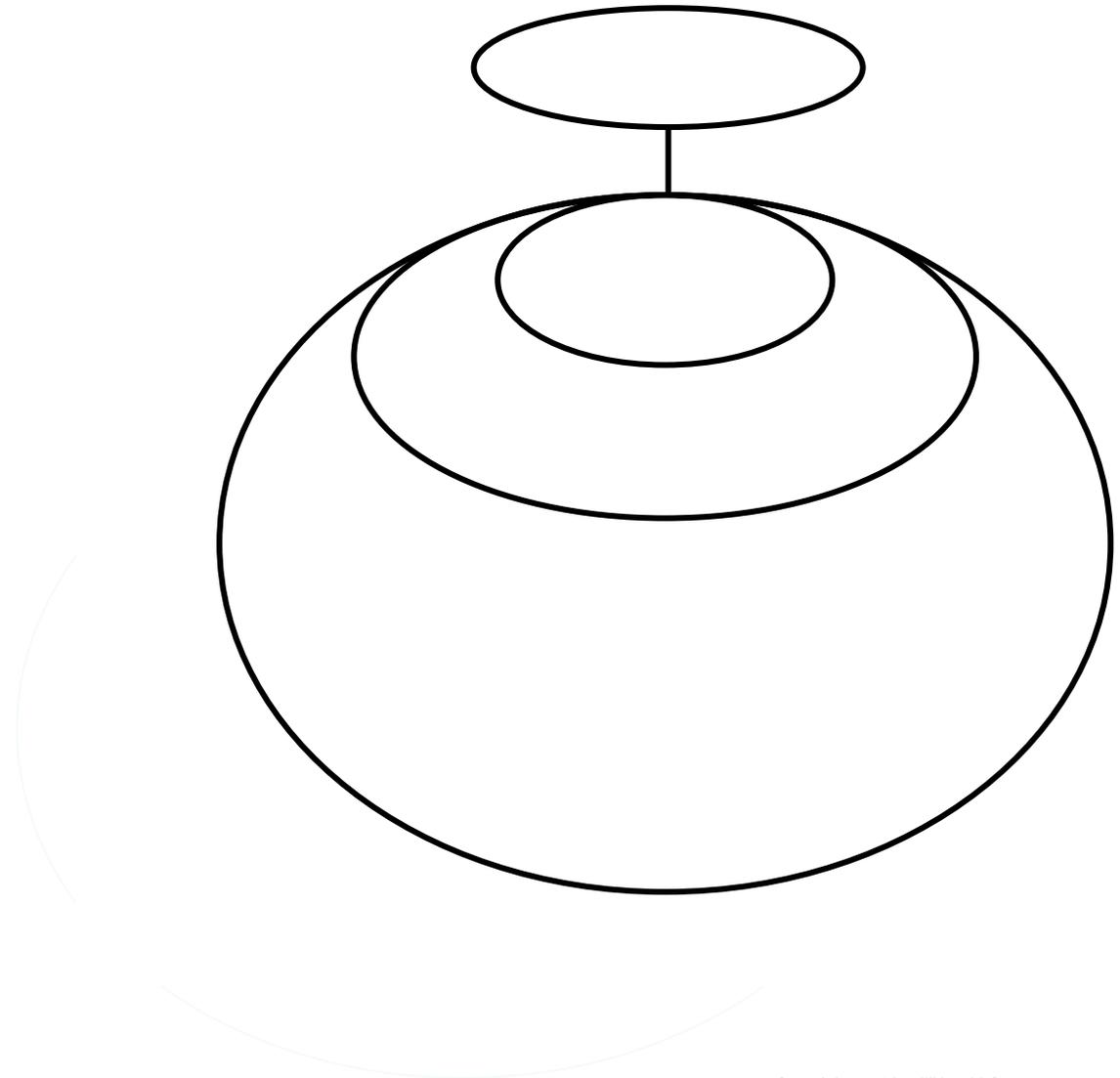


Manage to Lead

Governance and Operating Framework



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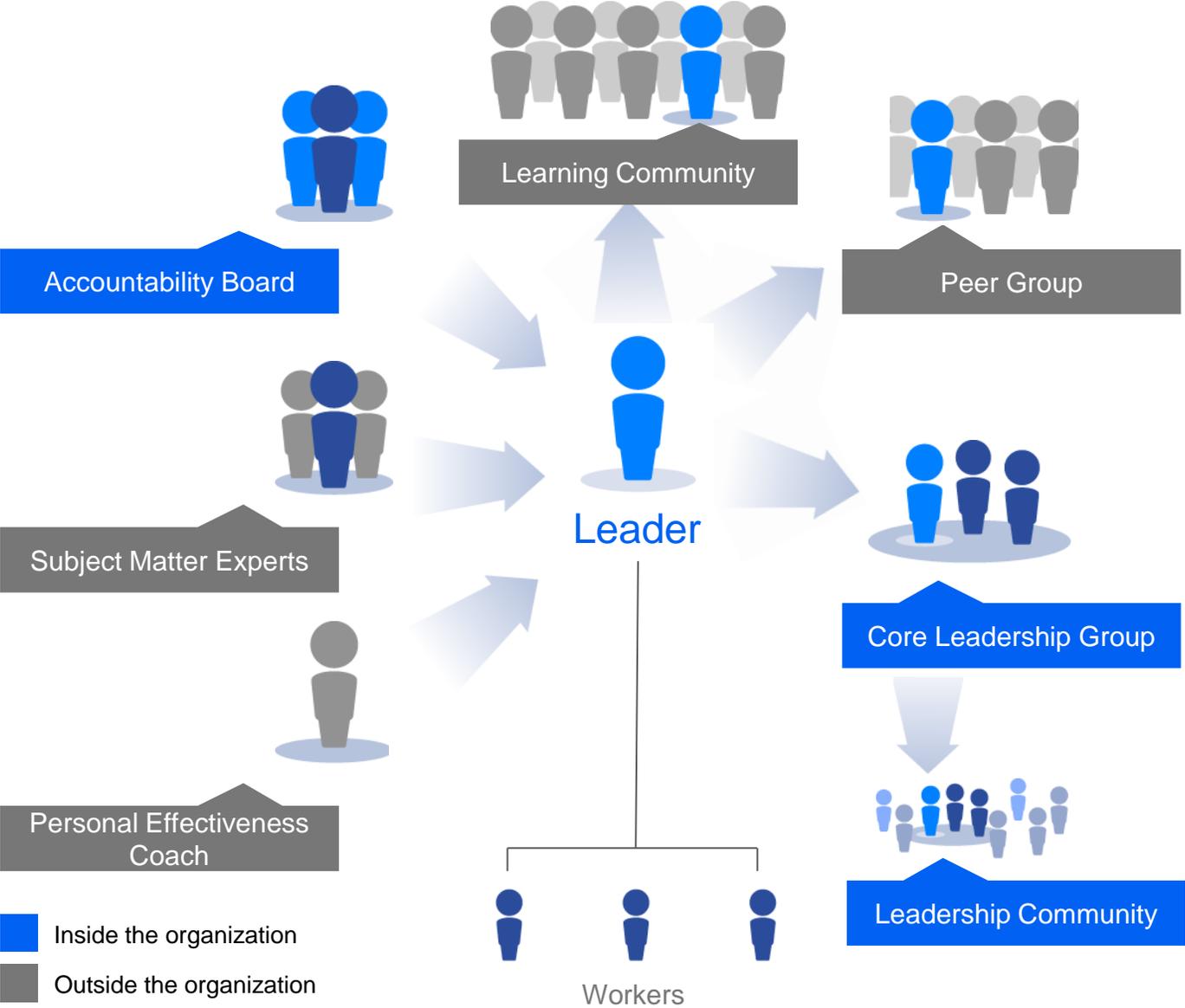
