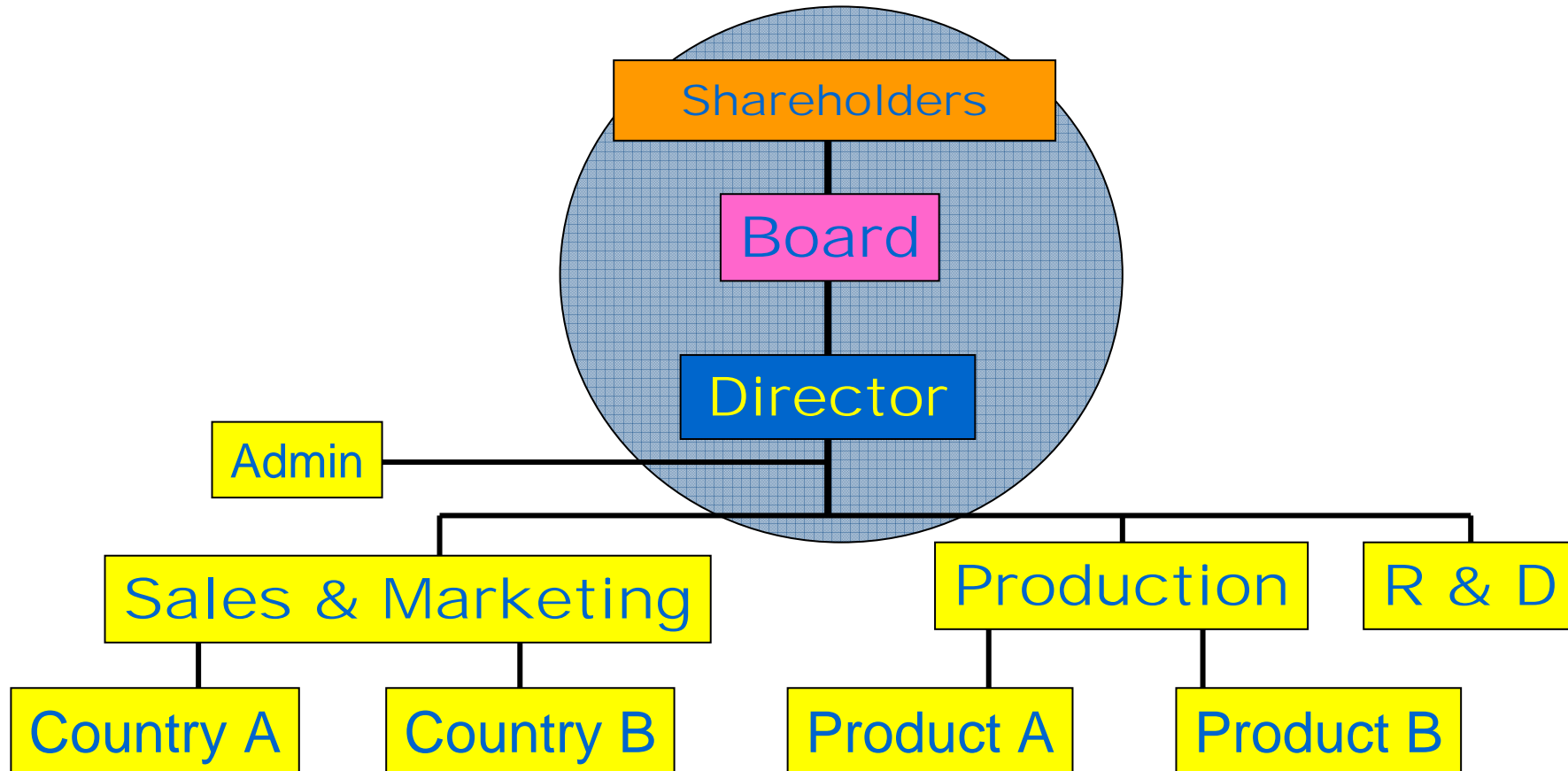
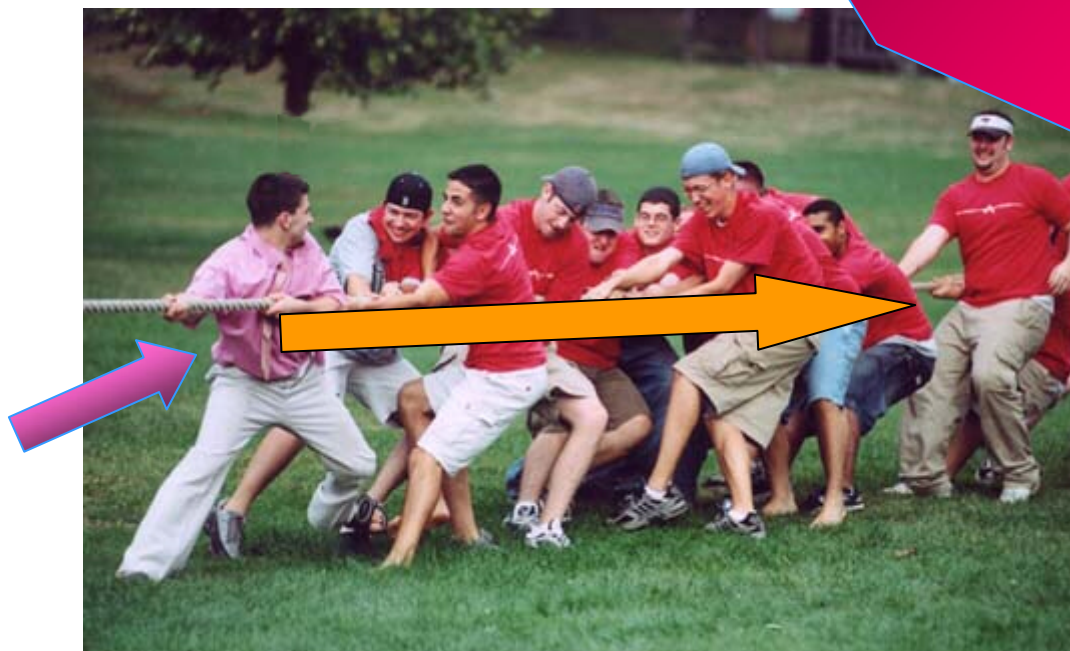


