

CHAPTER 15

BEFORE YOU READ take an *Overview* of the subject matter by *Assessing Your Prior Knowledge*. AS YOU READ apply the new *Reading Technique*, learn the *Vocabulary*, and complete a *Language Activity*. AFTER YOU READ check your understanding through *Fact and Idea Review*, *Critical Thinking Question*, *Guided Discussion*, *Authentic Assessment*, and *Mini-Quiz*.

Star Search

Think your company's too small to draw big-name talent to your board? Think again

by Echo Montgomery Garrett

BY MOST STANDARDS, Reflective Technologies Inc. had already achieved a lot. In 1997, the two-year-old startup was already selling \$3 million worth of a patented reflective material that could make cycling and running gear glow brightly in the beam of a car's headlights. But revenue had leveled off, and its young founders couldn't seem to persuade the mass-market apparel makers to adopt their expensive coating.

To do it, CEO Adam Rizika, his brother Robert, and their friend Scott Brazina needed an industry star to join their six-member board of directors. The trio, all graduates of the Massachusetts Institute of Technology's Sloan School of Management, knew that adding seasoned industry players, especially a business celebrity or two, can add a dash of credibility to an unknown startup and help attract investors.

Their target: Bruce D. Troutman, a top marketing and technology strategist at W.L. Gore & Associates Inc. and one of the brains behind the billion-dollar success story of the waterproof textile coating known as Gore-Tex. All right, so you wouldn't stand in line for this 51-year-old exec's autograph. But to Adam Rizika, Troutman was a sage and a hero who knew all about persuading sportswear manufacturers to add an invisible chemical coating that was durable, washable, and compliant with industry standards. "Anything I wanted to talk about, Bruce had lived it," Rizika says.

The courtship started in 1997, when Rizika first cornered the busy executive at an outdoor retailers' trade show in Salt Lake City and started pointing out the similarities in their businesses. Troutman was immediately smitten. "I loved that this product serves as a protective device when you wear it," he says. A few months later, Rizika met with Troutman for a full day at Gore's Newark (Del.) headquarters. Bob Rizika and Brazina followed up with Gore's

marketing and technical staff. Over lunch, Brazina brought up a problem they were having—and Troutman finished his sentence for him. It looked like a good match.

Still, Troutman didn't agree to join the board until he saw Reflective present its business plan before an MIT Enterprise Forum session last year, a networking event where entrepreneurs get advice from a panel of business experts. Troutman was one of the panelists critiquing the plan—and it was hardly an accident. Rizika had used his school connections to make sure Troutman got an invite. While in Cambridge, Troutman spent a day at Reflective, and once again, Rizika sweet-talked him. "I was flattered both personally and professionally that they wanted me for a mentor," says Troutman. On top of that, he adds, "I'd grown to admire them as peers." He signed on as a board member last September.

Reflective is not the only one on the prowl for big names to add to their boards. Such panels are already common at many small private companies, even though they aren't legally required to have one. These entrepreneurs value the big-picture perspective they get from experienced directors or a less formal board of advisers and find that big players with contact and clout can bring in new business and open doors nationwide. "I recommend that any emerging company reach high when thinking about board members," says Roger M. Kenny, managing partner of Boardroom Consultants, a New York firm that helps with the selection process. It's not as hard as it sounds, adds Kenny: "Board members love seeing the immediate impact they can have on a small, hot-growth company." For example, since Troutman joined Reflective's board, he has helped the \$4.5 million company focus its market more tightly. He has also steered it away from costly mistakes, such as starting its own apparel line, which, he warned, would pit Reflective against its own customers.

Other benefits are easier to quantify. Clay Weger, 31, the founder and chief executive officer of Just 4 Biz.com—an Austin (Tex.) company that sells office products over the Internet—learned in December, 1998, that two venture capitalists had rejected him simply because he didn't have a board. So, early this year, Weger went out and recruited a

fellow church member and a noted turnaround specialist—Patsy F. Parker, 51, the former chief operating officer of SouthWestern Bell Mobile Systems Inc.—to serve with him on a three-member board. That did the trick. In April, investors handed Weger and Just 4Biz.com \$2 million.

How do these entrepreneurs find big names? For starters, they elevate networking to a fine art, using every connection they have. They clearly **articulate** their company's needs to their would-be adviser. They seek out people with common philosophies and interests. Perhaps most important, they just keep plugging away.