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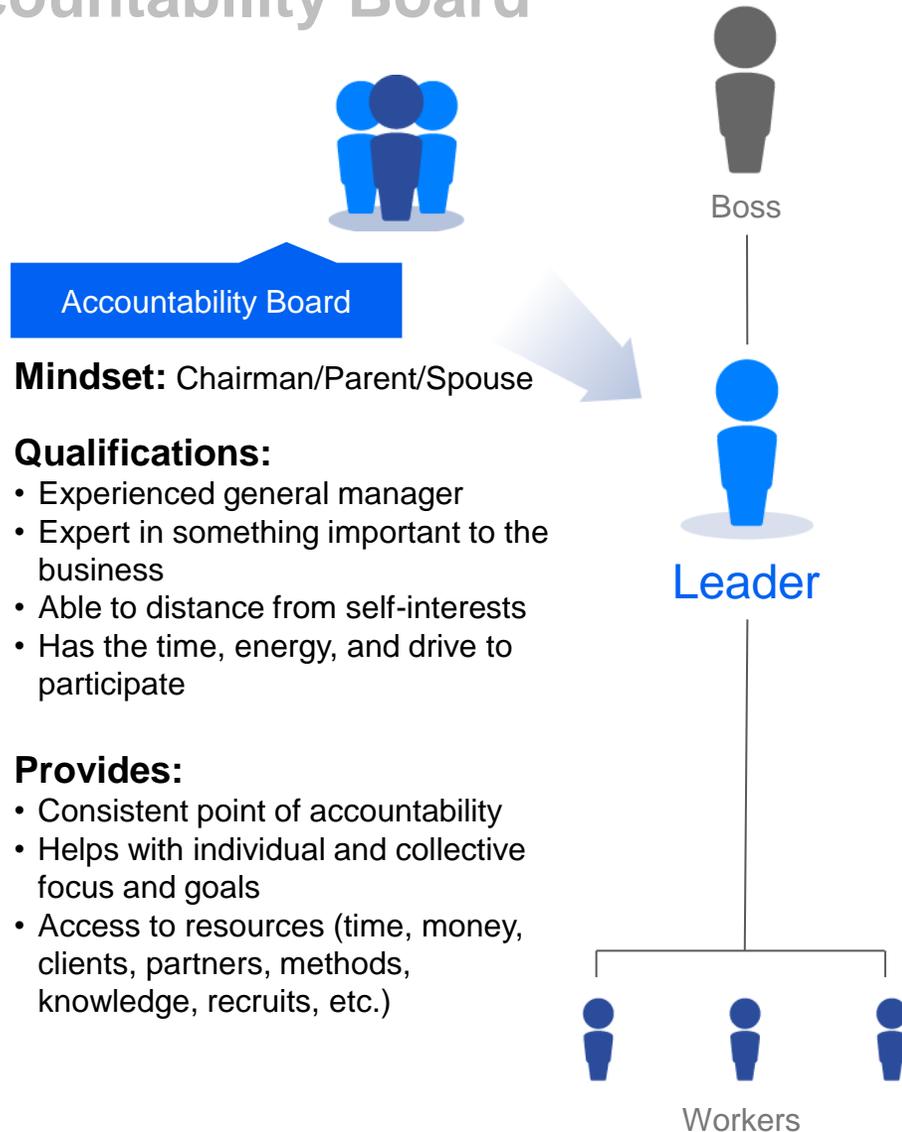
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Support Structure for Leader Success



