

Best Board Practices

For Startups/Seed-stage Businesses

ACCION

Investing in individuals.
Improving our world.



Table of Contents

Part 1: Building & Structuring your Board

- [Board Basics](#)
- [Why Have a Board of Directors?](#)
- [When to Form your Board](#)
- ...

Part 2: Leveraging your Board

- [Duties of the Board of Directors](#)
- ...

Part 3: Board Meetings

- [Board Meeting Attendance](#)
- ...

Part 1

BUILDING & STRUCTURING YOUR BOARD

Board Basics

Role of Board

- Corporate governance—oversight, direction & strategy
- Must represent and consider interests of *all* shareholders
- Board is **not** involved in day-to-day operations

Startup board typically comprised of 3 or 5 members

- Keep number odd for voting purposes
- 1 CEO (often the founder)
- 1-2 other company executives
- 1-2 large shareholders (e.g. investors)
- 1 [independent director](#) (no financial stake in co.)

Board Basics – Why Have a Board of Directors?

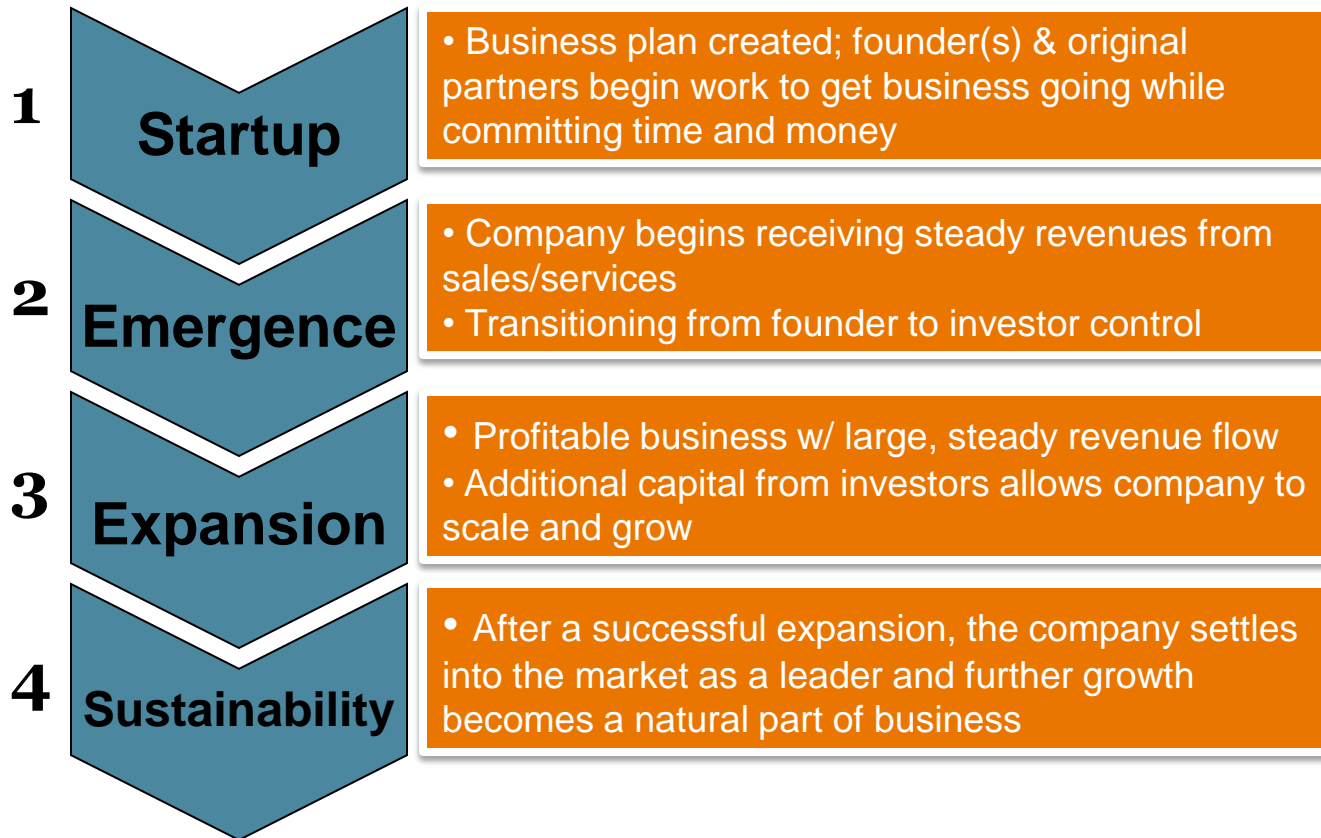
A good board of directors can:

- Improve profitability and double bottom line effectiveness
- Dramatically accelerate your business & manage growth
- Bring vision, expertise and ideas
- Provide connections, build partnerships, attract new talent, and lend credibility to your company

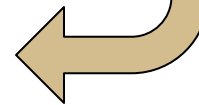
Form your board early in the life of your company—regardless of how you're financed

Board Basics – When to Form your Board

4 Stages of a Business:



Form board *BEFORE* Emergence stage



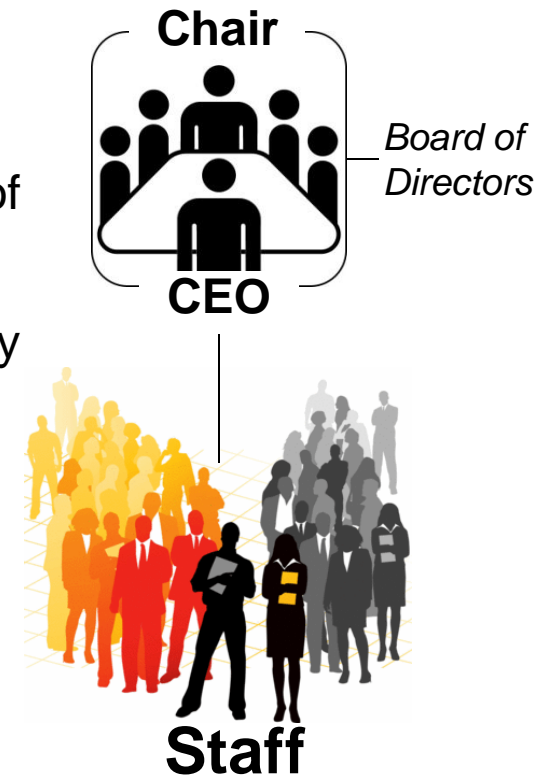
Board Structure & Positions

Chairman of the Board (“Chair”)

- Leader of the board of directors—creates environment of active participation and smooth operation of the board
- Assists CEO w/ board meetings: focuses meeting on key areas, facilitates candid discussion, ensures all sides heard
- Leads board in assessing its own & CEO’s performance
- Ensures board follows company’s mission

CEO

- Leads company, but accountable to board for company performance
 - Board guides & engages CEO; assesses performance
 - Board sets CEO’s pay and can fire/replace CEO
- Makes company decisions and manages executive team



Board Structure & Positions

Independent directors

- No material or financial relationship w/ co. (except [compensation](#) for sitting on board)
- Usually invited to board as company shifts from founder control to investor control
- Ideally unbiased and concerned solely with success of company
- Independent directors must be kept well-informed to be most effective!