# MANAGING a High tech Start-up



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

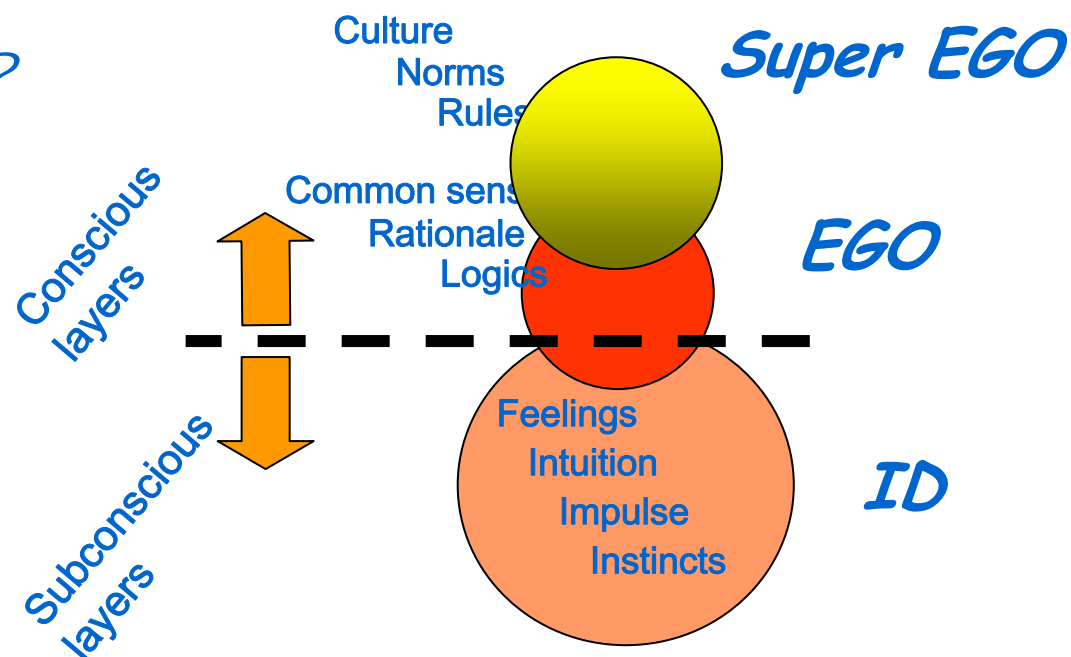


# Man's Behaviour is a Result of --- CONTEXT!

## 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*

## Context at Work



## 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** (Visions missions, strategies) *that are easy for everybody to act upon => develop a corporate culture with a high degree of self governance*
3. Make People feel 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