Leadership Support Accountability Board



Accountability Board

Mindset: Chairman/Parent/Spouse

Qualifications:

- Experienced general manager
- Expert in something important to the business
- Able to distance from self-interests
- Has the time, energy, and drive to participate

Provides:

- Consistent point of accountability
- Helps with individual and collective focus and goals
- Access to resources (time, money, clients, partners, methods, knowledge, recruits, etc.)

Responsibilities:

- Hire and fire the CEO
- Approve financial plan
- Meet at least quarterly for 3-hours
- Minutes and actions logged in Board-book

What can go wrong:

- CEO adopts a one-down mind-set, tries to please the board, and takes direction (vs. input)
- Member(s) fail to prepare, develop point of view, participate
- Preparation runs up to meeting start
- Meeting is all “show and tell/sell” with no time to reflect and discuss important topics
- CEO fails to facilitate open discussion, debate, and pushback
- Members fail to push back in favor of congeniality

Agenda:

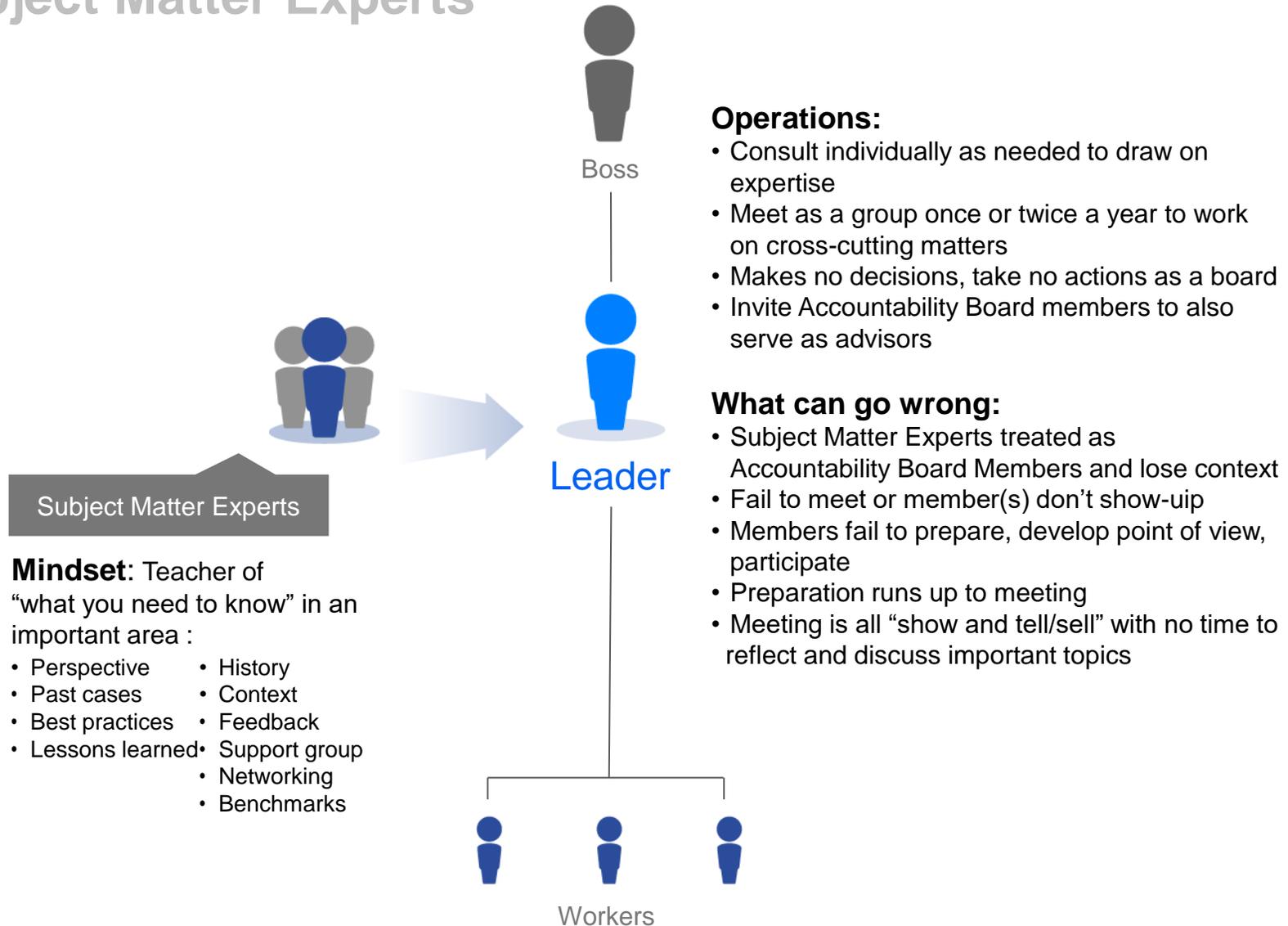
- What you are trying to do
- What you have done to do it
- What happened
- What you have learned
- What you plan to do next

Members:

- Prepare, Develop a Point of View, Show Up, Pay Attention, Participate don't dominate
- Ask challenging questions to push up thinking
- Give best advice and counsel
- Create a safe environment for open discussion

Leadership Support

Subject Matter Experts



Accountability Board

Summary

Board of Directors		
Members	Frequency	Responsibilities
<p>Internal Members Chairman/CEO Secretary</p> <p>External Members PE/VC Senior Advisor PE/VC Managing Director Experienced successful exec</p> <p>Inside Observers CTO COO CFO Function/Unit Leader(s) Specialists</p> <p>Outside Observers Lender PE/VC/Lender Analyst(s)</p>	<p>Every three months and as needed</p>	<ul style="list-style-type: none"> • Hires/Fires the CEO • Reviews and approves annual financial plan, option program, compensation program, and incentive program • Provides a