- The best independent directors tend to:
 - Be CEOs of other companies and/or have extensive entrepreneurial experience
 - Have in-depth operational, managerial, and domain knowledge
- Independent directors serve as:
 - CEO coach/mentor who listens, advises, and counsels CEO
 - Mediator among management team and investors
 - Nonjudgmental sounding board and source of experience and wisdom

Board Compensation

- Startups typically compensate w/ equity, not cash (rarely enough cash for this)
- Reimburse directors for reasonable work expenses—but define “reasonable” ahead of time

Startup compensation varies based on type of director:

Inside directors: Not compensated—represent company & have direct role in building it

Investors: Not compensated—an investor’s board seat represents their investment

Independent directors: Stock grants, 0.25 – 2% of equity, vesting over 2-4 years (1 yr cliff)

- Pre-seed stage co.’s usually on upper end of range (1-2%) and decline as startup grows
- Value of potential director also influences actual amount of equity to issue
- Startups w/ comfortable cash flow & profitability might consider mixing in cash compensation—good to combine fixed pay & variable pay based on target fulfillment (specify max payout limit)
 - Fixed pay can consist of cash fee per board meeting. Corporate average is around \$1000 per meeting for small companies. A VC-backed startup might pay 50-75% of this.
 - If mixing in cash compensation, decrease equity compensation to lower end of range

For more info see:

- www.technori.com/2013/03/3286-how-do-you-compensate-directors-of-startup-companies
- www.feld.com/wp/archives/2005/04/compensation-for-board-members.html

As You Grow – Adding Independent Directors

An independent director should be added when 1st investor joins board

- As company grows, continue to balance investors w/ independent directors
- Independent directors are a widely recognized best practice
 - For example, the NYSE and NASDAQ require listed companies' boards to be composed of majority independent directors
- Lack of independent directors can harm firm value
- Excessive compensation to CEOs is more likely to be approved by directors with social ties to top managers
- Independent directors help ensure company is being run legally, ethically, effectively and in the best interest of owners

As You Grow – Buying Directors & Officers Insurance

- D&O protects board, officers, and company against damages resulting from alleged wrongful acts in their capacity as directors and officers
- Startups tend to have little cash on hand, and legal action can seriously endanger a company—D&O is an important defense against that

When and how to buy?

- Buy D&O before your company has an investor on the board and/or is looking for an independent director
 - Without D&O, you may have difficulty recruiting a good independent director. In today's litigious environment, this is seen as a prerequisite
- Research policies and negotiate carefully w/ several vendors
- Involve board in studying options and selecting insurance carrier
- Buy ~\$1 million coverage for pre-revenue/product dev. stage startups
 - Revisit coverage amount as company grows

As You Grow – Forming Committees

- As company grows, the board and its duties grow
- When duties have increased so much that it makes sense to divide the labor, the board forms committees to focus on specific areas
 - Board members commonly serve on multiple committees
- Committees should report back to the board

3 important committees:

Audit Comm.

- Accounting & financial reporting processes
- Financial audits

Compensation Comm.

- Executive pay
- Equity grant policy

Nominating Comm.

- Recruiting & orienting new board members
- Succession planning

As You Grow – Forming Committees



Audit Comm.

- 1st committee you should form—so one person isn't solely responsible for auditing/financial reporting
- **Form if your board is at least 3-5 directors in size**
- At least 2 people on committee; 3 is better



Compensation Comm.

- **Begin forming if your board is 5+ directors**
- Considered very important by investors, analysts, media, government, and rating agencies alike



Nominating Comm.

- **Begin forming if your board is 5+ directors**
- Area of focus due to public spotlight on board composition and diversity, director elections, and proxy access
- Usually appointed on annual basis

As You Grow – Separating the CEO & Chair

- At seed stage, may make sense have 1 person be both CEO & Chair
- For more mature companies, **it is best to separate the roles**
 - Separation encouraged by many activist investors

Separating CEO & Chair positions

Pros

Increases **board independence** and allows transparency into CEO's actions

Better **balance of power** between board and CEO

Resolves conflict of interest w/ combined roles; reduces potential for corruption

Gives CEO more time to run company

Cons

Ambiguous leadership roles can create conflict, distractions

Must ensure that Chair is actually independent-minded from CEO

Evidence of bottom line effectiveness of separation is disputed

CEO & Chair must be able to work together

As You Grow – Separating the CEO & Chair

Combined CEO & Chair: A Cautionary Tale

The Center for Financial Inclusion at Accion studied a successful MFI led by its founder, who served as CEO and Chair. Their board was weak; power was concentrated in the CEO/Chair. The board never questioned his exorbitant use of company credit cards or his salary conditions and bonuses he received by being CEO/Chair.

