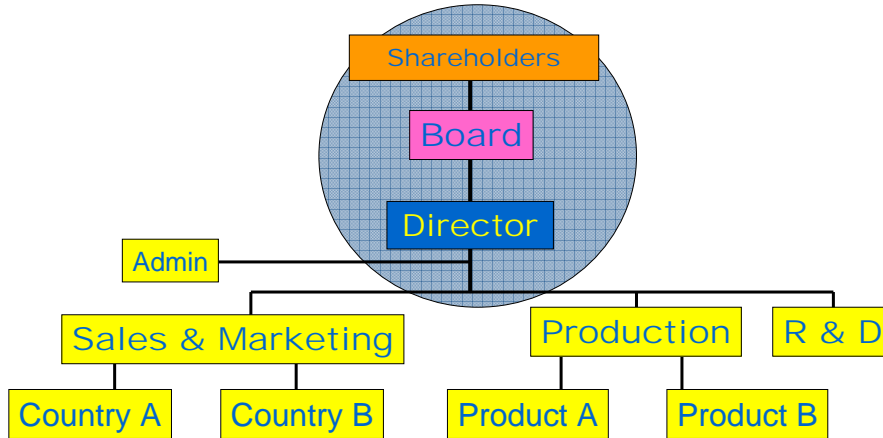


MANAGING a High tech Start-up



1 DTU Management Engineering, Technical University of Denmark

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



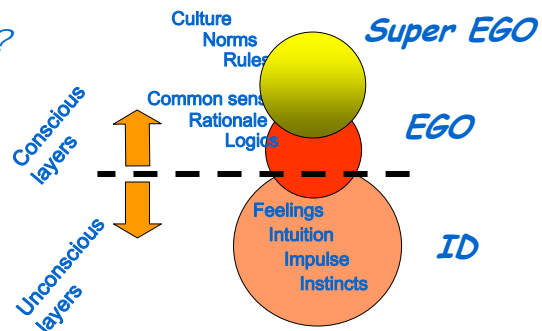
2 DTU Management Engineering, Technical University of Denmark

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

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. **Corporate culture** needs continuous maintenance and development
4. **Set your team: be specific when hiring (and firing)**
5. **Set the standards by being *a role model yourself***
6. Errors and failures are side effects of independent employees. Accept them – and correct them discretely and with empathy.

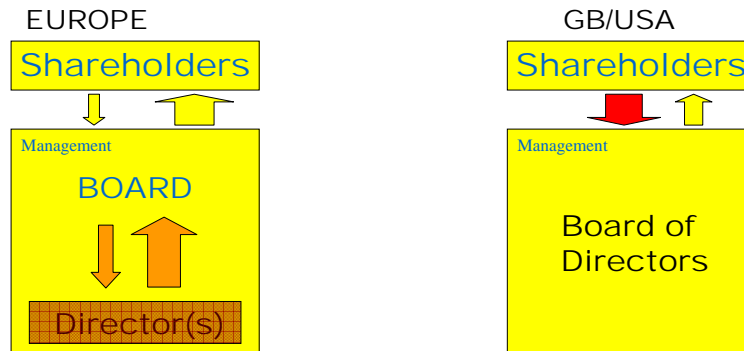
Personal preconditions for being a good manager:

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

Managerial competencies

- **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
- **Leader 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.
 - Strategy is well founded, logic and communicated.
 - Integrity => your personal objectives are clear: make the company a success and thus further your employees' own careers and make sure they have an exciting job tomorrow.

The Balance of Power in Management



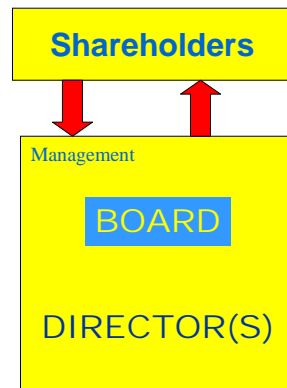
The Balance of Power

- **EUROPE**
- Alliance between board and directors => stability and long-term objectives.
- Higher rate of survival
- Distribution 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 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 minutes are recorded AND reflect actual 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
- 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-activities should be 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

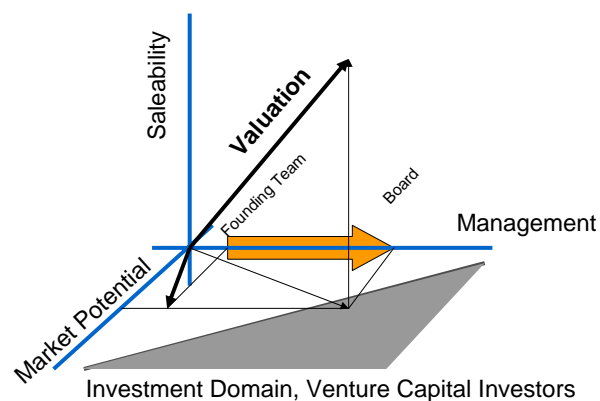
1. The Director's report to the board (situation report)
2. Economical report
 - Budget
 - Realised
 - Forecast
3. Individual case memoranda for all essential decisions

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.