

# ***Building a Great Board***

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Treehouse Capital LLC

# Intro to RJM

- Founder, Treehouse Capital LLC [www.treehousecapital.com](http://www.treehousecapital.com)
  - Personal investment vehicle, driven by active board seats and fund advisory relationships
  - Venture Partner, Oak Investment Partners
  - 20+ Boards
    - Public and private
    - Chaired and served all committees
- CEO of Three High-Tech Companies
  - 2 won, 1 lost
  - 2 private, 1 public
- Investment Banker and M&A Attorney
- Former Director of the Entrepreneurship Program, Berkeley Center for Law, Business and the Economy

# Building a Great Board

- Who is Responsible for This ?

# Building a Great Board

- Who is Responsible for This ?
  - CEO Owns Getting it Right/Chairman Controls Getting it Right
    - Why CEO Owns ? Because “This is the Lens Through Which Boards Evaluate CEOs”
    - Why Chairman Controls ? Makes it Easier and Therefore Better
- Going to Have a Board No Matter What, Might as Well Have a Great One

# Building a Great Board

# Building a Great Board

- Brainstorming

# Building a Great Board

- Brainstorming
  - Not just waiving your arms around

# Building a Great Board

- Brainstorming
- Set Clear Strategic Direction & Focused Operating Plans

# Building a Great Board

- Brainstorming
- Set Clear Strategic Direction & Focused Operating Plans
  - Prove it

# Building a Great Board

- Brainstorming
- Set Clear Strategic Direction & Focused Operating Plans
- Communicate Brilliantly

# Building a Great Board

- Brainstorming
- Set Clear Strategic Direction & Focused Operating Plans
- Communicate Brilliantly
  - Easier to do than you think

# Building a Great Board

- Brainstorming
- Set Clear Strategic Direction & Focused Operating Plans
- Communicate Brilliantly
- Lead with Ethics

# Building a Great Board

- Brainstorming
- Set Clear Strategic Direction & Focused Operating Plans
- Communicate Brilliantly
- Lead with Ethics
  - Great Way to Structure Great Decision-Making

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# Building a Great Board

- Why Care About Brainstorming ?

# Building a Great Board

Why Care About Brainstorming ?



# Don Quixote

Miguel Cervantes

Translated by Edith Grossman

And the first thing he did was to attempt to clean some armor that had belonged to his great-grandfathers and, stained with urine and covered with mildew, had spent many long years stored and forgotten in a corner. He did the best he could to clean and repair it, but he saw that it had a great defect, which was that instead of a full sallet helmet with an attached neckguard there was only a simple headpiece; but he compensated for this with his industry, and out of pasteboard he fashioned a kind of half-helmet that, when attached to the headpiece, took on the appearance of the a full sallet. It is true that in order to test if it was strong and could withstand a blow, he took out his sword and struck it twice, and with the first blow he undid in a moment what it had taken him a week to create; he could not help being disappointed at the ease with which he had hacked it to pieces, and to protect against that danger, he made another one, placing strips of iron on the inside so that he was satisfied with its strength and, not wanting to put it to the test again, he designated and accepted it as an extremely fine sallet.

*CHAPTER ONE: WHICH TREATS OF THE CHARACTER AND PURSUITS OF THE*

*FAMOUS GENTLEMAN DON QUIXOTE OF LA MANCHA*

# Building a Great Board

Brainstorming Rules:

# Building a Great Board

Brainstorming Rules:

Make Sure Everyone Stays Up-to-Date

Saddest sound ?

2 minute call/30 Minute Update

# Building a Great Board

Brainstorming Rules:

Make Sure Everyone Stays Up-to-Date

Boards must match or exceed the intensity and commitment of the leadership team

# Building a Great Board

Brainstorming Rules:

Make Sure Everyone Stays Up-to-Date

Intensity Matters

Don't be Namby-Pamby

Must have and express an opinion

Remember who runs the enterprise

# Building a Great Board

Brainstorming Rules:

Make Sure Everyone Stays Up-to-Date

Intensity Matters

Don't be Namby-Pamby

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Set Clear Strategic Direction & Focused Operating Plans

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Set Clear Strategic Direction & Focused Operating Plans