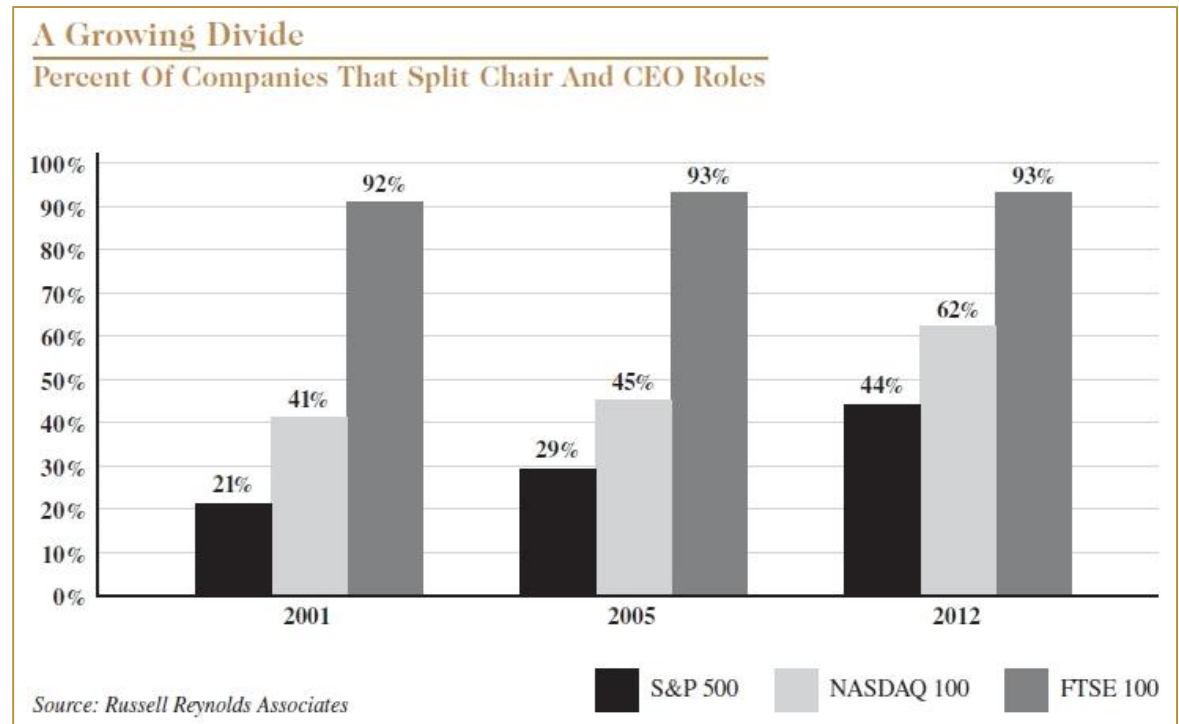
In 2008, as the MFI started showing signs of deterioration, a major funder requested a supervisory field trip and uncovered system of internal fraud. The General Manager and internal auditor investigated these problems and reported on them to the board. The CEO/Chair subsequently dismissed these officers.

Soon after, an even larger funder requested a field audit, which found poor performance by the management and CEO/Chair, a lack of internal controls, and audit deficiencies. In addition, it was revealed that the CEO/Chair was colluding to outsource operations to benefit his family at the expense of the company.

This was reported to the Board and other creditors, and in June 2008 they finally asked the CEO/Chair to resign. In 2009, he received a sentence of four years in prison for theft and breach of trust. As of June 2010, the company still hadn't recovered from the damages resulting from the domineering position of the CEO/Chair.

As You Grow – Separating the CEO & Chair

- Traditionally, American corporations have combined the roles of CEO & Chair. However, in the wake of major corporate scandals (e.g. Enron, Tyco & WorldCom) and the creation of regulations like the Dodd-Frank and Sarbanes-Oxley Acts, an increasing number of companies are separating the roles.
- This separation is firmly established in Europe. For example, over 90% of FTSE 100 companies have long had separate CEOs and Chairs.
- In some countries, it is illegal to combine the roles of CEO & Chair.



As You Grow – Separating the CEO & Chair

3 approaches:

- *Apprentice method*: sitting CEO/Chair remains Chair but gives up CEO title. New CEO joins company.
- *Departure method*: sitting CEO/Chair departs company and each position is filled with someone new.
- *Demotion method*: sitting CEO/Chair remains CEO but gives up Chair position. New Chair joins board.

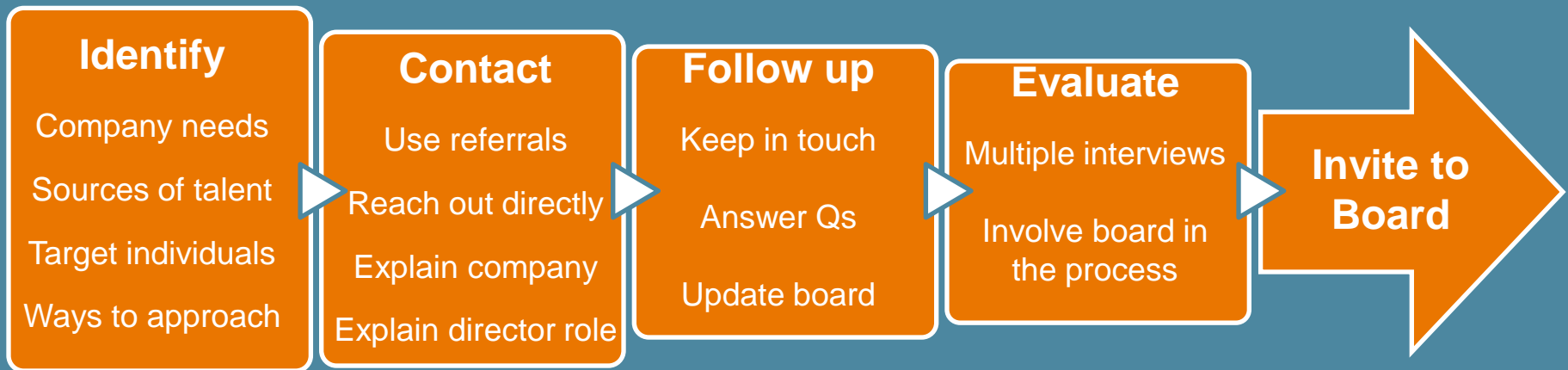
Which approach to choose and when?

- Studies have shown that separation pays off most when:
 - The company is performing poorly, and
 - The *demotion method* is used
- Caveat: if the demotion method is used while the company is performing well, it tends to reverse performance and hurt the company

Recruiting Directors

- Starting out, founder leads board formation
- As company grows, this role shifts to CEO & biggest investors
 - Leverage board's connections to recruit others
- Later: Nominating Committee takes charge

Have a recruitment plan:



Recruiting Directors

<u>Do:</u>	<u>Don't:</u>
Bring on people, based on merit, who will speak up in the company's interest and provide unbiased oversight of the CEO.	Fill board w/ family & friends who only say what you want to hear. This also poses a conflict of interest.
Ensure candidates are committed to an active role on a working board.	Pay a "name brand" director just to add their name to the list of directors.
Determine needs before recruiting, then identify targets. Conduct thorough interviews and be selective.	Take anyone with "warm blood and a pulse." Lacking well-defined recruitment criteria will lead to major problems.
Involve your directors to increase reach and credibility. Ask for targeted intros according to needs determined by board.	Allow the CEO to be the only person involved in recruiting and bringing on his/her supervisors.