Indeed, this is no time to be shy. Take Daniel Lubetzky, 30, president and founder of PeaceWorks Holdings LLC in New York, which sells food products made cooperatively by groups like Israelis and Palestinians that are normally **embroiled** in conflict. For his 11-member advisory board, he approached the biggest names he could think of—even former Secretary of State Henry S. Kissinger, who was the only person to turn him down. “I believe it’s only because I was never able to speak with him personally,” he says, without a touch of modesty. Lubetzky cold-called Ben Cohen, co-founder of Ben & Jerry’s Homemade Inc., because of Cohen’s well-publicized commitment to social causes and his experience in food distribution. Although Cohen gets dozens of requests a week to advise small companies and only considers one or two a month, he was intrigued enough to meet Lubetzky in New York. Impressed, he signed on. “I was interested in the mission: using the power of business to build bonds of friendship between enemies,” he says. His main complaint? Lubetzky gets distracted by all the opportunities that come his way. “My role as a board member is to get him to focus,” says Cohen.

If appeals to **altruism** don’t work, you might waken an older executive’s entrepreneurial spirit. Judith E. Starkey, president of Atlanta-based Chamberlin Edmonds & Associates Inc., a 128-employee, \$12 million consulting firm that helps hospitals obtain Medicaid and Medicare dollars for uninsured patients, makes a point of cornering recent retirees from high-powered jobs. She has managed to recruit both Thomas J. Roeck Jr., retired chief financial officer of Delta Air Lines Inc., and, most recently, Gordon M. Sherman, who retired in January as the Regional Commissioner for Social Security in Atlanta.

Roeck, who usually confines his board activities to nonprofits, did his due diligence before signing on in February, 1998. He sat in on three months’ worth of board meetings and toured the offices, where he approvingly noted that there were no “potted palms or marble, and people were stacked in cubicles.” Ultimately, Roeck was won over by the 12-year-old company’s impressive

growth record—68% a year and on track for \$20 million in sales this year.

What about compensation? Some board members aren’t concerned about that, though it sometimes helps to offer a small **stipend** or, in Lubetzky’s case, travel reimbursement. At other companies, equity or profit sharing are thrown in to sweeten the pot. When Elizabeth A. Murphy, now 37, decided to start a Washington consulting firm, CFM Partners Inc., in 1996, to help banks comply with regulations on selling securities and mutual funds, she couldn’t afford to pay her directors anything. Instead, she gave them 5% of her stock. Entrepreneurs who take that route typically fork over 1% to 8% per person.

Veterans of such star searches say you should figure out the kinds of skills and people you need. For starters, you’ll want someone with experience or contacts in your industry. Ideally, they will be well-known. Be sensitive to their time constraints and assure them that they won’t be bogged down with day-to-day decisions; you’re supposed to tap them only for big-picture advice.

Can you aim too high? Perhaps. “Sure, I’d love to have Michael Dell on my board,” says Weger, the Web entrepreneur, of the founder of Dell Computer Corp. “But realistically, he’s not going to have the time for me.”

Then again, you never know. William Lohse is now founder and president of SmartAge Corp., a San Francisco-based Web marketing firm with 56 employees. But as founding publisher of PC Computing and former president of Ziff-Davis Publishing Co., he was able to use his blue-chip business connections to attract a powerhouse advisory board and raise some \$10 million in startup capital. His advisers include Vinton G. Cerf, senior vice-president for Internet Architecture & Technology at MCI-WorldCom; Theodore J. Leonsis, group president of AOL Interactive Properties; and Jim Seymour, editor and lead columnist for PC Magazine and TheStreet.com. Lohse still hasn’t gotten around to putting together a compensation package for them. To save time, members will convene either in a dedicated Internet chat room or by **teleconferencing**.

And speaking of Michael Dell, Lohse did ask him to join. No, he didn’t accept. He also got to Benjamin M. Rosen, the founding investor of Compaq Computer Corp. and Lotus Development Corp. and currently Compaq’s chairman of the board and interim CEO. “I got as far as having dinner at Mr. Rosen’s apartment in New York, but he ultimately decided he didn’t have time,” says Lohse. “Neither one came on the board,” says Lohse, “but they both invested in the company. I’ll take that for now.” Just goes to show, it never hurts to ask.

Reprinted with permission from Business Week, May 24, 1999.

BEFORE YOU READ

Overview

Small private companies realize that business smarts, successful sales, and good products are no longer enough. In order to attract venture capitalists, today's entrepreneurs must gain credibility by luring prominent professionals to their board of directors.

Assessing Prior Knowledge

1. Have you (or someone you know) ever had a mentor, such as a teacher, a counselor, or a sibling? How did you connect with your mentor in the beginning? What did you get out of it?

2. Have you ever tried to convince another person to help you with a project or activity? How did you grab the person's attention? Were your attempts successful?

