

DTU Course 42435

Knowledge based Entrepreneurship

Managing a High Tech Venture

Video 09B

John Heebøll
DTU Management Engineering
Technology and Innovation Management
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Team-based Management

The classic board-director management

PROs

- 1. Task- competence match**
- 2. Credibility enhancement**
- 3. Access to networks – and networks of networks**
- 4. Systematic administration**
- 5. Professional supervision and guidance**

CONs

- 1. Tedious and time consuming**
- 2. Democracy = endless discussions**
- 3. Decision making slow**

*Democracy is the worst of all systems –
- apart from all the others.*

Winston Churchill

The Balance of Power in the Start-up Company



A variety of interests represented

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

Main assignments:

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

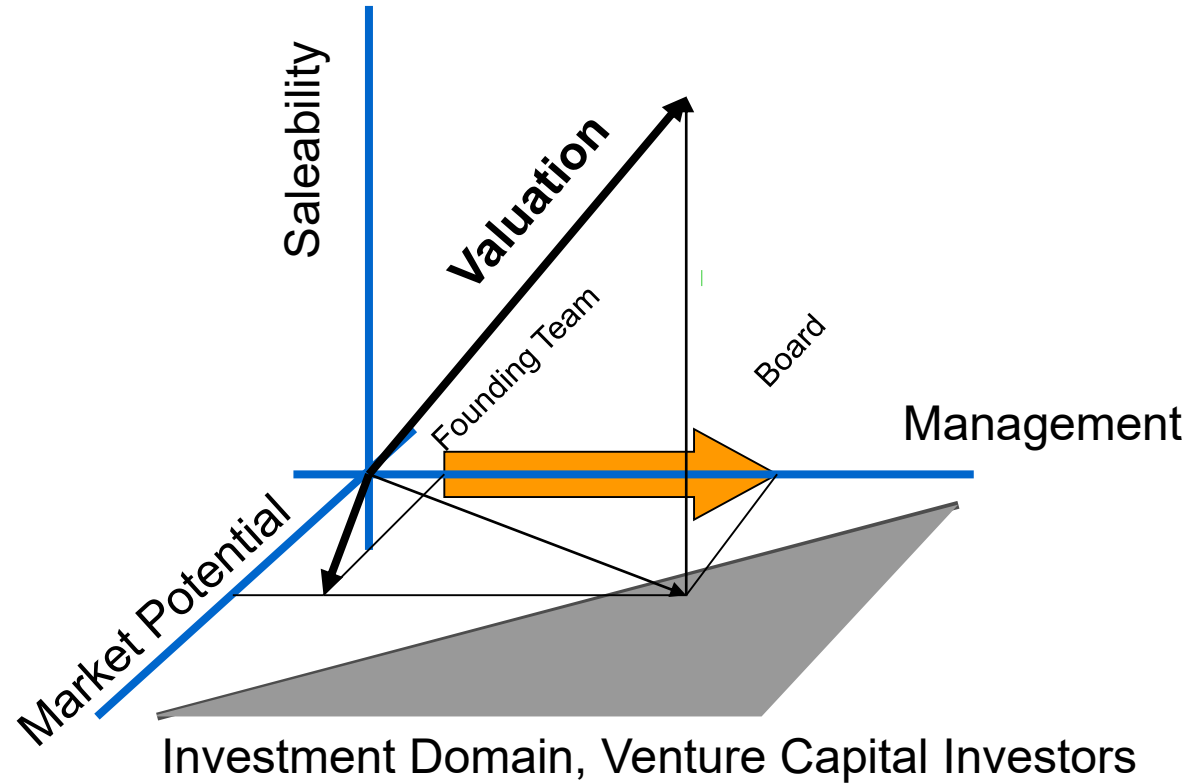
Summary:

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

BOARD Responsibility = joint and several liability + personal responsibility

- **CULPA! *Bonus Pater Familias*:** If you made sound and reasonable decisions and actions to avoid damage, you are not considered guilty. Act with Due Diligence and record your actions
- **Apply proficiency, awareness, common sense, high ethic standards - and act when needed.**
- Read the Auditor's Reports – and act 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 resignation 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*)

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.**

The background of the central image is a dark, high-angle aerial photograph of a city at night, with lights from buildings and streets visible against the black sky.

**GOODBYE
FOR NOW**