consistent point of accountability for performance against plan and goals • Approves performance goals, compensation, C-level incentives • Reviews performance annually and guides the development of the CEO • Reviews and provides guidance with respect to what the organization and its top execs are doing individually and collectively, how it is going, what they are learning, and what they will do next • Provides guidance with respect to individual and collective executive focus • Reviews resources (people, clients, time, training, connections, money, etc.) needed to achieve plans and takes steps to help the organization meet its needs • Gets clear about what is most important, and ensures attention and resources are allocated accordingly • Reviews the organization's strategy and key initiatives to be sure they make sense and that they are in synch with what the organization is doing and learning • Provides advice and counsel in communications and affairs relating to lenders and financiers

Board of Directors vs Accountability Board vs Advisory Board

- See sample [board charter](#) vs. [advisor charter](#)
- Corporate bylaws frame how many, and who must be, on the Board of Directors
 - Members have legal responsibilities and bear real risk (and so require Directors & Officers Insurance)
 - Compensated with meeting fees and/or equity
- Corporate Board **can** serve as the Accountability Board; often assumed to be but failing
- Board of Advisors **can** be an Accountability Board; often isn't but thinks it is
- **Professional money** (i.e., Lender, Angel, Venture Capital, Private Equity) often **comes with governance** via board members and observers.
- A high-functioning Accountability Board **increases the odds of getting professional money** and of maintaining pre-money mode of operation vs having to conform to preferences of those who provide funding.
- To maintain control and keep costs down (e.g., legal, insurance) yet get the benefits, some private companies set up their Accountability Board as a Board of Advisors instead of Board of Directors.

