



Selecting a Board of Directors for Fundraising

by PAUL NIEDERER on APRIL 13, 2010

When an entrepreneur is raising capital for their business venture their belief is often so high they see no need for outside guidance, but they would like the funding.

Richard Leider in a Fast Company Article floated the idea of a “Personal Board of Directors” specified four types of people to look for.

- 1) **A Clarifier** – a person who asks clear questions
- 2) **A Connector** – a person who leads you to other people
- 3) **A Challenger** – a person who helps you act boldly
- 4) **A Wise Elder** – a person who passes on a lifetime of wisdom.

Lets get back to these later.



In Capital Raising we host “events” (which include email campaigns), we sell our story and we communicate our credibility. All this is done to an ever growing list of people interested in our business.

Lets focus on Credibility

When someone considers investing on your business they will look through your story for evidence of credibility. They may look for any of the following:

- Good customers (say Coles, Woolies or Safeways for a food product)
- Strategic Partners (like Bank Note reader partners with ATM installer)
- Investors (You already have some and I know of them!)
- **Board Members** (We all can't have Richard Branson but who are yours?)
- IP Secure (The Ip is protected and owned by the entity being invested in)
- Industry Experts (Who's who in the industry likes you and talks about you)
- Milestones (You've already achieved a lot)
- Attractive Valuation (You're not being too greedy)

We can't all have Richard Branson on our Board of Directors but what difference would it make to your capital raising if you did? For that reason it is very important to choose your Board well.

In thinking of the people you select remember that there are several hats that need to be worn in a growing business. Technical, Financial, Legal, Marketing, Public Relations, Corporate Governance and People.

Try to cover as many of these bases in the four types below.

Connector. In the early stages of capital raising a board member who is a connector is very valuable. They will lead you to people that may be willing to invest in your business. Choose someone who knows a great deal of people in the area where you believe most of your investors would come from.

Clarifier. Choose a person who has extensive experience of managing a business in the segment you are operating. They will ask the right questions at the right time.

Challenger. Often they have passion and drive and have most likely spent most of their life working as an entrepreneur. They will push you to be bold.

Wise Elder. Balance is always necessary, especially balance anchored in wisdom. Wise counsel can create synergy between the entrepreneur, the connector, the clarifier and the challenger. In addition to this of course as human beings you can do your own checks to see if they...

- believe wholeheartedly in what you want to achieve
- will be team players.
- are passionate and enthusiastic.
- are competent in the role you seek them for.
- have an open mind.
- are genuine and honest
- have a good sense of humour.

So where do you find these people?

One place is Executive Equity where Connectors, Clarifiers, Challengers and Wise Elders can be found who will possibly work in exchange for shares in your business.

Otherwise ...

- 1) Read the business magazines and newspapers and get "google alerts" for your business area. You may notice important people in your sector that have a passion for the very area you are building a business around.
- 2) Ask friends, family and fans of your business if they know anyone who would make a good connector, clarifier, challenger or wise elder. Don't use these terms of course but convey the type of person you are seeking.
- 3) Invite prospective Board Members for lunch, dinner or a drink or if it is appropriate a tour of your operation. The best impact you can make is when you show them your passion and belief. Don't take it for granted that they will know about you and your organisation.
- 4) Be cautious though. We've all heard the saying a "wolf in sheep's clothing". Work with your advisors to ensure that your business will be structured appropriately if one of your sheep turns into a wolf.

I've noticed in many of the investment documents I receive that it is often Husband, Wife and Accountant on the Board. This doesn't fit well with the credibility list above.

If you have a full coverage of Connectors, Clarifiers, Challengers and Wise Elders on your Board you will be more successful at raising the funds you need from private equity.

Tagged as: Board of Directors, Capital Raisings, Corporate Governance, Entrepreneur, Raising Venture capital, Richard Branson, Venture Capital, venture capital fundraising, Wise Elder

