

20. It Is Critical to Carefully Choose Board Members Who Bring Unique Skillsets to the Company

The founding entrepreneurs and the earliest institutional investors generally assume the first seats on the board of directors for the company. It is common for the board to continue to function in this capacity for several months before new members begin to be added with subsequent funding rounds or strategic alliances that are most often accompanied by additional seats which are added to the board. As the startup crosses certain milestones, the discussions begin about the selection and appointment of non-executive, independent board members. When that day arrives, it is critical to fill those sacred seats with experienced individuals who bring a unique set of skills which complement and add value to the boardroom discussions.

Perhaps the most difficult seat to fill is the one assigned to the Head of the Audit Committee. With an ever-changing regulatory landscape, the ability to maintain agility with respect to fiscal and regulatory compliance is fundamental to sound business practices. Establishing the most appropriate process to protect the company and its stakeholders in those fast-paced early days has proven to be worthy of placing this function at or near the top of the priority list. This was certainly paramount for Uber and Airbnb as they looked to weave their way through a regulatory backdrop that consistently tested their ambitious expansion plans. In *Upstarts*, Brad Stone touches on Uber's desire to pursue a board-level relationship with TPG founder, David Bonderman. "Kalanick wanted the experience and connections of TPG's legendary founding partner David Bonderman, then a board member at General Motors, and thought he could help Uber with its regulatory problems around the world." The ability to lean

on the experience, relationships, and leadership of such proven executives has been an effective strategy for the most notable startup outliers through the years.

Another very common approach to strategically filling early board seats with outsiders has been the practice of adding Sales/Business Development executives who bring a deep network to the team. Those with solid reputations and a history of success opening doors with customers around the world are typically very highly coveted in the early going. As the company moves to engage customer prospects through early product development efforts and ultimately general availability of the product, the ability to leverage long-standing relationships forged over many years is paramount. It has proven to be a good practice to add such a resource to the Technical Advisory Board initially which gives the company an opportunity to validate their ability to consistently open the right doors with the desired customer prospects. Those upstarts that have found success landing such highly-touted connectors have found them to be force multipliers.

Above all else, the most important consideration when it comes to filling board seats is to select individuals whose objectives are well-aligned with the company's leadership. With each subsequent round of funding, the participating investors accumulate larger percentages of the total pool of shares outstanding and together they are able to wield more influence over time. Oftentimes, venture capitalists will push for earlier exits which the startup's founding leaders may oppose in favor of a longer-term vision and strategy. The bottom line is that board seats matter and they must be filled with team players who are chosen carefully. The startups that have employed the most thoughtful approach to the construction of their board have found their chosen group to be a powerful extension to the company.