Prove It

# Building a Great Board

Set Clear Strategic Direction & Focused Operating Plans

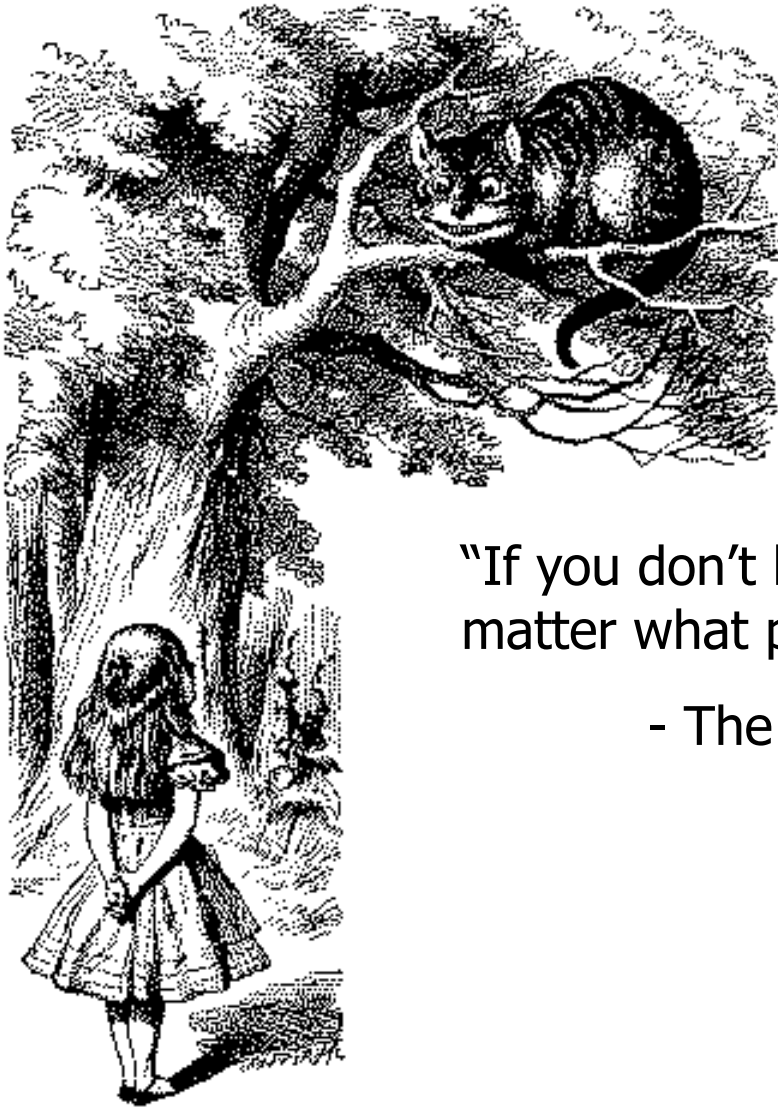
Prove It

Roadmap

Scorecard

# Building a Great Board

Roadmap



“If you don’t know where you’re going it doesn’t matter what path you take ...”

- The Cheshire Cat to Alice in Wonderland  
(author Lewis Carroll)

# Building a Great Board

## Roadmap

- EXAMPLES TO BE DISCUSSED BUT NOT DISTRIBUTED

# Building a Great Board

## Scorecard

- EXAMPLES TO BE DISCUSSED BUT NOT DISTRIBUTED

# Building a Great Board

- Brainstorming
- Set Clear Strategic Direction & Focused Operating Plans
- Communicate Brilliantly
- Lead with Ethics

