

# BUILDING YOUR BOARD AS YOU SCALE YOUR BUSINESS

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**MARIA JOSIFE**  
SENIOR PARTNER  
MODERATOR



**MARK BROOKER**



**JANE REDDIN**

You've built your business on a great idea. It might be an innovative business model, disruptive product, or game-changing service. As a Founder, you've steered the company through its early evolution, perhaps utilising seed or angel investment. Now it's time to scale up. Your company Board — if you have one — might currently consist of those people (co-founders, colleagues, family, friends, etc.) who have helped you get to where you are today. But that's no longer enough. Especially if you're looking to fund your growth with an injection of capital through a Series A funding round involving early-stage venture capital (VC) investors. Or even Series B and C funding rounds, followed by the big step onto the public stock market with an initial public offering (IPO).

Like your plan to scale the business, your Board too must evolve. According to Maria Josife, who leads Erevena's Board Practice, the structure of a company

Board is increasingly part of the mix when it comes to VC interest. She says: "As headhunters who support growth businesses regularly, we've seen a growing propensity to use the Board at an earlier stage of a company, backed up from the findings of our Biennial Boardroom Remuneration Survey. "As the momentum for this has grown, we're seeing a lot of the same questions being asked around how you compose Boards at early-stage funding and into a later stage. What makes a good Chair or Non-Executive Director (NED)?" To provide Founders and other business leaders with some answers, Maria invited two people experienced in Board roles and investing in start-up/scaling companies to share their perspectives, Jane Reddin and Mark Brooker. We share their collective thoughts on what skills and experience make a good Chair or NED, and why sometimes Founders have to 'let go'.

- Why does the Board need expertise from outside the business?
- You've only got one place on the Board to fill — how do you prioritize your wish list?
- Why is experience of scaling important in your choice?
- Should a Founder be worried about relinquishing control?
- How might a Board change over time?
- How do you manage an underperforming Board member?
- How do you choose between a NED in a current role and one with more time on their hands?
- Is there a formula for getting it right?

## WHY DOES THE BOARD NEED EXPERTISE FROM OUTSIDE THE BUSINESS?

Investors expect an experienced hand on the tiller. That's not to say the Founder isn't doing a good job. But as a business grows, so does the Chair's role. It becomes a more constructive challenge, with partnerships, new talent, and potential M&A activity. Depending on the size and aspiration of your business, going from a team of 40-50 people in one market, to several timezones and a team of 200-250 brings a completely different level of organisation complexity. And all this while you're still trying to run the day-to-day business of the company as its Founder/CEO. That side of things doesn't go away. But bringing in an experienced Chair frees you up, giving you thinking capacity and time to be a true CEO in terms of executing strategy.

Whether it's the Chair or a NED you're seeking, prioritising the required skills and experience will come down to several factors. Jane describes it as a case of 'Reason, Season, or Company Lifetime'. What's more, you can move between these because your Board isn't static. An early-stage business is likely to need a mentor for that specific 'season' in the company's evolution. They will provide guidance on scaling and growth strategy, as well as team and culture development. Credibility with the investor community will be on the wish list at this early stage of growth. Consider also whether you need specific industry domain knowledge.

As the company continues to grow, the Chair will need to be involved in other aspects, such as governance and potentially steering towards that IPO. At this latter stage, the focus of the Chair will shift from the tight connection with funding and the Board members, to a more complex shareholder responsibility. This will require alignment with disparate interests as new investors come on board and the business is no longer one entity.

## YOU'VE ONLY GOT ONE PLACE ON THE BOARD TO FILL - HOW DO YOU PRIORITIZE YOUR WISH LIST?

## WHY IS EXPERIENCE OF SCALING IMPORTANT IN YOUR CHOICE?

The right Chair or NED will be someone who has climbed this mountain before. Ideally, they'll now be a couple of mountain ranges ahead of you and can offer the benefit of that experience. As a Founder, be prepared to take their feedback. Why? If they have been through this before, their insights on organisational fitness to scale are worth their weight in gold.

When you bring in a third-party Board member to help you scale, there are other things to consider as well. What is their sales cycle like — how do they drive growth? If, for example, your growth lever is in the NHS, someone who has played there in a scaled entity is likely to be a good choice. Or perhaps you need to build a high touch customer model or run a dispersed sales team. These are all different aspects that might shape your choice when you're scaling.

It's not unusual for a Founder to feel some reluctance. But a new Chair isn't suddenly going to become the company boss and that preconception needs to be dispelled. So, if you haven't got a Chair, get one. And get the right one! If you get the Board set up right, it won't be like going to the headmaster's office for a ticking off at every meeting! Rather, it's about leveraging the skillset on offer and learning how to optimise the Board meeting. There's another interesting angle on this. A new Chair doesn't only act as a trusted sounding board for the CEO/Founder but can be a useful 'voice of reason' in co-Founder dynamics. More than half of all start-ups fail due to co-Founder conflict; it can be a bumpy ride and having a trusted third party creates clarity and helps navigate this conflict or tension. It's no wonder that the most effective Chair is typically one with a high EQ (emotional intelligence), enabling them to respond to tricky situations as they arise.

