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A Start Up's First Board Meeting

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The first encounter with anyone can be very exciting, and just like a first date, it can leave a lasting impression and long term reverberations that could be either good or bad. This is equally true for first board meetings of new start up venture backed companies. After over 30 such "first date" board meetings I am as excited as ever for the next one. What have I learned? What can be done to make sure they are positive and productive experiences for everyone set the right direction for long term shareholder value creation?

The primary function of any board is to make sure the governance of the company is according to its articles of incorporation and the daily decisions made by management are in the best financial interest of shareholders. How well and in what manor this is carried out is crucial for the success of the company and its shareholders. The first meeting will often set the style and manor in which the board operates and how its culture will evolve. The initial meeting sets up many of the routine housekeeping functions that a company needs to operate. There are many roles that are assigned like electing officers, committee memberships and spending authorization levels for executives. The routine stuff is easy to do. The one exception is the audit committee which in the days of Sarbanes Oxley are often filled with "reluctant volunteers."

Then begins the hard part of making sure you have a productive board. There is the usual getting to know the members and even figuring out what chair to sit in since it will likely be the same chair you will sit in for the next 5 to 8 years. By the way, it is always good idea to get a picture taken of the "founding board" just in case it's a huge success. All sorts of new "founding board" members show up for the IPO party. So now that everyone is sitting in the right chair what can go wrong? In one word "chemistry" or how the board personality's mix (or not) can get the board off to a wrong start much like first impressions on a first meeting. For example if one member sucks up all the oxygen in the room; the effect is to diminish valuable contributions from others. The chairman's role in controlling the dialogue is crucial. How to do this without being too authoritarian is one of the great attributes of a successful chairman.

Controlling the dialogue and keeping the board focused on the questions the CEO has brought to the meeting is important from day one. A common trap many boards fall into is when the board attempts to micromanage the CEO. There is often a large degree of confusion between what is supposed to happen at a board meeting and what is not. Typically deep financial planning, long term strategy and overall hiring strategy are best addressed at yearly off-sites.

The initial composition of the board may not represent all the skill sets required to maximize shareholder value over the long run. It takes time to develop a fully effective board. Do not feel the need to fill all the allotted positions at the beginning, leave one or two slots open. Young companies evolve and though you can always add or subtract board members, it is better to get a sense of what type directors (especially independent ones) are needed. One of the hardest jobs is for the board to dismiss an otherwise accomplished and collegial board members. This is especially true if they are incompetent and the CEO has become "cozy" with them. The debacle of the Lehman Brothers board is a poster child for this where the CEO and board collegiality caused devastation for shareholders.

Culture, chemistry and how boards control their meetings will become evident early on in a company's life cycle. It is often getting much of this working right in place beginning with the first board meeting that will determine success or failure.

As we look to the future new technologies are evolving that are creating on-line “virtual board rooms” promising greater efficiency and cost savings. It is true that a meeting on the internet in a controlled interactive environment is often very efficient but at least for now the first board meeting like the first date is best done live.