



Of Boards and Bike Races

Choosing a board of advisers who will kick in when the going gets tough.

For most startups, the path to success is much like the Tour de France: a lengthy race where endurance is critical, interspersed with moments at a frenzied pace. Slow down and you lose the race. Push yourself too hard at any one stage, however, and you run the risk of injury or accident.

To better their chances, cyclists work together in teams. Every team member serves a specific purpose, usually to provide support to the team's best rider—to increase that athlete's chance of winning. Entrepreneurs, too, can and do benefit from this approach through using a tried and tested institution: a board of advisers.

When forming a board of advisers, the entrepreneur has a unique opportunity to choose among successful and seasoned businesspeople with a variety of perspectives and areas of expertise. Just as the cyclist may select a hill-climbing specialist to be on his team, the entrepreneur may select someone with industry expertise to assist her as she climbs the road to success.

What entrepreneurs really need is someone who will offer needed perspective while challenging them to succeed.

Entrepreneurs must be careful in selecting their advisers. Needed industry experience or particular skill sets must be identified. Personality, too, is important. Just as a cyclist may like the idea of filling his team with friends and well-wishers, the entrepreneur may prefer advisers who are friendly and familiar. Often, this approach is a mistake. What entrepreneurs really need is someone who will offer needed perspective while challenging them to succeed. Filling the advisory board with sycophants will give the entrepreneur encouragement, but rarely the constructive criticism that may be necessary to succeed.

Once selected, entrepreneurs must use their advisers carefully and not waste these important resources. Advisory relationships often fail when the adviser feels that his or her energies are being wasted or advice ignored. The entrepreneur must guard against this result.

Clear communication with advisers, at the outset of the

relationship, about the scope of their potential involvement is critical. Entrepreneurs need advisers who enter the relationship knowing the expected level of commitment, whether it means meeting for coffee on an ad hoc basis to discuss specific issues or convening for regularly scheduled and more formal conferences. In either case, and in all cases in between, entrepreneurs should be fully prepared for the discussion, present their questions in an organized fashion and provide the adviser with enough ongoing information about the business to allow for meaningful analysis and advice.

Important, too, is the need for entrepreneurs to be respectful of the advice received. Advisers' recommendations need not always be taken, but they should always be considered. And if the recommendations are not followed, entrepreneurs would do well to explain to the adviser why they are taking a different path. Timely communication on this point helps prevent advisers from feeling as if they are being ignored—a sentiment that, more than any other, may spur them to detach from the entrepreneurs' cause.

Last, the entrepreneur must remember one final lesson from the Tour. When on the podium, a winning rider always thanks his team. Without the team, his success would be impossible. This outcome isn't entirely true with entrepreneurs, but success in business is almost always a team effort. If they have retained a board of advisers, entrepreneurs must remember to share some of the credit for their success with that broader group. Often, this means giving the advisory board some small percentage of equity in the company. In most cases, this is a small price to pay for the chance to draft behind and learn from seasoned business leaders who have ridden this course before.

BRIAN B. DEFOE is a shareholder at Lane Powell whose practice focuses on corporation finance, the federal and state regulation of securities, and product regulatory issues. In the course of his practice, he has assisted clients in merger, acquisition and corporate finance transactions. In addition, he has also advised clients on matters of compliance with state and federal securities laws in connection with public and private securities offerings, as well as interactions with securities regulatory authorities. He can be reached at defoeb@lanepowell.com or 206.223.7948.