Accountability Board Management Best Practices

- CEO's job is to manage organization resources to maximum effect; the board is a resource...use it!
 - **Know what is wanted from each member**; ask each for it; give feedback
 - Ask the board and each member what they can do to help...then invite him/her to do it.
 - At least annually survey/discuss to **assess how the board and each member is performing**, what has gone well and what can be done to improve; act accordingly
- Maintain a rolling-year schedule at locations convenient to the company.
- Manage each meeting to accomplish what is needed; see sample board meeting artifacts; send out two days ahead of meeting.
- End each meeting with executive session to cover sensitive matters; invite outside directors to meet alone to discuss how things are going with the CEO and his/her team.
- Treat members with utmost respect but do not overdo deference
 - Stay in touch with each between meetings, in the way that works for him/her and you, to solicit input and to keep him/her apprised so as not to be blindsided, behind the curve, or cut out.
 - Let each know what is needed from him/her between, and in, each meeting.

Accountability Board Membership Best Practices

- Have ad hoc meetings/calls when needed to get out in front of emerging issues/opportunities but don't make more of an issue than needed.
- Keep the number of members as small as practicable to be more manageable.
- Invite management team and others to attend, with a bias towards inclusion, to the benefit of both attendees and members; model how direct reports should behave.
- Manage the space between Board and Management; otherwise, the Board it will either ignore or manage the CEO based on swings from *apathy* to *fear* and *greed*.
- Build board thoughtfully as it is hard to unwind membership; use term/age limits and varying responsibilities to drive changes.
- Where to find members:
 - Personal network
 - Retained search
 - IntelliVen Executive Sessions (a.k.a.: Accountability **Board-in-a-Box** or Instant Accountability Board)

Accountability Board Committees Address Specific Needs

- **Required Standing Committees**

- Audit
- Compensation

- **Common Standing Committees**

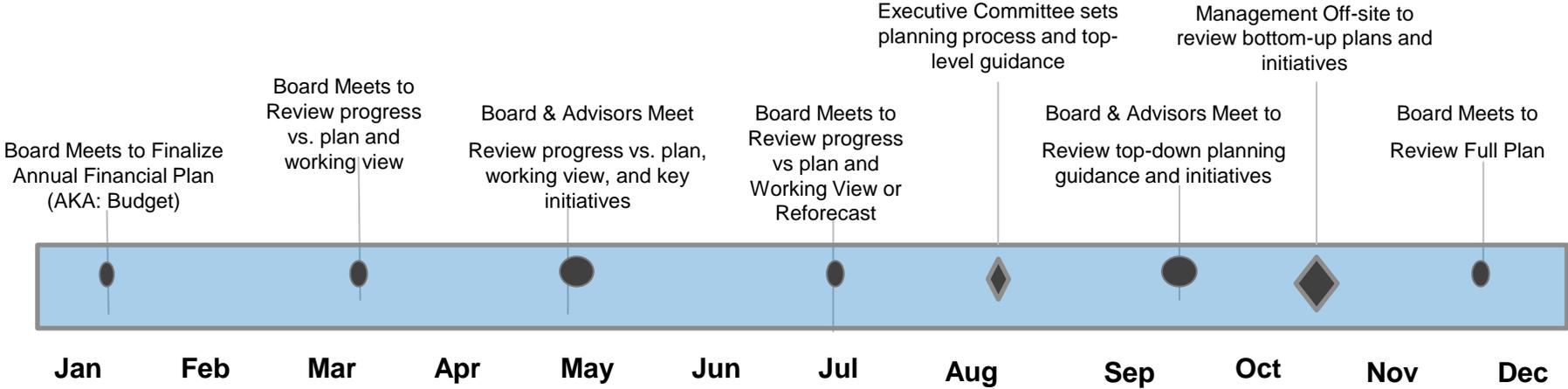
- Executive: Sets agenda for the full board
- Governance/Nominating/Membership Committee: sets target board profile, assess current board, drives to achieve target profile and performance
- Finance: for organizations with complex financial structure that not all board members need to be equally concerned with
- Ethics/Compliance

- **Ad Hoc committees address specific matters that come up and sunset upon completion**