[Source: prof. Liora Katzenstein, ISEMI entrepreneurial Academy, Tel Aviv, israel]



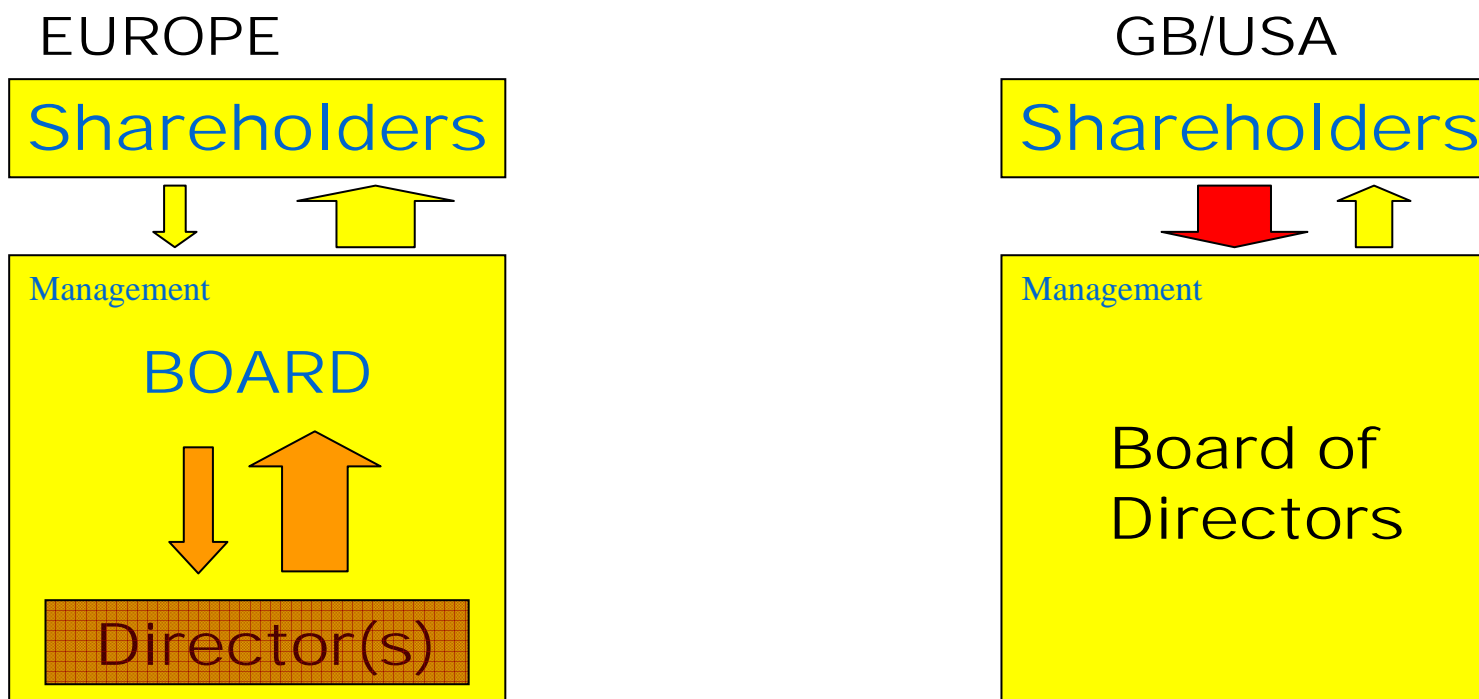
## *The Entrepreneurial Manager*

### *Managerial challenges in a venture backed start-up*

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

[Source: prof. Liora Katzenstein, ISEMI entrepreneurial Academy, Tel Aviv, Israel]

