

Are you the scale-up board member that propels, not protects?



Menno van Dijk, founder ScaleUpNation. With input from Rodria Laline, Valeria Mecozzi, Noëlle Haitzma, Bouke Marsman, Grant Davidson, Wal van Lierop, Frank Landsberger, Jaap Maljers, Floris Croon, and Jan Paul Grollé.

My daughter was a competition skier. Her coach/trainer had many successes on her name. She would have deep insights in what it takes to win. She would not only train my daughter on technique but also coach her on commitment, courage and focus. She would provide coaching on request and also freedom when needed. She would try to propel my daughter towards success, not protect her from failure. It is the kind of relationship scale-up CEOs would look for in their board members.

In my work with scale-ups, the topic of creating a board often comes up. As scale-ups are in a transition from first product to growing sales and services to a broader, international market, they need to build the strategy, organization and network to support this exponential growth. And with increased exposure they need risk management and control, solid financial reporting and compliance with legislation and regulation. And for this they need a board. In fact, our research among Dutch scale-ups finds that scale-ups are almost 50% more likely to have a supervisory board than those young innovative companies that stall.

Scale-ups do not just need a supervisory board, they need an effective one. And we have found that being an effective board member of a scale-up requires quite a different skillset and mindset than that of a board member in a large, mature enterprise. There are two main factors that drive this difference:

1. In a good scale-up, the CEO already has a close relationship with all stakeholders and an insight in their needs and expectations. The founder/CEO is a major shareholder. The inspirational role model that has attracted and engaged the employees. The number one sales person, in constant contact with customers. The one that manages relations with suppliers, the public and an early investor community. So, in essence, the CEO already embodies multi-stakeholder management. Little you need to do in this respect.
2. Your focus in the scale-up phase is on value growth more than value protection. Check and balances, fiduciary duties and mitigating risks and liabilities – these constitute the core of the work for a supervisory board in a large, mature company. But a scale-up still has little to lose. Instead, most of its value consists of future potential and this needs to first be realized before there is anything to protect. Your role is not to help protect the company, but to help propel it.

As a result, as a scale-up board member you are an actively involved inspiration more than the non-executive supervisor at a distance.

It starts with setting direction and expectations.

Your role is to coach the CEO in leading innovation and formulating great expectations. The CEO's big dream (a "hockey stick" in revenues and value) should be worth making a risky investment in. This hockey stick is an investment graph, and as the scale-up progresses and more investments are coming in, you slide into larger and larger commitments, engagement and risk taking.

You dive deep into the opportunity.

You need to truly understand the market opportunity and competitive dynamics as well as the company's capabilities and edge. A scale-up pursues a high risk innovative strategy, so a superficial understanding disqualifies you from being of help. So, you spend time diagnosing issues and blind spots. You will do a lot of 'sensing' for weak signals through informal conversations with key people in the company. You can listen well and master the art of asking insightful questions – questions that not only further your understanding but more importantly trigger the CEO to realize for him or herself the most appropriate action.

You earn your trust as a coach.

Your founder/CEO is a bit of a stereotype: adventurous, creative, eager to learn, impatient and comfortable to take risk. Open to people, quite informal and preferring respect over power. Very focused on action, execution and speed and very demanding of the team. In the scale-up phase, the distance to the organization increases after the founder has rounded out the management team. To bridge this distance, the founder must become a CEO, shifting from push to pull and from tell to listen mode. Become a better listener, become more patient and more emphatic. It is your role to coach the founder/CEO in this transition and in the new leadership and management roles.

In the journey, you help combine execution and innovation.

To scale the organization needs to be ambidextrous, combining results in operating excellence with results in ongoing innovation and experiment. You need to be comfortable with that as well. On the one hand, you help to instill accountability, install relevant performance indicators and exploit management processes – all to keep the enterprise on track. On the other hand, you help explore entrepreneurial potential. You challenge assumed risks and limitations and help reframe these into breakthrough opportunity. You support a constant quest for innovation – a divine discontent with the current quality of the product. It is not your role to be the head of innovation, but you certainly are its biggest supporter. Whether you are involved in operating excellence or ongoing innovation, you provide access and legitimacy. You lend your name and Rolodex to open doors to new customers, potential partners, investors and knowledge institutions. And in those cases that make all the difference, you are on the road together with your CEO, because in the action you are at your most effective.

You manage the VC relationship.

As the scale-up is getting traction and more people start coming in, everyone wants control and a piece of the cake. For instance, VCs come on board and they require a board seat. It is your role to demand that the VC brings in a person with whom the CEO can build a strong, successful relationship. You need to be demanding, do your due diligence, and ensure the person is committed to go the extra mile in case of trouble, and not simply disengage and step out. Also you need to have a thorough understanding on how financing sources influence business models, how to best raise the valuation in financing and which clauses to avoid.

You work well together with the other board members.

Good dynamics between the board members are crucial. As the scale-up continues to progress, the stakes become higher. You need to manage the resulting power discussions and politics (which most entrepreneurs detest and try to avoid) and keep all goals and interests aligned. Each board meeting requires your answer to questions such as: What is the customer need we are targeting and what is our proposed solution? Who are our competitors and how do we win against them? What do we need to do to make our strategy profitable? What is the game plan for sustaining our competitive advantage or for strategic renewal?" As a result, within the board the following discussion topics come back again and again:

- What drives all of us? It has to be serving the scale-up's customers, and serving them extremely well.
- How do we do that? We want to make sure the reality of execution can keep up with all the new ideas.
- Who will do it? We help bring in the team builders, the process managers, the operational experts.
- Why we do it? The overall purpose and holding on to that purpose, is so important.

You educate the CEO on upward management.

Lack of information or information asymmetry is one of the biggest causes for ruptures within boards as it severely undermines trust. Here you need to educate your CEO. Your CEO needs to over-communicate effectively: the more you know the better you can anticipate and the more you can help. THE CEO should want to seek your input and feedback and assign you specific tasks. And provide quantified goals and progress metrics to ensure quantifiable and objective discussions at board meetings.



In summary, do you have what it takes? Do you have real experience as a scale-up entrepreneur? Do you have the insights in the industry? Do you understand how to combine results in operations with results in innovation? Do you understand the ins and outs of Venture Capital? Do you And most importantly, do you know how to coach effectively? In delivering support programs for scale-ups we have come to realize that the current board training programs available are not sufficiently tailored to this specific role. So, we have developed a new program "Board Master Class" that fills this void. The format is strictly peer based, focused on coaching rather than controlling. It also focuses on value creation rather than value protection, and experiential and explorative rather than classical lecture-based. To participate in this, contact me at: menno.vandijk@scaleupnation.com.