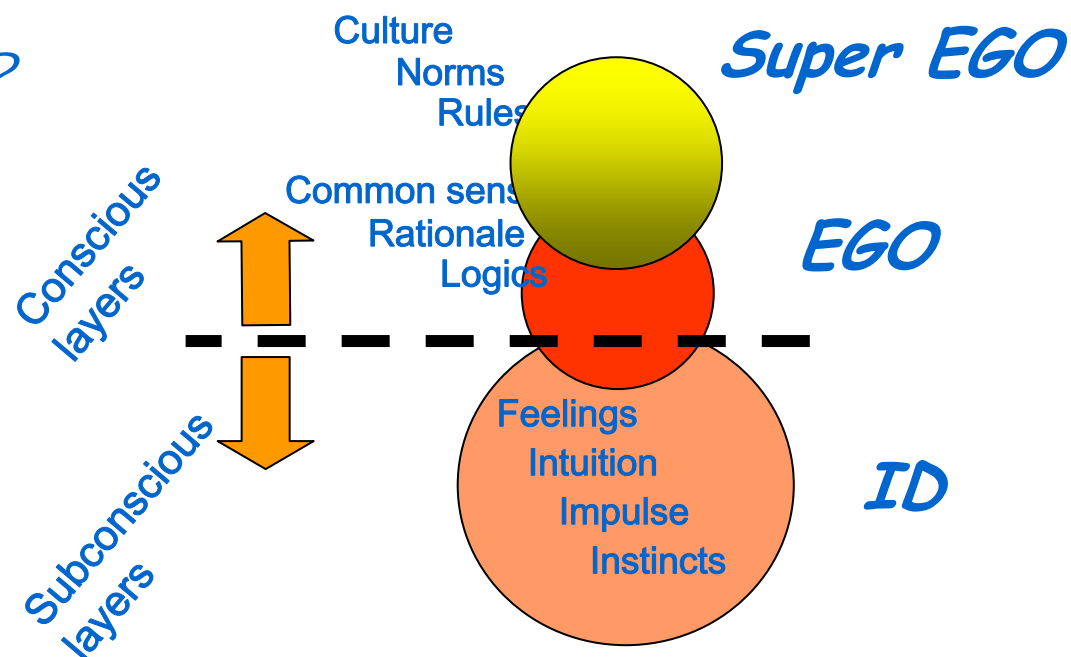


Man's Behaviour is a Result of --- CONTEXT!

Sigmund's Personality Model

*What is sensitive
to CONTEXT?*

How sensitive?



Milgram's Obedience Study:
What proportion of a group of normal adults would voluntarily deliver whatever they believed to be a fatal electrical shock to another human being?

65%



Integrity is rare in humans

Leadership: *Create the Appropriate CONTEXT*

1. Develop and maintain **corporate values** like honesty, trust entrepreneurship, good behaviour, social responsibility - **and a sense of business and profit**
2. Set the course = combine values with **realistic and logic objectives** that are easy for everybody to act upon => develop a corporate culture with a high degree of self governance = set realistic winning criteria
3. Make People feel good and appreciated – with career options
4. Corporate culture needs continuous maintenance and development
5. **Set your team:** be specific when hiring (and firing)
6. Set the standards by being **a role model yourself**

Personal preconditions for being a good manager:

- a. *Integrity*
- b. *Some intelligence*

Management: *competencies and routine*

- **Expert on the business system** – ”get your company up under your skin”. It is about developing a routine that allows you to understand and act upon information about
 - **Sales**
 - **Economics** – in particular cash flow and cash in hand
 - **Human resources**
 - **Logistics**
- **Manager in your own right** – one to respect and trust and with a clear understanding of the situation of your company : short term and long term. (*The crew appreciates a skilled captain*)

The Entrepreneurial Manager

Managerial challenges in a venture backed start-up

The five stages of organizational development

1. Creativity/enterprise
 2. **Founding**
 3. **Delegation of Authority**
 4. Coordination between various parts of the organization
 5. Cooperation between various parts of the organization
-
- A. Transition often released by pressure/obvious necessity
 - B. Transition => crisis