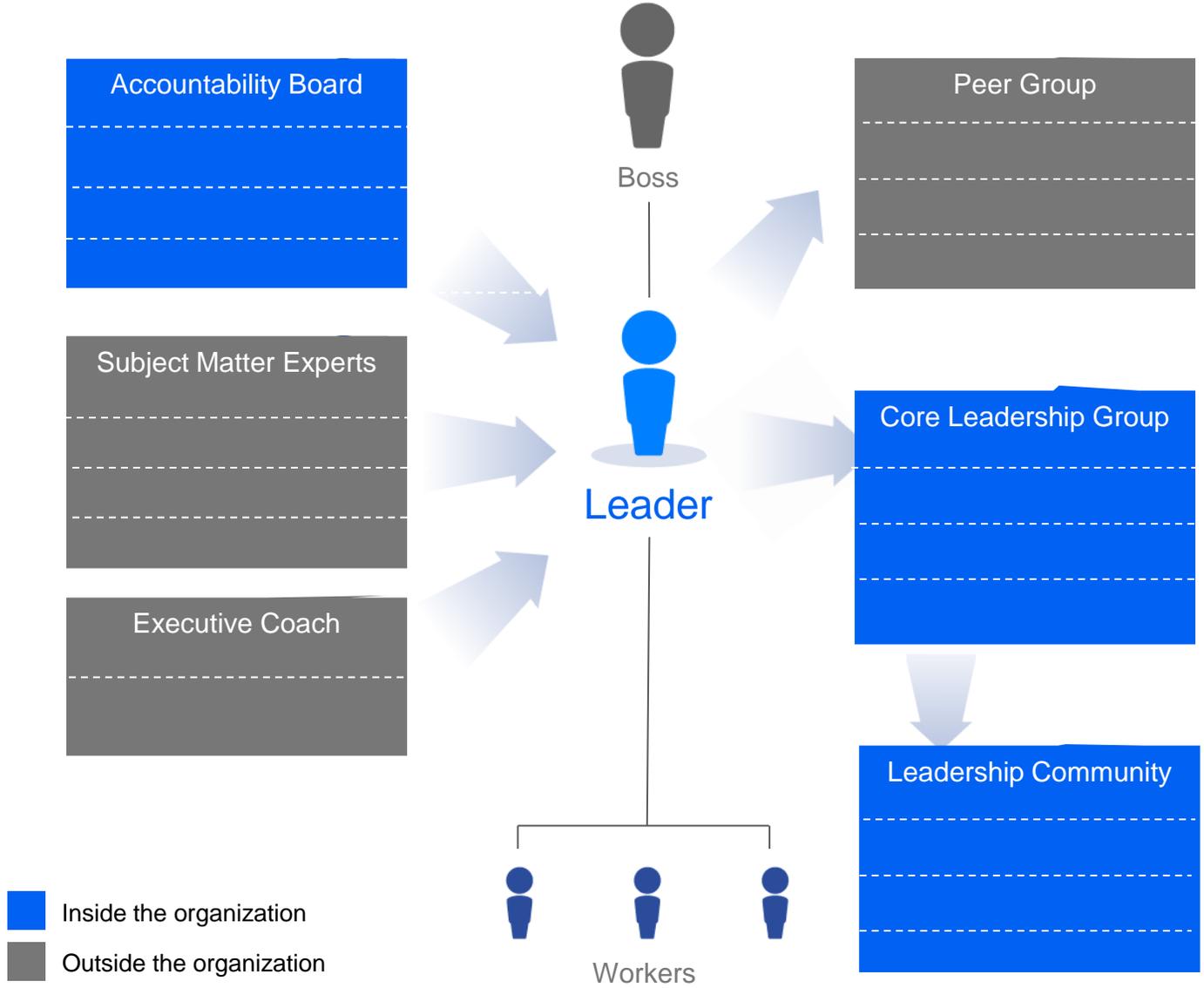
- **Role of chair**

- Poll members to set agenda and to assess company, CEO, and board performance
- Let members know ahead what each needs to expect and to do in upcoming meeting
- Facilitate meetings; e.g., keep things moving and on track per schedule allowing to go off schedule when needed
- Identify and head off problems between members
- Drive board development