Recruiting Directors

Recruiting is hard but very important. Startups don't need big boards—5 directors is plenty. It's better to be selective than to add someone you'll regret later.

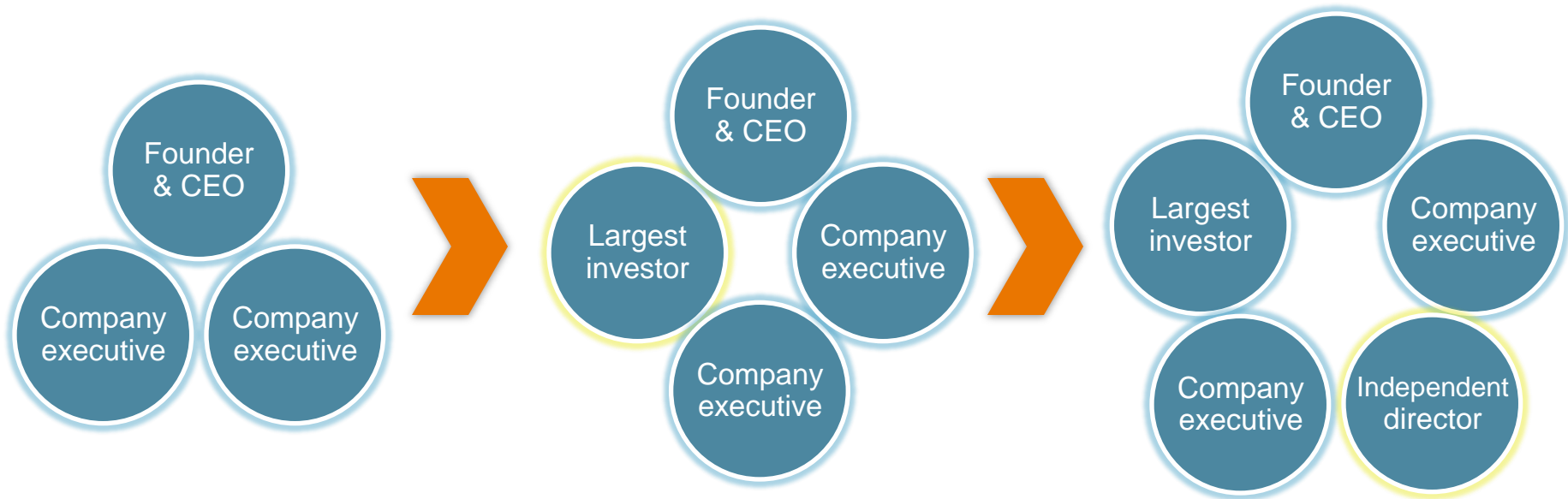
Key areas of expertise to look for:

- Depends on needs of business & expertise gaps in current board. Examples:
 - Entrepreneurial expertise (ex-startup CEOs, pro VC investors, etc.)
 - Able to provide access to strategic networks
 - Domain expertise & connections
 - Management, legal, finance, technology, marketing, etc.

Sources of talent and contacts:

- #1 source—introductions from existing board members
- Your own contacts, chamber of commerce, other business networks

Example of How a Board Grows



As the company grows, the board grows

Orienting New Directors

- New directors should be oriented shortly after taking seat on board
- CEO should work together w/ other board members to provide orientation
 - Ex. CFO explains key financial indicators; Chair outlines expectations of the board

Orientation should cover:

- Board's fiduciary duties and roles
- Board organization and decision-making process
- Company's legal structure and capitalization
- Business model
- Double bottom line

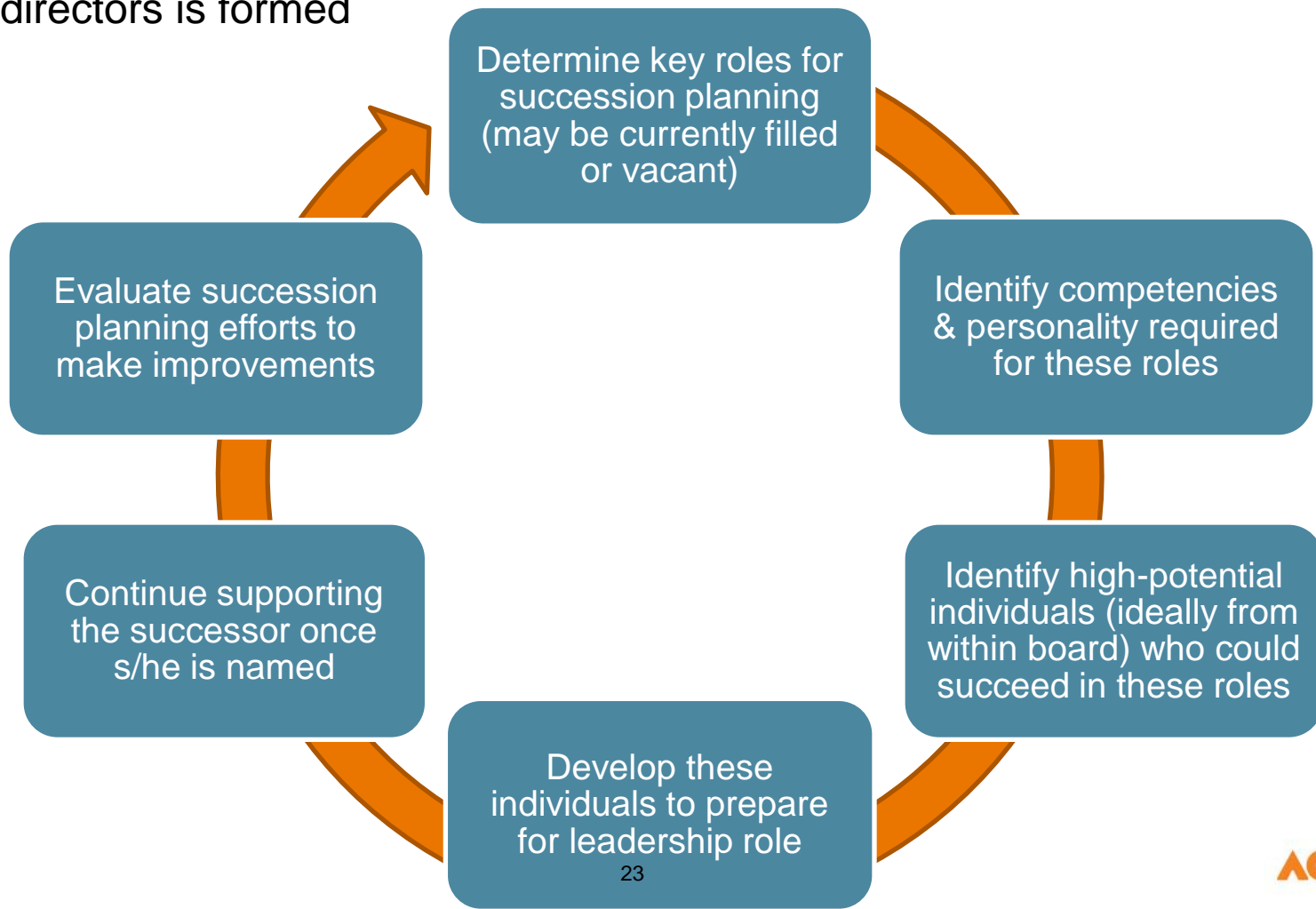
Board orientation package:

- Bios/contact info of current directors
- Board policies/handbook
- Articles of incorporation (or similar)
- Past meeting minutes
- Board meeting schedule
- Current financial statements
- Strategic plan

Board Succession Planning

Goal: ensure strong board for future

- Have Nominating Committee create succession plan when stable board of 5+ directors is formed



Part 2

LEVERAGING YOUR BOARD

Making the Most of your Board

Select the right board members

- Have a sound recruitment/interviewing process that prioritizes & targets what you need
- Recruit well established board members w/ strong relationships
- Recruit talented board members w/ prior startup or other business experience

Know who is on your board

- Be familiar with who is on your board & what value they bring
- Know your directors' experience, networks and past/present successes
- Build informal relationships with directors to develop board's "professional chemistry"

Set clear expectations and make clear, specific requests

- Set expectations upfront w/ board & hold them accountable for following through
- Seek board's help w/ intros, tasks, counsel, etc.—target asks according to their abilities

Keep the board well informed of your business & current issues

- Provide info they need to maximize their value. An uninformed board is ineffective
- Plan board meetings well and distribute meeting materials ahead of time

Duties of the Board of Directors

- Drive profitability and double bottom line commitment
- Provide oversight and direction
- Set and continually develop strategic vision
- Set company risk appetite, rules and limits
- Financial and legal leadership
- Monitor company performance and make adjustments
- Review and approve policies, business plans, etc.
- Ensure accountability and transparency
- Guide CEO and evaluate CEO performance
- Participate in board meetings

CEO's duty to make the most of the Board

Expertise & skills

Connections

Feedback

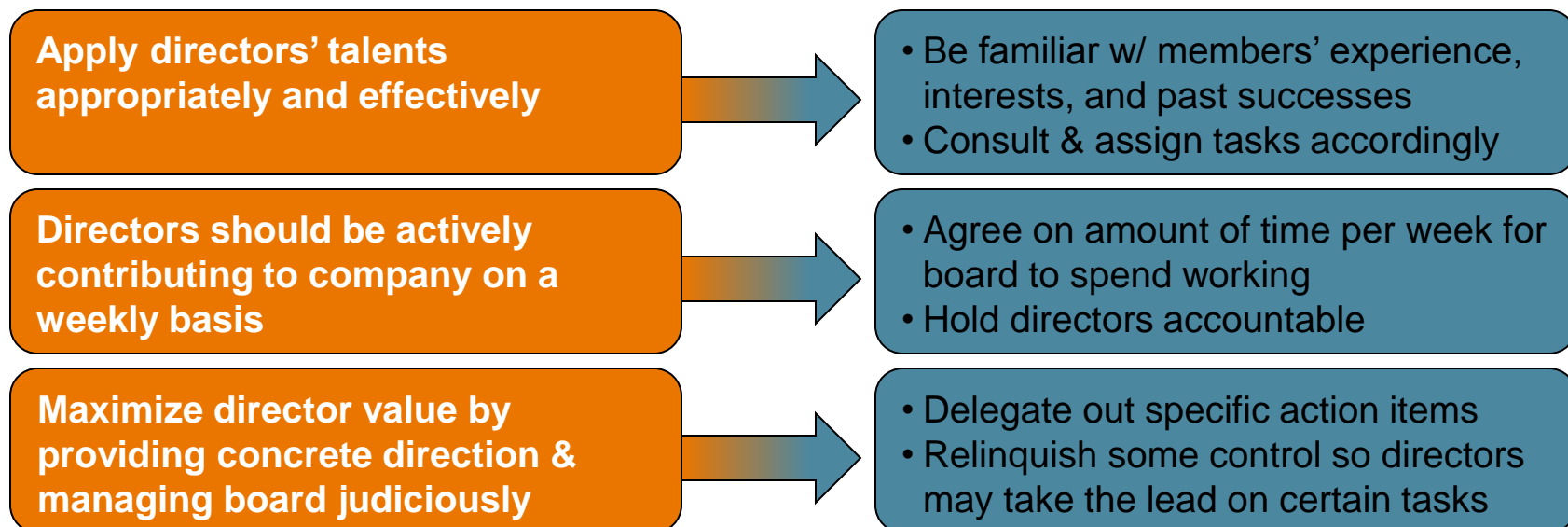
Leverage your Board's Expertise & Skills

Expertise & skills	Connections	Feedback
--------------------	-------------	----------

Improve your business by harnessing the unique value your board members bring

- Best board for a startup is a *working board* – tackles company's critical challenges head on and goes beyond simply suggesting solutions to actually implement those solutions
- A strong board “works” for the CEO, who is ultimately responsible for the business

How to make the most of your board's expertise & skills:



Leverage your Board's Expertise & Skills

Expertise & skills

Connections

Feedback

Improve your business by harnessing the unique value your board members bring

- Connect directors with staff to provide strategic guidance
 - Ex. Connect a director with sales expertise with your sales team to help generate leads
 - Caveat: Directors in this role should **not** be providing day-to-day management; they are with staff to provide expert leadership and guidance
- Leverage business experience to develop effective sets of procedures and policies
 - A good independent director will have significant operational experience and can be especially helpful with this type of work
 - Ex. Director leads creation of a process to attract, hire and retain talented staff
- With boards over 5 members, form [committees](#) to divide work load & focus directors' efforts on specific areas
 - Have committees report back on progress at board meetings

Leverage your Board's Connections

Expertise & skills

Connections

Feedback

Use Board's connections to get valuable intros, grow your contacts & lend credibility

How to make the most of your board's connections:

- Be proactive about asking board for intros; help them understand what you're looking for, what roles you need to hire for, target people you want to meet, etc.
 - Have directors run intros by you before they reach out to ensure the intro will be useful and appropriately focused

Example—Process for utilizing board connections to increase sales, raise capital, etc.:

- CEO creates Google Docs spreadsheet of desired intros and shares w/ directors
 1. Directors make appropriate connections; work together to keep list updated
 2. CEO encourages directors to add more; send them reminders to continue helping
 3. At meeting, CEO reviews the # of intros each director provided & gives public thanks
- Diversity on the board helps! A diverse board will have a broader network to draw from
 - Different regions, industries, generations, etc. to leverage to benefit the business

Leverage your Board's Connections

Expertise & skills	Connections	Feedback
-------------------------------	--------------------	-----------------

Use Board's relationships to get valuable intros, grow your contacts & lend credibility

Useful areas to leverage connections: **financing, sales & recruiting**

Financing: excellent source of introductions to new investors	Sales: likely your board members will all know some potential customers	Recruiting: board can help you recruit talent at all levels of company
<ul style="list-style-type: none">• Highly experienced directors (esp. VCs) add credibility in talks w/ potential investors• Directors can accompany CEO to pitch to potential investors• Formulate way for directors to keep in touch w/ potentially interested investors• Remember: in the end, the CEO is the person responsible for financing	<ul style="list-style-type: none">• Can offer personal introductions to potential new clients, partners, etc.• Might be willing to make key sales calls• Attend networking events to connect with new people	<ul style="list-style-type: none">• Communicate to the board what positions need to be filled and provide reminders• Send directors job descriptions they can pass on to their networks• Focus on key positions and ask for leads for candidates• Use the VC firm's recruiting partner/staff member if they have one

Leverage your Board for Valuable Feedback

Expertise & skills

Connections

Feedback

Ask your board for feedback to gain direction and determine solutions to business issues

- Board's combined experience can make them your #1 source of strategic advice
- Objective judgment from board is vital for dealing with difficult issues

How to get the most valuable feedback from your board:

- Build a high functioning, balanced board of bold-minded directors
 - A strong independent director can be important source of advice and balance for board
- Emphasize the importance of being able to count on the board for honest feedback in all situations—especially in difficult conversations
- Ask your board for advice and ensure dissenting viewpoints are respectfully heard
- Handle constructive criticism without getting defensive; let directors challenge you and one another when productive and in the company's best interests
- Allow directors to talk to your staff and get feedback from them

Leverage your Board for Valuable Feedback

Expertise & skills

Connections

Feedback

Ask your board for feedback to gain direction and determine solutions to business issues

At board meetings:

- Schedule time on the [agenda](#) for deep dives into pre-planned strategic topics
- Provide directors w/ [board deck](#) 4-5 days in advance so they can effectively contribute
- Prompt deep, focused discussion on specific topics (avoid posing vague, general questions)
- Encourage directors to openly speak their minds at board meetings
 - CEO and Chair must provide balance by working together to keep discussions focused on key issues and ensure that all voices are heard
 - Strong boards challenge assumptions, dive into key issues, and raise insightful points
 - CEO & board should engage in constructive discussion; ideally arrive at a consensus
 - Ultimately, this will help the CEO make better decisions and improve the business

Outside of board meetings:

- Continue to solicit feedback; CEO should not wait for a meeting to seek advice on key issues
 - Communicate expectation that directors should be available by phone, email, etc. on agreed upon basis for consultation—ideally weekly

Board Alignment

Shared understanding of company goals, strategic vision, and the role of the board

Good board alignment is important for leveraging board effectively in any area



Keys to Alignment:

- Strong culture & commitment double bottom line cause
- Strong internal controls & clear expectations of duties
- Clear communication at all times, most critically during recruiting, new director orientation and board meetings

Alignment – Board Culture

Board culture is “how we do things around here.”

- Your board culture will dictate what topics your board focuses on, how decisions are made, the willingness to take risks, and other board behaviors
- The founder/CEO is largely responsible for the board culture!

Successful boards have a **culture of accountability**. Foster the following in your board:

Commitment – *to company’s mission and to the board itself*

- How: invite the right people to your board, utilizing referrals and multiple interviews

Independence – *hold each other & mgmt accountable for serving co. stakeholders*

- How: invite questions and feedback; facilitate robust dialogue from board

Trust – *balance independence with trust in/respect for each other & management*

- How: earn board’s trust by providing information that is accurate, timely, and complete

Diligence – *stay informed about co. & present issues; actively participate in meetings*

- How: communicate duties (e.g. reviewing board deck) early, clearly, & consistently reinforce

Candor – *raise issues that need to be addressed—no matter how tough*

- How: reserve time in meeting agendas for in-depth deliberations on important issues

