

## Kauffman Fellows Program Class 18 Session Guide Module III

Dear Kauffman Fellows Class 18,

Welcome to Module 3 of the Kauffman Fellows Program here in Silicon Valley. The focus of this module is on **“Investment Optimization: Board Best Practices”** and the content will emphasize best practices as a board director. Also, the theme of personal branding as an investment professional will permeate every session. While we will complete some discrete exercises around branding, we encourage you to keep it front and center in your thinking throughout the week. The high-level concepts of Module 3 are:

1. Excellent board conduct creates commercial value and enhances returns. From the sessions in this module, what does “excellence” mean and how do you measure it?
2. Sub-par board behavior occurs even with good intentions. It destroys value, lowers returns, creates legal exposure, and damages reputations. What form does that behavior take?
3. Thorough knowledge of legal requirements and maintenance of good corporate “hygiene” does not in any way ensure “excellent” board conduct. What it does provide is a good foundation and it goes a long way toward preventing expensive mistakes that can come back to legally and financially bite funds and individuals.
4. Board roles can last 5-7 years and the dynamic is greatly influenced by the original investment structure and those whom you choose to bring into the deal.
5. Because of this time commitment and the important role of BODs, much of your reputation – and good investment opportunities – stems from your conduct on boards.

It won’t come as a surprise to you that many of the faculty coming to speak are concerned about the state of the industry and what it means for each investor’s future. You are going to hear a broad spectrum of perspectives from these faculty, from “doom and gloom” to “once in a lifetime opportunity.” The reality, most all of them will tell you in the end, is probably somewhere in between. Where that “somewhere” actually lies is the question we all want to answer.

Our view at the Center for Venture Education is that we are moving into a potentially golden age of innovation. Though we believe that the venture world will survive and ultimately thrive again, tectonic changes in technology needs, geography of problems, and government policy and politics create uncertainty as to what the industry will look like in its next stage of growth. The next few years are going to be a crucible that will reduce the industry to its raw elements and – if you’re truly committed to this industry long-term – it’s a great time to be starting out. We do think the heat and pressure will force each of you to be clear on who you are and where your vision as an investor and a leader stands. We need to recognize the great potential we have as investors to impact the success of any startup, and that ultimately this impact begins with individual leadership.

Again, welcome and we look forward to an enjoyable and insightful week together.

Jane Chinen  
*Recruiting  
Manager*

Vincent Micciche  
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Remi Morita  
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Kirsten Owens  
*Program  
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*Director of  
Operations*

Amber Schoenberger  
*Director of  
Society Services*

Bill Tobin  
*Faculty*

Phil Wickham  
*CEO*

## **Session 1: Successfully Launching on a Board of Directors**

*Speakers:* Ann Miura-Ko, Floodgate  
Josh Stein (Class 9), Draper Fisher Jurvetson

### *Session Goals:*

To gain insight into best practices for optimizing relationships with fellow board members, firm partners, and management teams. Additionally, to learn how and when to make a value-added splash as a board member or observer, how to find your role, and how to stay out of ruts.

### *Questions to Ponder:*

- What defines an effective board member and what should a board member be doing?
- What is my responsibility to the company?
- What should keep me up at night?
- What is a good board observer?
- As a board observer, how can I add value and what are my limits?
- When is the transition from observer to board member appropriate?
- What information do I need to know to add value to the company in the financial, marketing, IP, and other arenas? Where do I source this information?
- Which board members should I see in advance of board meetings?
- What is the proper format, forum and specificity for reporting back to partners?
- What materials are helpful for board meetings?
- How should I manage the syndicate of partners and other board members? How will this affect future funding?
- What are the informal roles that develop – good cop/bad cop, cheerleader, etc.?
- What techniques can boards employ to avoid groupthink?