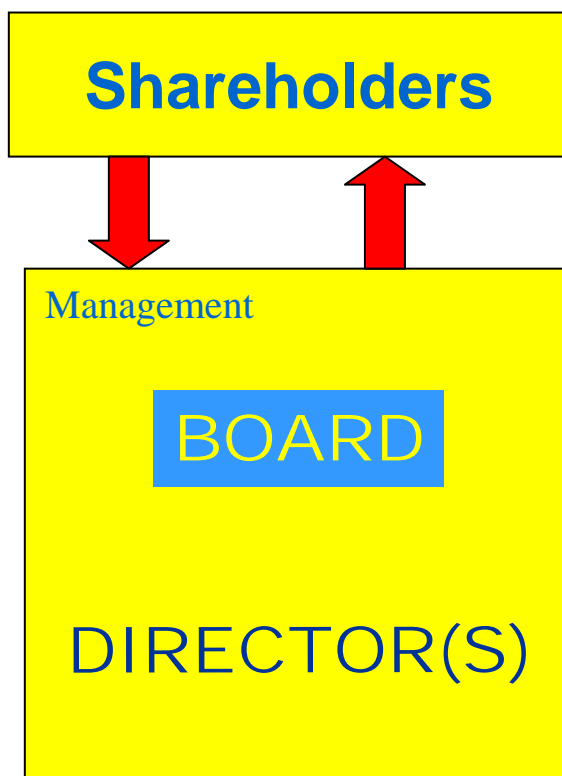
# The Balance of Power in Management



## 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 maneuvering 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

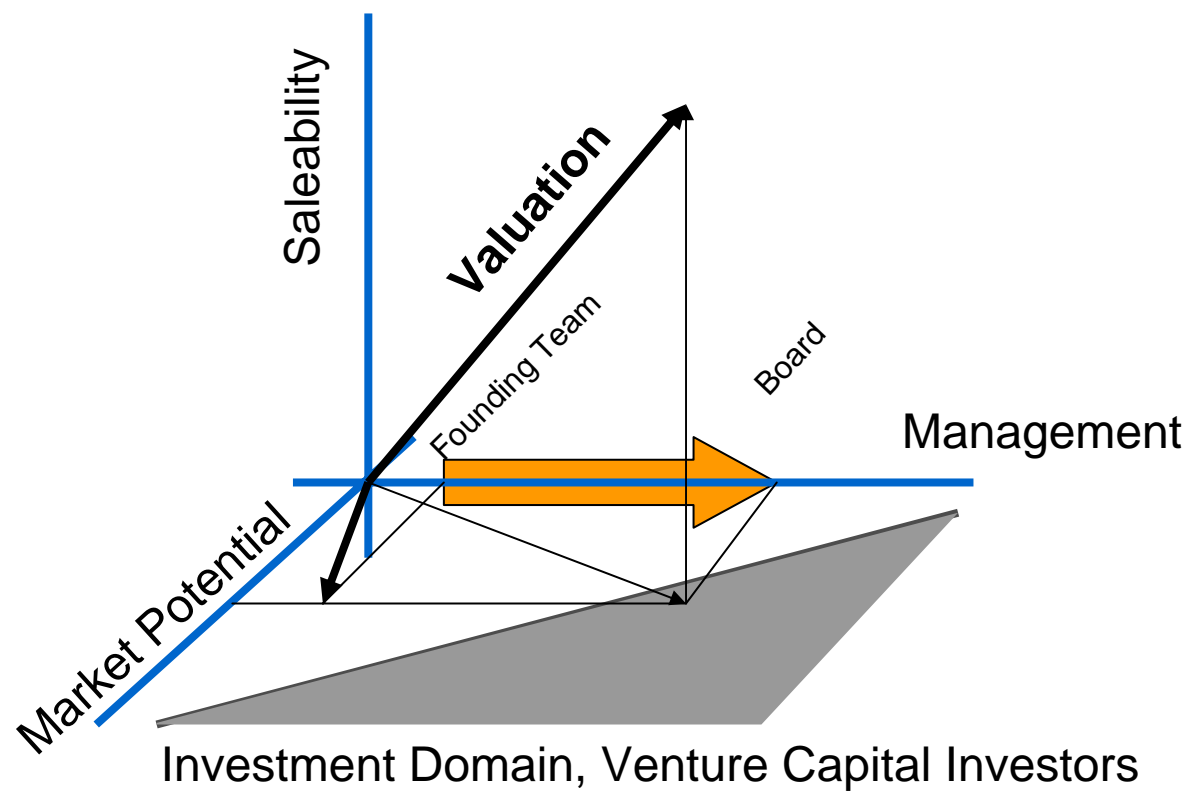
## The IDEAL Board

### **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 net worker 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 board member. 4% to the chairman.
- You may consider stock options and bonus programs. E.g. After a successful funding round, board members 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.**

# That's It

Coming up next:

## **GROUP WORK**

### **Special attention: the budget**