# Building a Great Board

Communicate Brilliantly

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Communicate Brilliantly

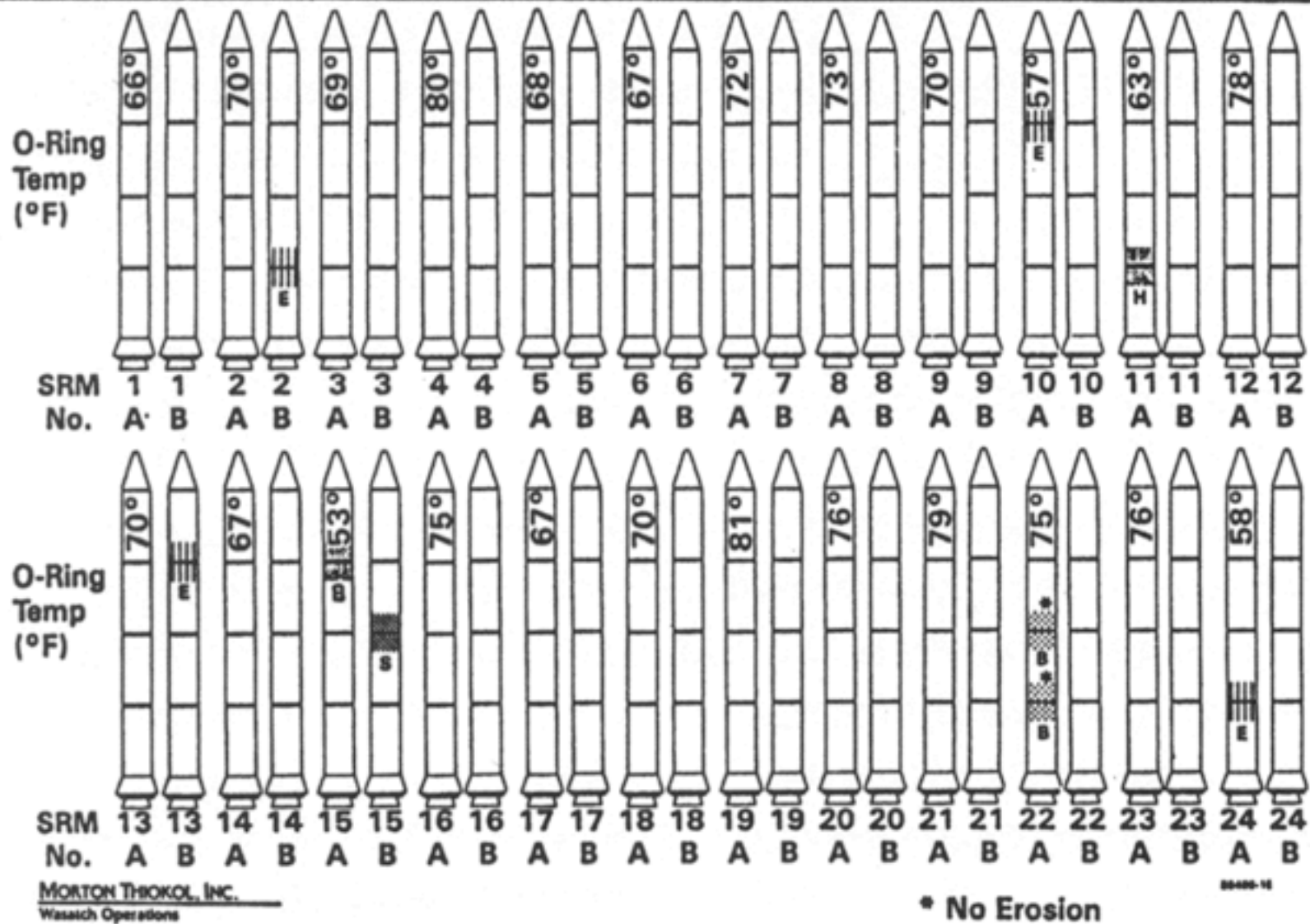


# Building a Great Board

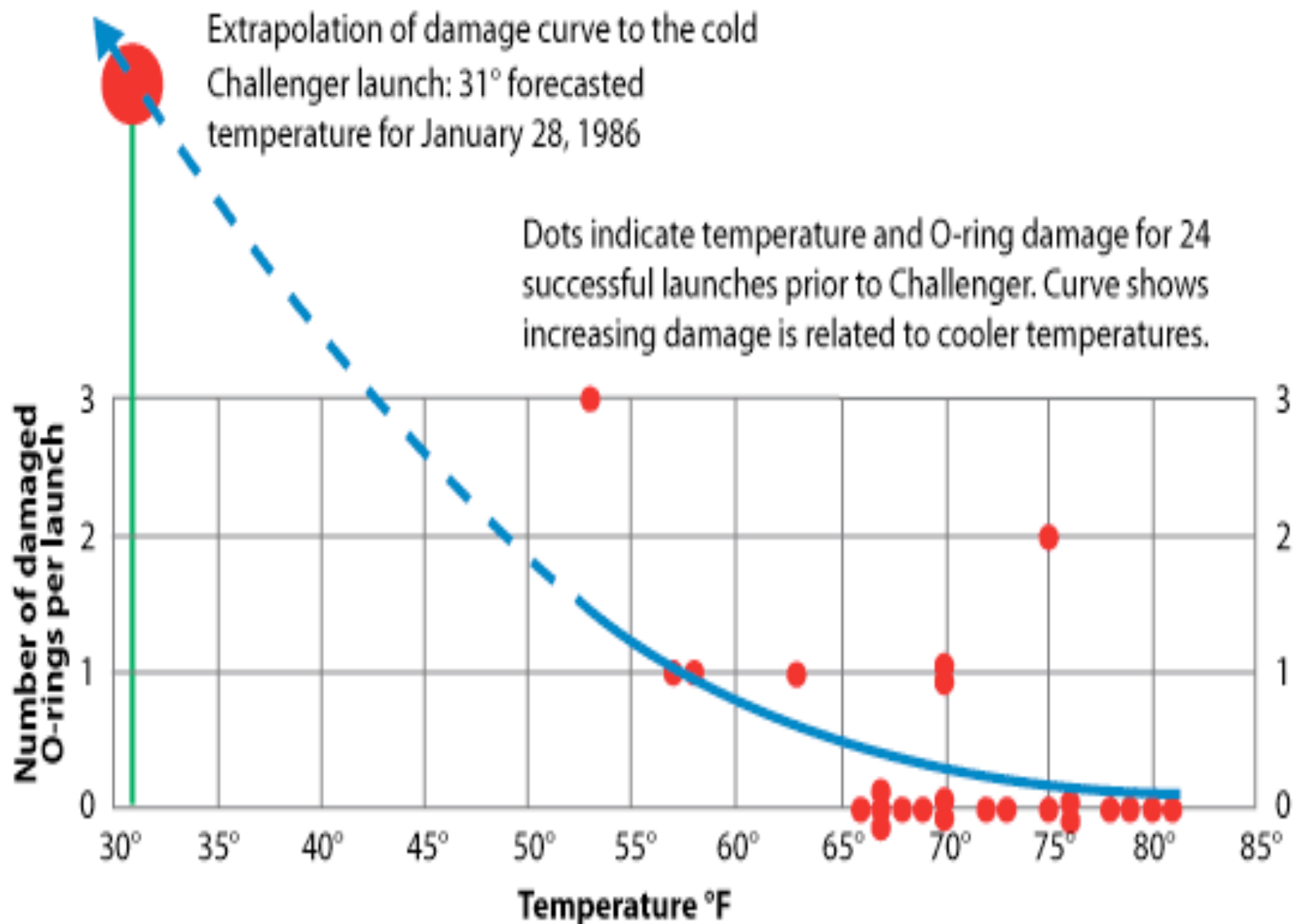
Communicate Brilliantly

Edward Tufte & The Challenger

## History of O-Ring Damage in Field Joints (Cont)



INFORMATION ON THIS PAGE WAS PREPARED TO SUPPORT AN ORAL PRESENTATION AND CANNOT BE CONSIDERED COMPLETE WITHOUT THE ORAL DISCUSSION



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- Brainstorming
- Set Clear Strategic Direction & Focused Operating Plans
- Communicate Brilliantly
- Lead with Ethics

# Building a Great Board

Leading with Ethics: Rules

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## Leading with Ethics: Rules

- Don't be “Surprised”

# Building a Great Board

## Leading with Ethics: Rules

- Don't be “Surprised”
- Easy Not to be “Surprised”
- Hard Not to be “Surprised”

# Building a Great Board

## Leading with Ethics: Rules

- Don't be “Surprised”
- Easy Not to be “Surprised” ?
  - Casablanca

# Building a Great Board

## Leading with Ethics: Rules

- Don't be “Surprised”
- Hard Not to be “Surprised” ?