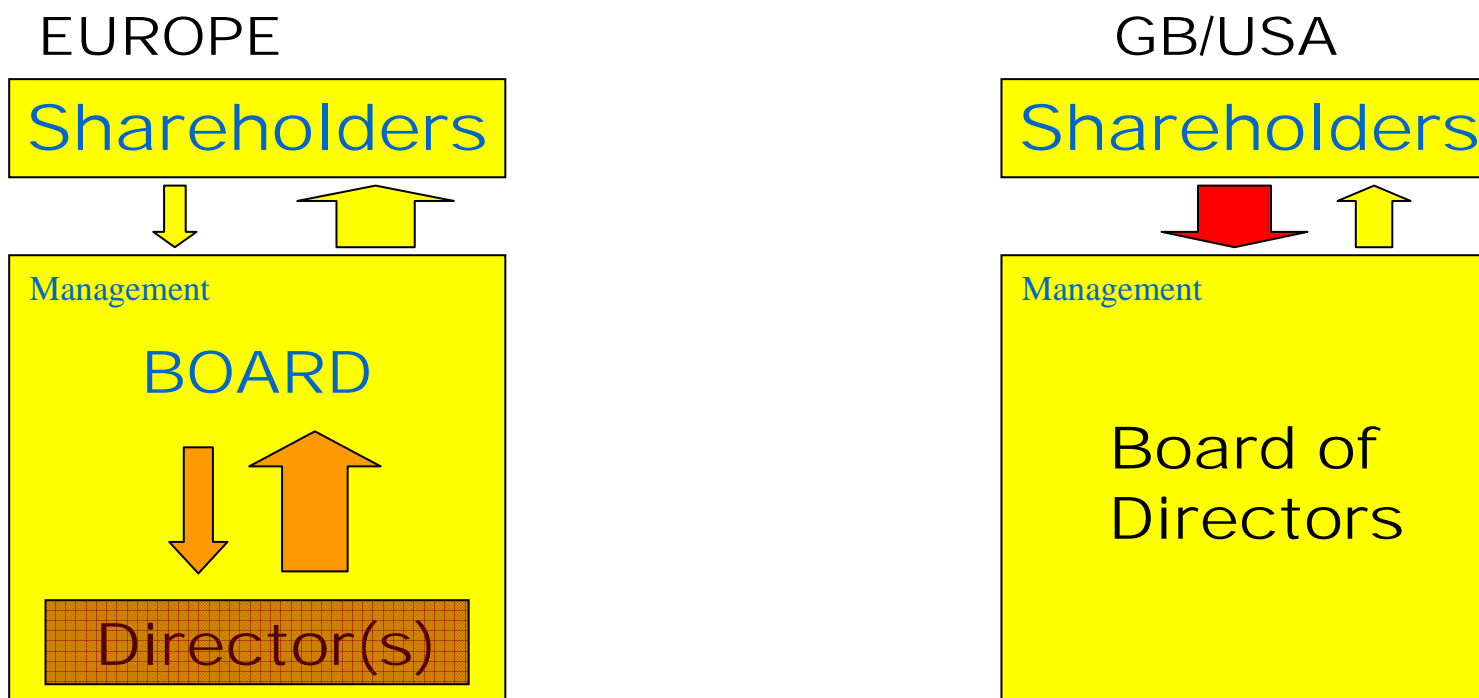
The Entrepreneurial Manager

Managerial challenges in a venture backed start-up

Entrepreneurial management -vs.- Professional Management

- | | |
|---------------------------------|------------------------------------------------|
| 1. Control | -vs.- Delegation |
| 2. Zero Error Tolerance | -vs.- Learning by failure |
| 3. Creativity, Chaos | -vs.- Procedures, Rules, Order |
| 4. Job Shop Syndrome | -vs.- Long-term Strategy prevails |
| 5. Informal organization | -vs.- Rigid structure |
| 6. Decisions emotional | -vs.- Decisions rational |
| 7. Objectives = visions | -vs.- Objectives = quantifiable results |
| 8. Success = impact | -vs.- Success is quantifiable = MONEY |
| 9. Calculated risk-taker | -vs.- Risk-adverse |
| 10. Culture = charisma | -vs.- Corporate values |