*Notes:*

## **Session 2: Directors' Roles, Values & Responsibilities**

*Speaker:* Pascal Levensohn (Mentor 14), Levensohn Venture Partners

*Session Goals:*

This session will be an advanced discussion of real business situations that test a private company board of directors. It will be an opportunity for you to synthesize your board expertise to date and prepare for the next set of discussions in the Module. The primary goal of the session is to appreciate that there is always a big opportunity (even on the average board) to help build commercial value and establish your brand and that of your firm. Additionally, we will discuss and understand how fine the line is between value-addition and value-subtraction.

*Questions to Ponder:*

- How do you propose to handle conflicts of interest between your role as a fiduciary and the demands of your partnership when the two diverge?
- Does your partnership have a clearly articulated policy on the above?
- What will you do when a syndicate partner drops out and will not support the continuing investors in a financing round?
- How do you plan to deal with replacing a CEO? Do you have a process?
- What will you do if you and your partnership are sued by founders who claim you have fraudulently conveyed value to yourselves and away from them in a new preferred round?
- How will you remove non-performing board members who have contractual rights to a board seat?
- How does capital from friends/family/angel investors prior to the first institutional VC round impact board dynamics in seed and early stage companies?

*Notes:*

### **Session 3: Cohort Lunches/Field Projects**

*Speakers:* Jewel Savadelis, Savadelis Films  
Phil Wickham (Charter Class), Kauffman Fellows

#### *Session Goals:*

While the field project is a requirement for graduation from the program, it should be viewed as a powerful and unique opportunity that has a measurable window of opportunity. Your field project should be an extension of your personal journey – the same story that got you into the program. It should reflect your personal and career interests, as well as those of your firm or organization. In this session, we will dig deeper into the field project process and explore areas for further investigation.

#### *Questions to Ponder:*

- What is a field project and what is it not?
- How would you define your project?
- How does this project interest you?
- Who is the audience you are trying to reach?
- How will you reach your audience and how might your insights get distributed?
- What do you want the brand of “you” to be when you graduate from the Program in July?
- How does this project impact that brand?
- How can you leverage the work of those Fellows before you?
- How might your work inspire those who come after you?
- Who else besides your firm will care about your insights?
- Who else might you get involved in the project early on?

*Notes:*

## Session 4: Building, Evaluating, and Optimizing a Board

*Speakers:* Brent Ahrens (Class 5), Canaan Partners  
Susan Mason (Class 2), Aligned Partners  
Bill Gerhart, Founder/CEO  
Barclay Kamb, Cooley LLP

### *Session Goals:*

Engage in real-world scenarios to gain insight into challenges and skills needed in building a board, saying “no”, understanding your role when joining an existing board, and optimizing your board role for the good of the company. Examine to what degree – and how – you perform the delicate task of due diligence on an existing board of a prospective investment. Discuss responsibilities, effectiveness, processes, and dynamics that highlight pitfalls and best practices.

### *Questions to Ponder:*

- What is my responsibility to the board?
- What makes a good board member?
- What are the legal requirements of board service?
- How can I, as a board member, ensure that the board functions most effectively?
- Which committees take the most time and in which ones should I participate? Why? What are the roles of these committees? What qualifications are needed to chair certain board subcommittees?
- What are some best practices in board presentations?
- From a good CEO’s perspective, what are the qualities or behaviors that distinguish great board members from mediocre or ineffective ones?
- How do boards get evaluated and optimized in practice? What are practical solutions for BOD evaluation for a small company?
- How do board directors from venture funds negotiate their way between obvious conflicts of interest? When should one recuse oneself from a discussion or vote?
- Should one “spec” and fill a syndicate partner role as a CEO would a member of the management team?
- How does one say “no” to competing syndicate partners?
- What weight should one put on the board members and board dynamic in the due diligence process of a prospective investment? How does this compare to the weight placed on the management team, market, and technology?
- How should the team recruit an independent BOD member?
- How should the team select the chair and set the term? How to avoid (or fix) a situation where the founder or seed investor is “stuck” as chair with no mechanisms for turnover?
- How and when should the team bring in strategic investors, and how open should strategies be to inner workings of the company?



