

Board Members

Over the last five years, there has been an incredible shift in leverage from investors to founders. It's good in most ways, but bad in an important few. Founders' desire for control is good in moderation but hurts companies when it gets taken to extremes.

Many founders (or at least, many of the founders I talk to) generally want few to no outsiders on their boards. A popular way to win an A round in the current environment is to not ask for a board seat. Some investors are happy to do this—it's certainly easier to write a check and go hang out on the beach than it is to take a board seat. And this trend is likely to continue, because these new investors are generally willing to pay much higher prices than investors that want to be involved with the company.

But great board members, with a lot of experience seeing companies get built, are the sort of people founders should want thinking about their companies every day. There are a lot of roles where experience doesn't matter in a startup, but board members usually aren't one of them. Board members are very useful in helping founders think big and hire executives.

Board members are also a good forcing function to keep the company focused on execution. In my experience, companies without any outsiders on their boards often have less discipline around operational cadence.

Finally, board members stick with the company when things really go wrong, in a way that advisors usually don't.

Board members certainly don't have to be investors. If founders do choose to take money without an involved board member, I think it's very important to get an advisor with a significant equity position that will play the role of a

board member (or better, actually put them on the board).

Personally, I think the ideal board structure for most early-stage companies is a 5-member board with 2 founders, 2 investors, and one outsider. I think a 4-member board with 2 founders, 1 investor and 1 outsider is also good (in practice, the even number is almost never a problem).

As a side note, bad board members are disastrous. You should check references thoroughly on someone before you let them join your board.

The companies that have had the biggest impact and created the most value have had excellent board members (and executives). I don't believe this is a coincidence.

It's a good idea to keep enough control so that investors can't fire you (there are a lot of different ways to do this), but beyond that, it's important to bring in other people and trust them to help you build the company.

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