The Balance of Power in Management



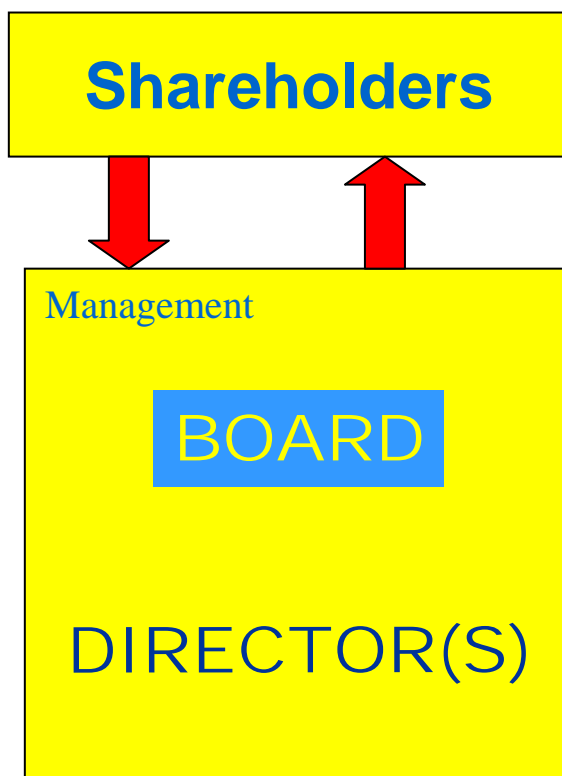
The Balance of Power

- **EUROPE**
- Alliance between board and directors => stability and long-term objectives.
- Higher rate of survival
- Cash contribution and shareholder value adjusted to long-term objectives
- Companies are governed by their objectives. (Profit, values, sustainability)

- **USA**
- Board of directors are hired and fired by the shareholders => shareholders' interests impact management directly
- Often very efficient and productive companies but vulnerable due to high distribution of profits and short term manouvering to increase share prices
- Companies are governed by shareholder value. (Cash contribution and share prices)

- **Summary: Europe: Sustainability. USA: Profitability**

The Balance of Power in the Large Company



The roles and assignments of the board: **Control (and management)**

- Return on invested capital = cash contribution and share price
- Supervision of daily management
- Strategic issues and mission-crucial decisions

The Balance of Power in the Start-up Company



A variety of interests represented

The assignments of the board often unclear. Yet full responsibility, misty insight and limited influence.

Main assignments:

- Competencies
- Experiences
- Inspiration
- Consultancy
- Networks
- Capacity
- Control
- Management on crucial issues

Summary:

The board is the CEO advisory group – adding credibility and proficiency to the management of the start-up venture

BOARD ASSIGNMENTS

Implementation of CONTROL

INFORMATION

- Sales and production: actual results comp. to projections
- Daily management: transactions recorded?
- Contracts: duties met?
- Creditors and debtors
- Staff: employment, corporate culture

CHECK ON -

- Auditor's reports
- Assets + liabilities – in particular: equity capital
- Cash in hand (*working capital*) compared to obligations
- Authorities
- Shareholders

BOARD ASSIGNMENTS

Implementation of MANAGEMENT

DECISIONS

- Hiring/firing/expanding/organizing daily management
- Major financial transactions – like funding or loans
- Major new responsibilities – like contracts, projects etc.

BUSINESS DEVELOPMENT

- Major changes in preconditions (Threats & opportunities)
- Revision of the business plan

MENTORING

- Informal action – case by case as required.

BOARD Responsibility = joint and several liability + personal responsibility

- **CULPA! Bonus Pater Familias: If you took sound and reasonable measures to avoid damage, you are not considered guilty. Display Due Diligence and record your actions**
- **Apply proficiency, awareness, common sense, high ethic standards - and act when needed.**
- Read the Auditor's Reports – and react when necessary
- Make sure that meetings are recorded AND minutes reflect decisions and statements
- Make sure that minutes are signed by all board members
- Study the backgrounds for major decisions carefully
- Insist on updated quality economical reports and reports from the daily management
- Insist on dissent notes in minutes if you disagree or if decisions are illegal
- Check cash resources and relate them to obligations
- Insist that the board's specific instructions to the director are written into the minutes – in particular when cash resources are low.
- Reject decisions that imply expenditures that the company cannot pay
- **RESPONSIBILITY** requires **INSIGHT** and **INFLUENCE**. Resign if this precondition is not met, (Use resigning with caution – not as a threat but as a consequence following a legitimate though unmet request for change or preventive action – and make sure that your statement is clearly entered in the minutes – including your reasoning)

BOARD work: MEETINGS

STRUCTURE, ORDER & DISCIPLIN!

- Board-actions/decisions are traceable. Meetings numbered for reference
- Call meetings at least one week before meeting time
- Send out minutes no later than one week after the meeting
- Be on time and well prepared
- The chairman runs the meetings according to the protocol
- Minutes and notices incl. enclosures are filed in a separate binder and folder

STANDARD ATTACHMENTS to Notice of Meeting

1. The Director's report to the board (situation report)
2. Economical report
 - Budget
 - Realised
 - Forecast
3. Individual case memoranda for all essential decisions