*Notes:*

## Session 5: Real World Ethics: Our Personal Code

*Speaker:* Clint Korver (Class 14), Ulu Ventures

*Session Goals:*

Venture capitalists have a mixed reputation. On the one hand, they have the ability to empower entrepreneurs to change the world. They are a catalyst for innovation and the betterment of society. On the other hand they are greedy jerks. Part of the other hand may be envy or disappointment, but part is real.

Venture is a difficult industry in which to build character. The feedback loops are broken. Entrepreneurs want our financial backing and so tolerate investor misbehaviors that would be unacceptable elsewhere. When treated poorly, entrepreneurs will go to other investors if they can. In either case, it is rare for an investor to receive honest feedback.

Your character is not built from grand statements or actions. It is built from daily habits, the small things that you do day in and day out. As you enter the Venture profession, we encourage you to be intentional about your habits, particularly those regarding how you treat others. Samuel Johnson once said, “the chains of habit are too weak to be felt until they are too strong to be broken.”

A code of conduct builds a foundation for good habits and success professionally and personally. It defines your ethical boundaries and your aspirational values. In particular it provides guidance when facing challenging interpersonal situations. When thoughtfully developed and lived, it allows us to practice our profession with honor and effectiveness.

In this session we will focus on the ethical dimension of a code of conduct. Ethical refers to behavior considered right or wrong according to our own beliefs. Lao Tzu claims “at the center of your being you have the answer; you know who you are and you know what you want.” I believe that as well. The problem is most people are asleep. They become enamored with illusions of success and lose touch with their center. In a industry with broken feedback loops, waking up can be difficult. Your code of conduct is your reminder to yourself to wake up.

*Questions to Ponder:*

- Do principles such as honesty and integrity limit success in venture investing or enable it?
- Of our KFP speakers, which have been personally influential? How much of their influence comes from how they conduct themselves?
- Do you think they are intentional about their conduct?
- What situations do you find ethically challenging?
- What situations do you find personally challenging?
- What principles do you want to guide your behavior in these situations?
- How do you think your conduct in these challenging situations affects your ability to be successful in this business?
- What does it take to consistently act in accordance with your principles?
- How important is honesty to success in this business? Integrity? Keeping commitments? Transparency? Respect?

*Notes:*

## **Session 6: Investing in Community: Our Social Responsibility**

*Speakers:* Russ Hall, Legacy Venture  
Andy Rappaport, August Capital

*Session Goals:*

A career in venture capital carries a bit more complexity than average. It's a privileged profession on many levels, but also one that carries a greater degree of responsibility and obligation as well. Venture investors possess unparalleled data and pattern recognition when it comes to understanding the startup process, which is society's main engine for economic growth. Venture investors also control most of the startup resources through the power of their checkbooks. This session is an opportunity to learn from two of the more influential leaders in the venture capital world, each of whom has crafted a unique path of social leadership and then adapted it to their professional lives.

*Questions to Ponder:*

- What is the definition of "social responsibility?"
- Do you have an obligation to be socially responsible or at least avoid the socially irresponsible?
- Isn't generating returns for pensioners and charities and creating jobs and tax revenue responsible enough?
- Are LPs demanding social responsibility or can I satisfy them with great returns?
- What skills as a professional venture investor translate to solving social problems?
- What role does personal passion play in such investments?

*Notes:*

## Session 7: Personal Brand: Developing a Market Identity

*Speakers:* Greg Sands, Costanoa Venture Capital  
Jodi Sherman Jahic (Class 5), Aligned Partners  
Eric Hallstein (Class 15), The Nature Conservancy  
Bill Tobin, Strayer Consulting

### *Session Goals:*

One of the ongoing threads of the KFP is that of establishing a “personal brand”: developing a distinctive identity in the market. This session focuses on positioning yourself in the mind of your “customer”, whether a fellow partner in your firm, an LP, a co-investor from another firm, an entrepreneur, or someone in your larger ecosystem. What is it that will have you be top-of-mind when they need something that only you can provide?

### *Questions to Ponder:*

- How do I want to be known in the marketplace?
- For what am I the “go to” person in my firm, ecosystem, and larger market?
- What is a catchy, two-word tag line that represents my brand in the market?
- How do I learn from those who have gone before me (the senior people at each table) and my colleagues beside me to continue to distinguish myself, and also to support them and build on what they are doing?