Alignment – Board Culture

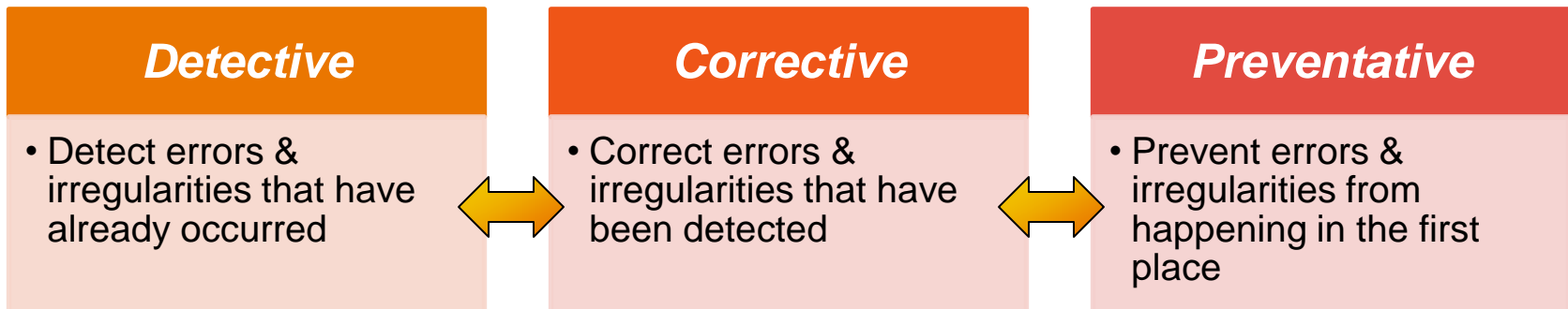
Double bottom line

- Align board's understanding of company's double bottom line
 - Financial return + social impact
- Emphasize importance of double bottom line to directors early on
 - Bring up topic when [recruiting](#) and again in [orientation](#)
- Carefully consider with board how to responsibly handle capital increases, entry of new owners & exiting in light of double bottom line
- At least 1 director needed to rally social cause, ideally Chair or CEO
- Every board meeting agenda should include a conversation on some aspect of the double bottom line mission

Alignment – Internal Controls

- System of internal checks & balances.
 - Procedures are created to assure:
 - Effective operations
 - Reliable financial reporting
 - Compliance with laws, regulations and policies
 - Safeguarding of resources/assets & prevention of corruption
- CEO responsible for designing/implementing controls
 - Board should evaluate controls to ensure effectiveness

3 types of internal controls:



Alignment – Internal Controls

Matters Reserved for the Board: items that require board approval

- **Know these items and communicate them to your board**
- Articles of incorporation (sometimes called articles of association or certificate of incorporation) defines these items & describes steps needed for approval
 - Matters reserved for the board & the approval process may vary by state or jurisdiction, so always consult your company's documents
- In general, the CEO should get board approval for all major decisions. Examples:
 - Significant changes to company management structure
 - Expansion of operations into new geographic areas
 - Long term objectives and business strategy
 - New appointments to the board

Alignment – Internal Controls

More examples

Dynamic between CEO & board

- CEO leads company, but board approves plans, monitors CEO performance and can hire/replace CEO

Separation of duties

- Requiring more than one person to complete a single task so an individual cannot conceal errors/irregularities

Board monitoring & reviews

- Of corporate governance structure, annual budgets, company performance, major corporate plans, etc.

Performance based remuneration

- Provides incentive to do what's best for company

Independent directors

- Bring balance and objectivity to board

Authorization of transactions & activities

- Activities must be in company's best interest

Retention of documents & records

- For fact checking, accountability, and legal requirements

Internal & external audits

- To check on reliable reporting, governance processes, and operational efficiency

Alignment – Internal Controls

Poor Internal Controls: A Cautionary Tale

In another case studied by the Center for Financial Inclusion at Accion, a majority shareholder of an MFI took control as CEO and Chair. This charismatic CEO found success in his early years, and generated lots of trust in doing so, including from newly joined foreign investors. However, “founder’s syndrome” was becoming an issue.

There were internal control problems—one striking example being that the internal audit department reported directly to CEO rather than the entire board, giving them little independence. When the company got into trouble during a severe financial crisis in 1999, the executives took to unacceptable accounting practices that distorted the balance sheet.

In 2004, an external audit finally uncovered the accounting distortions and showed that the financial information was not transparent. Intentional distortions in assets, expenses, and income concealed losses in the balance sheet and hid the MFI’s longtime need for capital. By the time it was revealed, shareholders had lost confidence in the executive team. They were interested in keeping the MFI running, but required a change in management and the CEO left. The MFI survived the transition, but as of 2010 had still not been able to generate a profit.

Alignment – Internal Controls

Conflict of interest: when a director's personal interests are opposed to the shareholders'

- Board members have a fiduciary duty to the shareholders and must not put their personal interests ahead of that duty
- Danger of conflicts of interest: a director with a conflict of interest may try to influence company activities for personal benefit

Have a strong conflict of interest policy. See samples:

- <http://www.vlaa.org/assets/documents/Sample%20Conflict%20of%20Interest%20Policy.doc>
- https://www.mpiweb.org/CMS/uploadedFiles/Research_and_Whitepapers/CCOE%20Toolkit%20Conflict%20of%20Interest%20Sample.pdf

When a conflict of interest is identified:

- The director with the conflict of interest should act to eliminate the conflict of interest.
 - Ex. A marketing consultant joins a company's board, and subsequently ceases to provide services to companies in direct competition
- If eliminating a conflict of interest is not possible, the director must disclose the conflict & abstain from any decisions involving the conflict

Alignment – Internal Controls

Conflicts of Interest: A Cautionary Tale

FuegoNord was another MFI covered by the Center for Financial Inclusion at Accion. During the first half of 2008, this organization experienced rapid growth that led to a critical oversight in which the same unit was put in charge of sales and credit approval/risk management. In a country where fraud is routine, this was not a good combination for amassing a healthy portfolio.

This unit would commonly avoid needing to establish client reliability by offering competitors' clients double their current loan amount, without verifying that client's ability to repay the larger loan. Many of these loans ended up non-paying or fraudulent. By July 2008, 40-60% of FuegoNord's loan portfolio was past due more than 30 days (up from 11% at the end of 2007). FuegoNord was finally forced to take action—it ceased all lending and began a round of restructuring, which included extensive layoffs, salary cuts, and substantial write-offs. The company was eventually closed in early summer 2010 by the municipal tax authority.