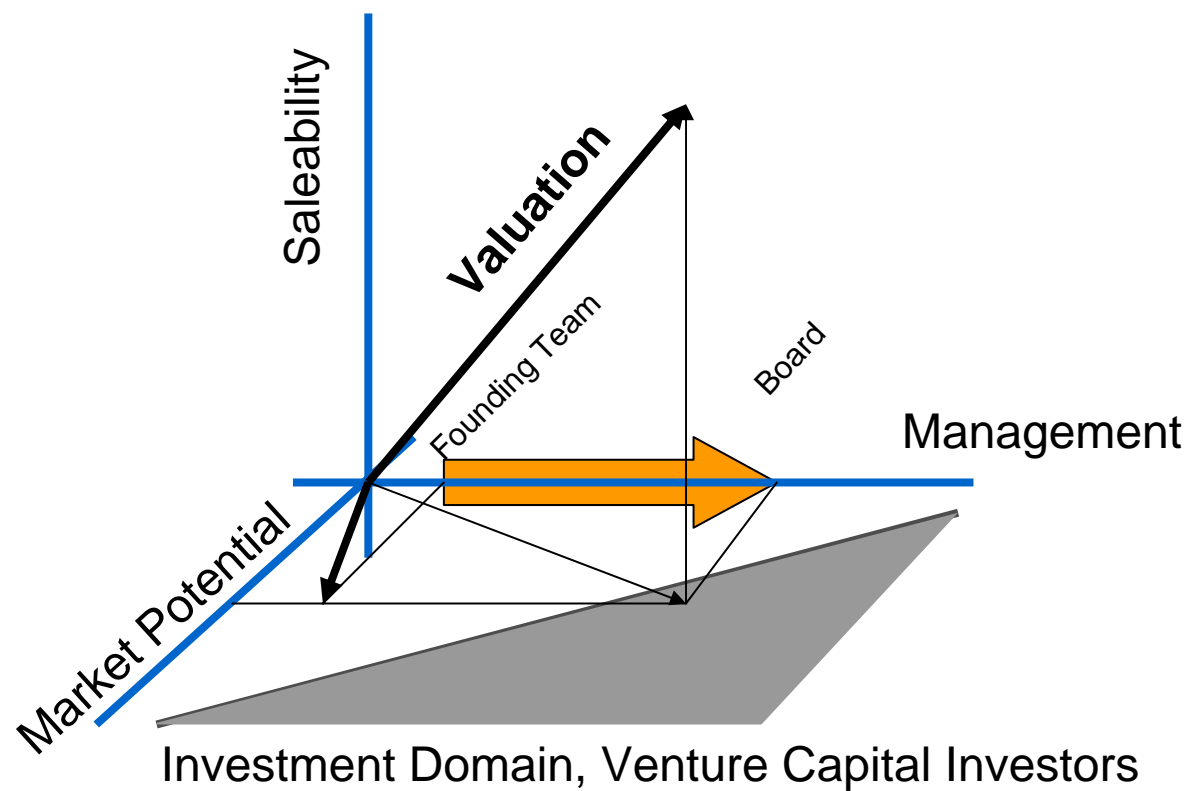
The IDEAL Board

A Professional Management Unit

- 1. Board members are chosen from**
 1. Experience
 2. Networks
 3. Character
- 2. Competencies cover all important aspects:**
 1. Sales & marketing in the domain
 2. Human resources
 3. Finance
 4. Business administration
 5. Technology & production
- 3. The board is a smoothly running team**
- 4. The chairman and the director have frequent contacts**
- 5. ONE dominant objective only: make the company a SUCCESS**

Board members may see different roads to success, but the success criteria must be shared and agreed upon and written down

The IDEAL Board: what is it worth:



Find Your Board Members

It's a marketing job!

- The Business Plan must be finalized – and clearly indicate success
- Find your chairman at first. Look for a real networker with general management experiences + an interesting position in the business community
- Start your quest for board members in the chairman's network – together with the chairman
- No conflicting interests = no competitors, no suppliers and no customers in your board or your founding team – if you can avoid it

- And they cost!

- Quality is related to price in this game
- Pay when your company is capable. By example:
- EBITDA < ½ Mio DKK: 10.000 DKK per member per year. 20.000 to the chairman
- EBITDA > ½ Mio. DKK: 2% of annual profits to each boardmember. 4% to the chairman.
- You may consider stock options and bonus programs. E.g. After a successful funding round, boardmembers are paid a bonus = 1% of the capital raised. Chairman gets 2%

TIP of the Day

- 1. The Chairman and the CEO need to work well together: they are the core management team**
- 2. The Chairman must operate in the interest of the company, and at the same time cater for all legitimate interests of all the stakeholders = She/he is an integrator.**
- 3. The board has one single objective: pursuing the interests of the company. The individual board member is obliged to this objective while at the same time representing specific stakeholders' interests.**