### *Pre-Work Background Questions:*

- Who you are starts with your **character**: the questions to ask here are:
  - What are my core values?
  - What are my operating principles in life?
  - Do I have integrity with those values and principles?
- Next come my **concerns**:
  - What’s important to me?
  - What do I care about?
  - Do I act consistently with those declarations?
- Where does my **passion** and **energy** come from? When we find our essence, we find what we are compelled to do.
  - What is it that you can’t not do? [Part of this is nature, part has been nurtured in us.]
  - What are my desires and motivators?
  - What unleashes my creativity?
- What are my **styles** and **preferences**?
  - How do I communicate?
  - How do I build relationships?
  - How do I deal with conflict?
  - How do I see the world?
  - How do I interact with that world?
- What is my **vision**?
  - What is my story for the future, professionally and personally?
- What is my **product**?
  - What are my strengths and qualifications?
  - How do my training, experience and expertise fit together?
  - What have I done (track record) and what can I be counted on to do going forward (market trust)?

- What level of Intellectual (IQ) and Emotional Competencies (EQ) do I possess and can I develop?

*Notes:*

## Session 8: Harvesting Investments Panel

*Speakers:* Mark DeNino (Mentor 7), TL Ventures  
Rod Ferguson (Mentor 15), Panorama Capital  
Faysal Sohail, CMEA

### *Session Goals:*

By analyzing real-world case studies, understand harvesting strategies through building an understanding of key issues and questions. Different exit strategies and timing will be reviewed and the thinking behind the decisions will be discussed. Emphasis will be placed on thinking about exits when first building a business as well as how to preserve optionality. A key objective will be to understand the role and the limitations of board members during both acquisition offers and IPO filings. Fellows will also gain insight into the human dynamic during an exit, particularly patterns of management behavior.

Some key items that may be discussed include:

- Factors to consider in decision to go public
- Selection of Investment Bankers (the “Bakeoff”)
- The IPO kickoff meeting and timeline
- S-1 Registration Process – Changes under the JOBS Act
- IPO Roadshow and the Pricing Committee call
- IPO reverse-split and conversion of Preferred Stock
- IPO lockup terms and director duties
- Decision to sell or distribute IPO shares
- Analyst reports, stock trading volume, and legal considerations
- Who drives the sell decision at the VC firm?
- Building a thoughtful stock sale/distribution ladder
- Lessons learned from exiting public stock positions

### *Questions to Ponder:*

- How does original structure influence eventual exit?
- How does one position a company for a sale?
- How does a board prepare a company for harvest?
- What steps are involved in achieving a successful exit?
- What are the red flags that indicate an exit isn’t going as planned?
- What are some best-case scenarios in a successful harvest and exit?
- What can go wrong in the M&A and IPO process (what to watch out for)?
- What are the dynamics and economics of M&A vs. IPO re: banker fees, carve-outs, lock-ups, picking a banker? What data do you need to decide what to do?
- Path to an exit – what are the process steps and influence steps?
- Should alternative investment vehicles be considered (e.g., SPACs and reverse mergers)?
- Revisit BOD/investor conflict of interest issue specific to exit options
  - What does it take to IPO these days? Historical perspective, current environment, trends



*Notes:*

## **Session 9: Entrepreneur's Perspective**

*Entrepreneurs:* Pablo Fuentes, Proven  
Keith Lenden (Class 16), FallLine BioVentures  
Mauria Finley, Citrus Lane

Session Goals:

Develop an understanding of best practices that work for board members from the perspective of venture-backed entrepreneurs. Develop an understanding of the common road-to-hell-paved-with-best-intentions mistakes that board members commit, from the perspective of entrepreneurs.

*Questions to Ponder:*

- What do entrepreneurs see as BOD best practices?
- Are there any surprises or disconnects from the venture capitalists' conventional wisdom?
- In what ways do an entrepreneur's priorities differ from those of an investor?
- How do these insights influence your conduct in initial meetings, in due diligence, and on boards?