Part 3

BOARD MEETINGS

Board Meetings – Tips from the Pros

“Board meetings are not pitches. You have our money, so let’s figure out what to do with it.” - Len Jordan, Venture Partner, Madrona Venture Group

“A good board meeting requires the CEO to bring out the critical issues, stimulate a productive discussing in a non-threatening fashion, and get consensus in a timely manner.” - Thomas Porter, Co-founder, EDF Ventures

“If you have bad news to relay to the board, call up each member directly & immediately to inform them of the issue. Don’t wait for the next board meeting.” - Robert Simon, Senior Managing Partner, BDC Venture Capital IT Fund

“Ask for [your board’s] advice outside the meeting so you can come to the meeting and lay out your plan.” - Jeff Haden, #1 bestselling business and investing ghostwriter

“Board responsibilities: Read the stuff before you get there. Understand variances from plan. Stay in contact between meetings. Have a to-do list from each meeting. Evaluate performance of a CEO.” - Howard Morgan, President, Arca Group

“Focus on the future, not the past.” - Matt Blumberg, CEO, Return Path

Board Meeting Attendees

Always present:

- **All board members** – should arrive prepared and on time

Optional—*invite if there's a specific reason for them to attend & if they will add value:*

- **Outside observers**
 - Pro: can offer good insight, experience
 - Con: not be as knowledgeable about business, may detract from focused conversation
- **Managerial team members**
 - Typically only when needed under special circumstances or to provide detailed context for deep dive discussions
- **Lawyer**
 - Usually far too expensive; however, very helpful if offering services pro bono
 - Advise on specific legal issues, ensure correct procedures and accurate records

Scheduling Board Meetings

Create calendar for the year's board meetings at beginning of each year

- Decide in conjunction w/ board and determine meeting locations
- Time meetings with regular milestones
 - Schedule for *after* reports/performance data etc. will be released

Frequency: hold monthly, bimonthly or quarterly meetings

- Depends on company, stage, needs and engagement level of other investors
 - Younger startups w/ regularly changing circumstances often meet monthly

Meeting format

- Meet in person when practical; aim for at least a couple in person per year
- For remote meetings: if possible, videoconference preferable to audio conference
 - Forces higher engagement & helps people remember who is present

Before the Meeting

- CEO plans meeting and creates [agenda](#)
 - Discuss key issues w/ Chair (and ideally other board members too)
- CEO should *a/ways* briefly discuss any major decisions w/ each board member before the meeting so there are no surprises

“For the most part CEOs put together a board packet and they send it off the night before. This is one of the worst behaviors of CEOs.” - Neil Robertson, CEO, Trada

A well-prepared board is critical for an effective meeting!

- 1 week in advance: CEO sends out meeting reminder
- 4-5 days in advance: CEO distributes [board deck](#)
 - Let board know it will be essential for meeting discussions but that you won't be walking through it; they need to read it beforehand

The Board Deck

- Includes info directors will need for meeting
- Bulk of meeting & deck = key strategic issues (**not** a review of operational data)
- Create standardized template to keep key parts of board deck consistent & simple
 - Get directors' input for determining standard items
- Be thorough but focus on most important things. Keep it 5-20 slides
- Use visuals to make info easy to digest; use text to describe why it matters
- Videos and photos can help your directors better understand the company
 - Ex. A video showing a new marketing campaign in action is better than simply saying “We’ve launched a new marketing campaign”

All directors must review the board deck carefully before each meeting!

- The CEO should *not* walk the directors through the deck at the meeting

The Board Deck

Board deck should include:

- Meeting agenda
- State of company and updates
 - Key metrics and financial info
 - Highlights/lowlights
 - Previous action items + status
 - Strategic overview; evaluate
- Deep dive materials – lay out plans and provide info necessary for productive, well informed discussion
- Section on official board business (prior minutes, reserved board matters, etc.)

See Accion Board Deck Template to help guide the creation of your board deck

Meeting Agenda

- Board meetings are typically 1-4 hours long
 - Budget more time than content—do not jam-pack the time

Agenda

1. *Review business and performance updates (15% of meeting)*
 - a. Financials, progress on key metrics, highlights & challenges
 - b. Focus on data relevant to strategic issues to be discussed next in meeting
2. *1-3 important strategic issues for deep dive discussions (70% of meeting)*
 - a. Ex. Lay out plan for leveraging an important partnership; product launch; creating a recruitment plan; change in business model; financing needs
 - b. Address topics where your board members' experience and professional networks can be effectively applied
3. *Deal w/ company admin (15% of meeting)*
 - a. Ex. Approve executive pay; review audit reports; approve last meeting minutes

During the Meeting

Meeting leads: Chair and CEO

- Ensure meeting runs smoothly, on time, and according to agenda
- Facilitate productive, frank discussion on key topics; ensure all sides are heard
- Board asks questions, provides guidance and feedback
- Chair & CEO direct discussion and achieve consensus in timely manner
- CEO should make clear asks of board and delegate tasks

Motions and voting

- Important to know at meeting what items require formal board approval
 - Articles of incorporation defines these items and how they are decided upon
- See slide on [Matters reserved for the board](#)

Board meetings are **not** for:

- Discussing day-to-day operations of company
- Broad, open-ended brainstorming sessions
- Walking through the board deck—the directors should have already read it

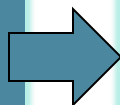
Ending the Meeting

Hold 2 executive sessions at the end of each board meeting:

(May be less needed for smaller boards)

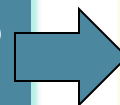
1

- Anyone not on board leaves (observers, management team members, etc.).
- Provides opportunity to have a “closed board meeting.”
- Reserve sensitive legal matters for this session & include legal counsel



2

- CEO and other management team members leave.
- Provides opportunity to discuss major concerns about CEO or company in relatively safe space.



After, Chair then follows up w/ CEO to debrief & discuss points that came up in closed session

Meeting Minutes

- Formal meeting documentation summarizing discussions & actions
 - Minutes are mandatory and must be accurate. Important for legal reference
- Lawyer or designated director (“Recording Secretary”) takes minutes
 - If possible, lawyer should review minutes taken by Recording Secretary
- Most items should **not** be recorded in detail—an overview w/ brief, factual statements is best
 - Certain topics, like voting, must be recorded in detail—consult lawyer
- Minute recording guidelines:
 - Use objective language. Fewer adjectives => better
 - *Avoid* using names that come up in discussions, esp. people you want to recruit, prospective investors, and potential buyers/targets.
- Type up the minutes as soon as possible after the meeting
- After minutes have been reviewed by counsel, send out to attendees & keep a copy
 - Directors formally approve minutes at following board meeting
- Sample meeting minutes: <http://www.feld.com/wp/archives/2006/10/sample-board-meeting-minutes.html>

This work is licensed under the Creative Commons Attribution-ShareAlike 4.0 International License. To view a copy of this license, visit <http://creativecommons.org/licenses/by-sa/4.0/> or send a letter to Creative Commons, PO Box 1866, Mountain View, CA 94042, USA.