AS YOU READ

Reading Technique

A business recently opened that manufactures clothing, shoes, and sports gear for young people. The company is looking for a teenager to join its board of directors. This way the company can get direct feedback from the target market. You have been approached to be this young board member. Before you accept the position, you feel you need to learn more about the situation. Hopefully, some of your questions will be answered after reading this article. On a separate piece of paper, write several questions about what will be expected from you, what you can expect from the company, and how accepting the position will impact upon your life.

Vocabulary

articulate Spoken in distinct syllables or words; able to put one's thoughts into words in a clear, easy way.

embroiled A person in a quarrel; affairs thrown into a state of confusion.

altruism Unselfish devotion to the interests and welfare of others; humanitarianism.

stipend Fixed or regular pay; a fixed, periodic allowance.

teleconferencing The act or practice of linking a group of people by telephone or television.

Language Activity

Look up the various definitions of the word "star," including those related to the sky and those related to the social spotlight. What qualities or characteristics do the different definitions have in common?

AFTER YOU READ**Fact and Idea Review**

1. What are some reasons why companies make great efforts to recruit "seasoned industry players" to join their boards?

2. What techniques or strategies are used to successfully recruit big-name talent to a board?

3. What should a businessperson keep in mind when choosing and dealing with board members?

4. Give an example of a company founded in the name of altruism and socially conscience profit making. What prominent businessman did they pinpoint as a candidate to join their company? List his reasons for joining. What is his main complaint about the business? What high-profile person turned them down?

Critical Thinking

Compare and contrast the recruiting methods for “hiring” advisory board members with the normal employee hiring practices of companies. Examine which steps in the employment process are different and which are similar. Answer the following questions on a separate piece of paper.

- 1) How are the *preliminary screening* and *testing* techniques different between the recruiting of board members and the selection process of an employee?
- 2) Give an example from the article of how even potential advisors may go through a “second interview.”
- 3) How is the fourth stage of the selection process—*personal judgment*—influenced by first impressions and the halo effect?
- 4) What benefits do board members get out of being on an entrepreneurial board?

Guided Discussion

Receiving feedback for improvement is important in all areas of business, whether it is in an appraisal interview, in a mentor relationship, or guidance from a board member. Discuss other areas of life, such as politics, social events, or personal experience, whereby feedback is critical for performance. Can you name any particular incidents whereby better feedback would have altered your own life? On the board, draw up a list of specific advantages of experiencing honest, direct, and uncensored feedback. Also discuss the differences between feedback, advice, and criticism.

Authentic Assessment

Create Your Own Board of Directors

If you could start any kind of business, what would it be? What people would you want around you to support your efforts? List some personality traits that these people would possess. On a separate piece of paper, answer the following questions to help you have a more positive experience as you start your business.

- 1) What type of company you would like to start? What products or services does it manufacture, distribute, or sell?
- 2) What is the name of your new company?
- 3) What knowledge is important for you to have as president?
- 4) Suppose that you recruit a board of directors to advise your business decisions. What kind of expertise, background, or business experience should each member bring to the board?
- 5) What companies are similar to your business? Whose executives might be interested in helping your new company?

Mini-Quiz

Multiple-Choice Questions

Please circle the letter of the correct answer, based on the information in the article. *Hint:* There may be more than one correct selection for each question.

1. What are some different ways advisory members from different parts of the country convene?
 - a) teleconferencing
 - b) sending in videotaped messages to the company headquarters
 - c) mailing written assessment reports to each board member
 - d) group participation in a dedicated Internet chat room
 - e) traveling to the company offices for a meeting
2. What do potential advisors usually look for in a company whose board member is planning to join?
 - a) a high profit margin
 - b) common interests and philosophies with its leaders
 - c) a competent business plan
 - d) at least ten percent of stock options
 - e) a well-organized operation

3. Which of the following interview style(s) is most common in the process of recruiting a board member?
- a) the formal structured interview
 - b) the informal unstructured interview
 - c) the appraisal interview
 - d) follow-up meetings with other department heads
 - e) the exit interview with the personnel manager
4. What are the main reasons for wanting to attract at least one advisory board member with "star" or "celebrity" status in the business world?
- a) to attract investors and capital
 - b) to benefit from the "star's" connections with other businesspersons
 - c) more socially conscious and altruistic
 - d) an excellent track record brings expertise and wisdom
5. What are some specific things that board members can assist with?
- a) preventing the leadership from being distracted by numerous other opportunities
 - b) increasing sales and revenue
 - c) focusing its management on the most important goals
 - d) steering the company away from costly mistakes
 - e) all of the above