# Building a Great Board

## Leading with Ethics: Rules

- Don't be “Surprised”
- Hard Not to be “Surprised” ?
  - Warren Buffet & David Sokol re Lubrizol

# Building a Great Board

## Leading with Ethics: Rules

- Don't be “Surprised”
- Boiling a Frog

# Building a Great Board

## Leading with Ethics: Rules

- Don't be “Surprised”
- Boiling a Frog
  - Rajat Gupta and Galleon

# Building a Great Board

## Leading with Ethics: Rules

- Don't be “Surprised”
- Boiling a Frog
  - Rajat Gupta and Galleon
  - Lehman and Repo 105

# Building a Great Board

## Leading with Ethics: Rules

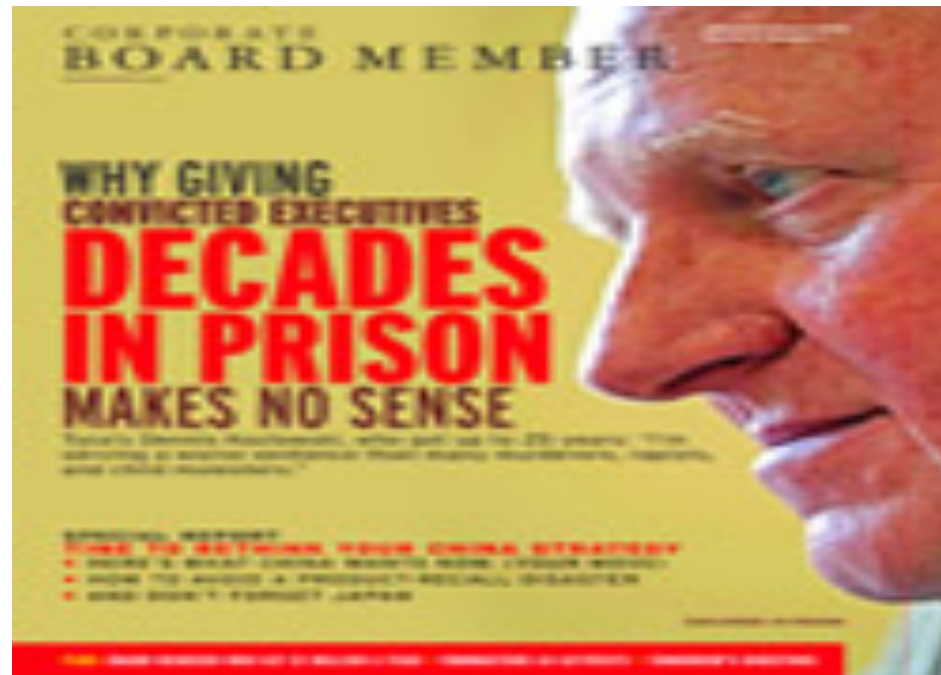
- Don't be “Surprised”
- Boiling a Frog
- Scumbags are Always Scumbags

# Building a Great Board

## Leading with Ethics: Rules

- Don't be "Surprised"
- Boiling a Frog
- Scumbags are Always Scumbags
  - Big Things=Big Things, i.e. Enron
  - Little Things=Big Things, i.e. Madoff & Broker Dealer

# The Stakes Are High



Dennis Koslowski, ex-Tyco CEO, lamenting 25 year jail sentence on the cover of the Jan/Feb 2008 Corporate Board Member magazine: “I’m serving a worse sentence than many murderers, rapists, and child molesters.”

# The New York Times Stakes are High

## Sentences Get Harsher in White-Collar Cases

April 12, 2010,

- The [50-year prison term](#) given to a one-time business mogul, Thomas J. Petters, is the latest in a string of harsh punishments imposed on defendants convicted of orchestrating frauds. Twenty years ago, a sentence of more than five years for a white-collar offender was rare, and most sentences were measured in months, not years.
- The sentence meted out to Mr. Petters last week is similar in severity to the 150 years given to [Bernard L. Madoff](#) for defrauding investors of tens of billions of dollars in his vast Ponzi scheme, and it is the latest signal that many defendants, at least in high-profile cases, are looking at prison terms that will amount to life behind bars.
- Even in less notorious cases, the prison terms for financial crimes have been moving higher, raising questions whether sentences once reserved for violent criminals are appropriate for white-collar defendants.
- <http://dealbook.blogs.nytimes.com/2010/04/12/sentences-get-harsher-in-white-collar-cases/>

# Rob's Response ?

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To whom much is given, much is expected

*Luke 12:48*

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