*Notes:*

## **Session 10: Kauffman Fellows Strategy Session**

*Speaker:* Phil Wickham (Charter Class), Kauffman Fellows

*Notes:*

*Notes:*

## **Session 11: Future Scenario Planning**

*Speakers:* Lisa Solomon, Innovation Studio  
Jonathan Star, Scenario Insight

### *Session Goals:*

Scenario planning is a technique that helps teams have well-designed conversations about the future, especially when they face major uncertainty and change. It has been used as a strategy tool in organizations for over 50 years, yet is more relevant and necessary than ever. Most discussions about future possibilities are based on predictions and forecasts, which have the effect of narrowing the thinking of groups, making them susceptible to surprises. In contrast, scenarios are multiple, alternative stories about how the future could play out, which encourages teams to challenge their own assumptions and think creatively about change. Scenarios are used in many different organizational settings ? contingency planning, strategy, innovation and visioning.

This interactive session will help you understand the value and principles behind scenario planning. The discussions and exercises will focus on questions of direct relevance to all participants: What are the trends affecting the future of capital formation? What different situations might play out over the next 5-10 years? What will entrepreneurs need from their investors and advisers? Who will be the winners and losers in different futures? At the end of the session, we will have new insights into the risks and opportunities facing capital formation, and will have learned the basic steps in developing and using scenario planning for the benefit of your organizations.

*Notes:*

## **Session 12: Leadership, Culture, Relationships**

*Speaker:* Scott Kriens, 1440 Foundation, Juniper Networks

*Session Goals:*

To understand and learn about the journey of one of Silicon Valley's most accomplished tech entrepreneurs. To understand from his perspective what his keys to success are, what his most valuable lessons were, the economic value of trust, and where he is looking to have impact in the next stage of his career.

The 1440 Mission: 1440 Foundation's mission is to support programs and best practices that cultivate authentic relationship skills in education, wellness and the workplace.



*Notes:*

## Session 13: Visual Thinking

*Speaker:* Dan Roam, Digital Roam Inc.

*Session Goals:*

As business leaders, investors, and decision makers, our most important assets are our ideas -- yet explaining our ideas in a compelling way is a constant challenge. To meet this challenge, Dan Roam has spent the past 25 years developing visual communications tools for business people. In this session, Dan will demonstrate how to break any idea down into its essential visual elements, and then share that idea through the creation of a simple visual story. Whether you think you can draw or not, you will discover your inner business artist -- and discover new ways to clarify and communicate all your ideas.

*Questions to Ponder:*

- Have you ever noticed that the stickiest ideas tend to be those that can be described with a simple visual? (Think of the Apple logo, the Ying-Yang symbol, a tipping scale, or a "One Way" street sign.) Wouldn't it be interesting to see if equally powerful visuals could describe the essentials of your idea?
- Have you ever thought of yourself a visual thinker? If so, have you found effective ways to use visuals in communications? If not, do you see potential value in being able to visually communicate your thoughts?
- Have you ever stopped and thought about how frequently stories and images play in your own mind? Our educational systems so thoroughly push us in the direction of words, linearity, and rational logic that we tend to forget how much meaning our minds create through visual stories. Can you imagine the power you'd have in sharing your idea if you could create those visuals in your audience's mind?
- When you prepare to share your idea, how much time do you spend thinking about what your audience most wants to see? Does that seem like a useful question? After this session, how might your approach change?
- Dan introduces the "Four Stories Model," a simple tool that breaks any idea into one of four essential story types. If you easily break your idea down into a simple visual story, do you think that might help you share it?
- In his new book, *SHOW & TELL*, Dan says "Any idea can make for an extraordinary presentation; all we have to do is 1) Tell the truth; 2) Tell it with a story; and 3) Tell that story with pictures." Do you believe this could be true? How does this apply to you and your presentation style?

*Notes:*

## **Session 14: Keynote**

*Speaker:* Bill Gurley, Benchmark

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*Notes:*