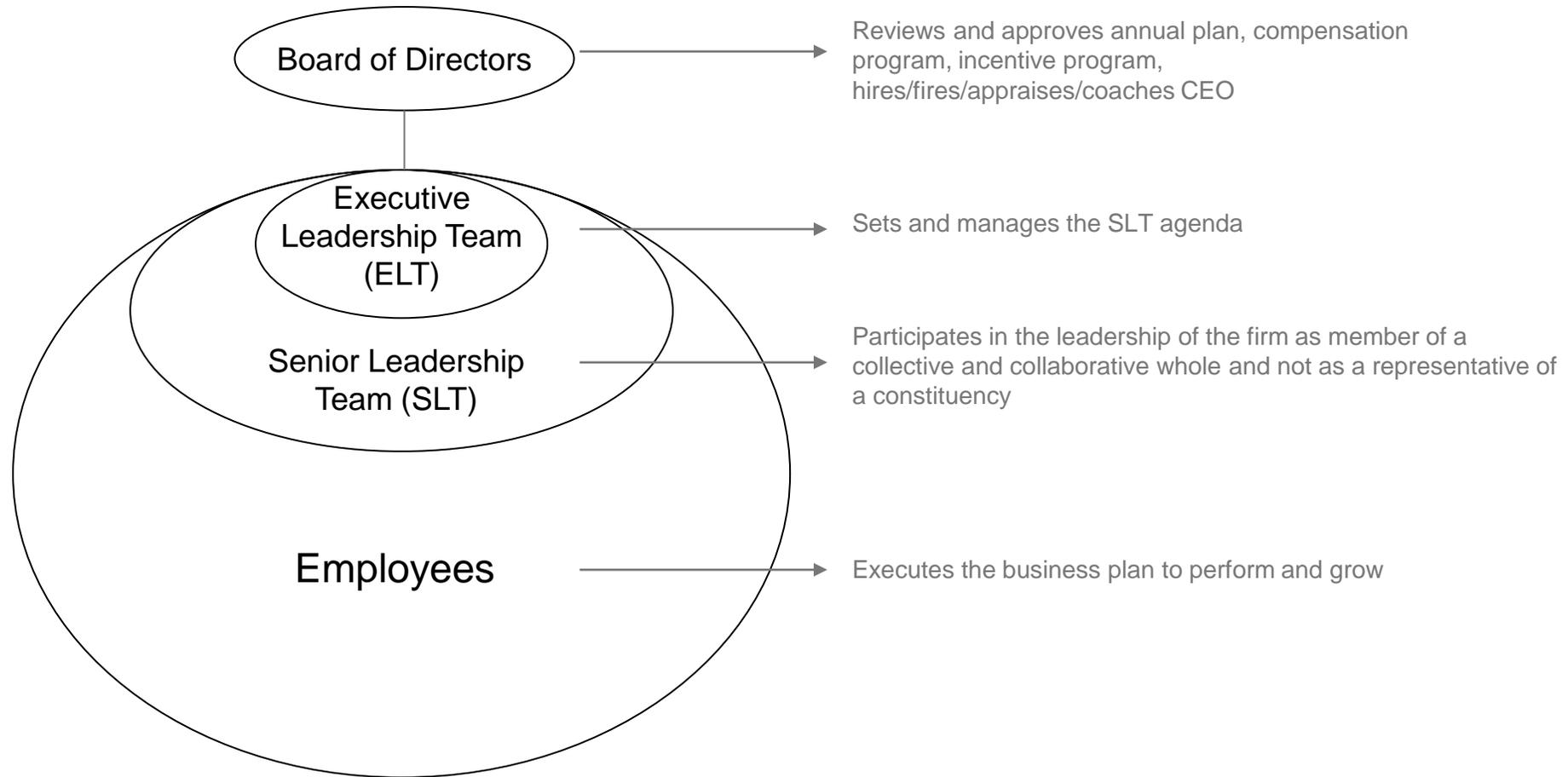
Sample Annual Planning and Governance Cycle



Leadership Support Structure Template



Organization governance occurs through cascading leadership



Executive Leadership Team sets Senior Leadership Team agenda

Executive Leadership Team Meetings		
Members	Frequency	Topics
CEO (Chair) COO CTO CFO CxO(s)	Bi-Weekly and as needed	<ul style="list-style-type: none"> • Sets and manages the management operating team agenda • Outlines and guides the evolution and adoption of the firm's target vision, culture, strategy, annual plan, policies and core processes • Identifies key areas needing attention and drives to be sure they are addressed • Sets operating priorities • Sets intent and key parameters to guide core processes (e.g., assignments, incentive compensation, goals, performance reviews, promotions, salary reviews, etc.) • Prepares and communicates goals, direction and status to the stakeholders including employees, investors, lenders, clients, and partners • Considers and acts on recommendations from Board of Directors and advisors including investment decisions

Senior Leadership Team Meeting

updates, reports on, coordinates, and reviews key operating activity and policy matters