## SHOULD A FOUNDER BE WORRIED ABOUT RELEQUISHING CONTROL?

It's important to point out that as a Founder you don't have to have a Board member forced on you. And you can change your Board seats more frequently than you might realise. This brings us back to the 'Season, Reason, Lifetime' concept mentioned earlier. Set their expectations from the outset (and yours) and don't be afraid to change as necessary. Ideally, a third-party Board member should only be in their position for as long as they deliver value. This value may have a limited lifespan in an early-stage business that's changing rapidly. For example, perhaps diplomacy is not the Chair's strong point, so when you're at the mid stage and need someone who can liaise between the executive team and investor base, it might be time for them to move. And not every Chair will have the necessary experience to transition the company from private to public and manage the relationship with equity providers.

## HOW MIGHT A BOARD CHANGE OVER TIME?

What happens if the Chair or NED doesn't do what they're supposed to — even something as basic as failing to turn up to meetings? This is best established at the outset at the same time as managing expectations through the frequency of Board changes. The engagement/compensation model should be aligned with expectations in an honest, upfront conversation between Founder and Board member. Increasingly, the Chair and other Board members are given an annual review, which is set up at the start of the relationship. It's a recommended approach that enables the CEO and/or other stakeholders to provide feedback and manage performance.

## HOW DO YOU MANAGE AN UNDERPERFORMING BOARD MEMBER?

NEDs come in all shapes and guises. Some will be in an existing full-time executive position, while others might be plural NEDs (on several Boards) or perhaps taking on a NED role having come to the end of a successful professional career. Opting for the person with the most time to give you might seem like the obvious choice. And a plural NED may be better at early founding stage as a guide and mentor to the Board and as someone who has the flexibility in terms of their availability for ad hoc conversations with the Founder and other executives.

But what if someone currently in a full-time role is working in exactly the same area as your business or is going through the very same challenge? Their experience at this juncture could be invaluable and they wouldn't be looking to join the Board if they didn't feel they could bring value. The important consideration here should be the level of commitment in terms of the time they can give you. Being a Board member is time consuming and, in many instances, the Chair or NED spends much longer than their budgeted time. So, you have to check how much capacity a person has — being truly committed to your business might not be enough. A Board has to be agile and responsive and think outside the 9-5 working day.

## HOW DO YOU CHOOSE BETWEEN A NED IN A CURRENT ROLE AND ONE WITH MORE ON THEIR HANDS?

There are a number of hiring scorecards that can help in building your Board. While these might have various columns for different attributes, whittling them down to four focus areas can help. One recommendation would be to focus on: track record — aligned with your specific requirements and growth stage; role strengths — how they do what they do; values and cultural fit; and the personal motivation of the potential Chair or NED so that you know you're getting the right alliance between Founder and Board member.

It is hard to find one person to tick all the boxes, so consider finding someone who ticks a couple of them and then fill the gaps with the skills, capability and expertise of other Board members. A single-issue person on the Board is only ever going to be able to chip in on one thing, so look for people who are rounded enough to give you a view on a range of the topics. It is all about getting the right balance for your Board.

## IS THERE A FORMULA FOR GETTING IT RIGHT?



### MARIA JOSIFE

SENIOR PARTNER, EREVENA

Maria Josife is the Senior Partner leading Erevena's Board practice. She specialises in digital business models and digital transformation across VC and PE-backed start-ups and corporates. Her areas of expertise include FinTech, E-Commerce/Marketplaces, Health and Education and she has deep experience across a range of functions, particularly in Board, General Management/Operations and Commercial Leadership roles. The Erevena Board Practice have recently placed a number of senior non-execs for clients including Aldermore, CFC Underwriting, Holland & Barrett, Mind Foundry, Minna Technologies, Seedrs, Seldon and Solidatus.



### MARK BROOKER

Mark Brooker describes himself as a plural NED. He is currently a non-executive director at two publicly listed companies: Future PLC (LSE) and Paysafe Limited (NYSE); and two privately held businesses: Findmypast Limited (where he is Chairman) and Seedrs Limited. Mark was previously a non-executive director of AA plc, Equiniti Group plc and William Hill plc (all LSE listed). He previously worked in investment banking where he was largely involved in equity capital markets funding and IPOs, before taking on COOs role for digital businesses Betfair and then Trainline.



### JANE REDDIN

Jane Reddin is talent director for Albion VC, which invests in B2B software and health tech businesses. Jane helps ensure that the Board is constructed to optimize for growth and the AlbionVC platform team facilitates and cascades strategic alignment. In her 25-year career, Jane has transacted >500 senior hires, globally, for disruptive companies, built international and new-market teams inside a start-up, hired a fund team and, as an advisor, helped over 150 start-ups build high performing boards and teams.