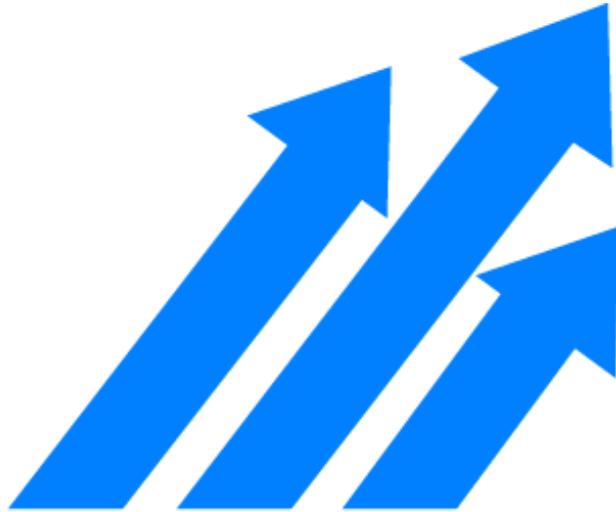
Senior Leadership Team Meeting		
Members	Frequency	Topics
Those who lead significant parts of the organization's do/sell/grow functions and markets	2-4-hour monthly; Offsite 1X/year in October to launch annual planning cycle	<ul style="list-style-type: none"> • Participates in the leadership of the firm as member of a collective and collaborative whole and not as a representative of a constituency • Studies, analyzes, advances, refines, sets, implements, and achieves company: vision, culture, strategy, operating plans, and policies • Models target culture and communicates important messages • Orchestrates and administers core processes including performance reviews, salary reviews, goal setting, promotions, etc. • Fosters the development of relationships across the company • Identifies cross-company issues and opportunities for improvement • Identifies and advocates potential cross-company synergies • Identifies key areas needing attention and drives to be sure they are addressed • Prioritizes and allocates resources to key opportunities and initiatives • Draws attention to and promotes personnel development, best practices, and important initiatives • Fosters the development of leadership community and its members as individual and collective leaders • Prepares and communicates company goals, direction and status to stakeholders including employees, investors, clients and partners • Oversees: <ul style="list-style-type: none"> ○ Company-wide Strategic Initiatives ○ Ad hoc action teams ○ Communities of Practice

Management Operating Team Meeting updates, reports on, coordinates, and reviews key operating activity and policy matters

Management Operating Team Meeting		
Members	Frequency	Topics
Those who lead significant parts of the organization's do/sell/grow functions and markets	2-4-hour monthly; Offsite 1X/year in October	<ul style="list-style-type: none"> • Participates in the leadership of the firm as member of a collective and collaborative whole and not as a representative of a constituency • Studies, analyzes, advances, refines, sets, implements, and achieves company: vision, culture, strategy, operating plans, and policies • Models target culture and communicates important messages • Orchestrates and administers core processes including performance reviews, salary reviews, goal setting, promotions, etc. • Fosters the development of relationships across the company • Identifies cross-company issues and opportunities for improvement • Identifies and advocates potential cross-company synergies • Identifies key areas needing attention and drives to be sure they are addressed • Prioritizes and allocates resources to key opportunities and initiatives • Draws attention to and promotes personnel development, best practices, and important initiatives • Fosters the development of leadership community and its members as individual and collective leaders • Prepares and communicates company goals, direction and status to stakeholders including employees, investors, clients and partners • Oversees: <ul style="list-style-type: none"> ○ Company-wide Strategic Initiatives ○ Ad hoc action teams ○ Communities of Practice

Coordinating success

- No one does anything much alone .
- The best results come through win-win synergy from a few strong players working together towards a common goal.
- The most effective organizations of any size (i.e. 20 to 200,000) have a small group of leaders all pulling hard in the same direction for an extended period.



All of them:

- Seek to accomplish the same thing
- Have immense desire, drive, capacity, and competence
- Complementary skills and compatible orientations
- An instinct and innate drive to work with the others
- Always give all the credit for any success to everyone else in the organization

Organization evolves in accordance with three key principles

There Is No One Right Organization	The organization that will work is the one a group decides to make work, after much study and debate, despite its flaws. It is easy to make any organization fail. It is harder to make one work. The group that bands together to design its own future and that then signs up to make it work every day in the field of play is the one that is most on track to success.
Organizations Change Slowly	It is often better to make small moves than to make wholesale changes. Organization change is hard on people. It helps to go slow, and to keep everyone clear about what is going on, why it is going on, and what is needed from them to succeed.
No Organization Is Forever	Each organization is just one step along the way to the next. When an organization is put in place, it is a good time to also think about what might be next because it won't be long before adjustments will be needed to stay on track to success.

Thank you.

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