The Startup Board Report
A new playbook for founders & board members of Australian startups
A research report by Think & Grow and KPMG High Growth Ventures
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Introduction

We believe there is the potential for boards to play a transformational role in the development and growth of startups and in turn, the future of Australia’s innovation economy. The challenge this paper explores is that startups require a different approach when it comes to governance and have unique challenges compared with the boards of larger corporates.

For startups, boards should play a hugely important role in helping high growth ventures to navigate the journey from startup to scaleup. A board with the right mentors brings in-depth business experience and a fresh perspective to founders and CEOs. The board can help introduce standards and expectations early in the lifecycle of a company that can help it evolve as it rapidly grows. A good board will bring important knowledge to founders in areas they may not have experience in, such as regulation and compliance.

Having a board of directors is a legal requirement for all companies, including startups in Australia. Under the Corporations Act 2001, a proprietary company must have at least one, Australian-resident director.

The traditional role of the board covers two key areas:

1. **Overall organisational performance**: ensuring the organisation develops and implements strategies and supporting policies to enable it to fulfil the objectives set out in the organisation’s constitution.

2. **Overall compliance/conformance**: ensuring the organisation develops and implements systems, processes and procedures to enable it to comply with its legal, regulatory and industry obligations, and to ensure its assets and operations are not exposed to undue risks through appropriate risk management.

As the Australian Institute of Company Directors (AICD) summarises it: “The board is responsible for the overall governance, management and strategic direction of the organisation and for delivering accountable corporate performance in accordance with the organisation’s goals and objectives.”

This joint report by Think & Grow and KPMG High Growth Ventures aims to establish if Australian startups are currently getting the most out of their boards. It also aims to provide a guide of better practice on the optimal structure, roles and choices of directors.

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Foreword:

Amanda Price
Head of High Growth Ventures, KPMG Australia

High performing startups are the ones who use every resource at their disposal. For founders who have not built or sold companies before, and need this startup to be an attractive acquisition or IPO target in a few years, I can’t think of a better way to enlist the help and support of experts than forming a board.

High Growth Ventures is KPMG’s dedicated startup team. We work with founders to help them build high performance businesses – and much of this work involves implementing the systems and processes that startups need to scale.

Since the launch of HGV two years ago one of the key things we have noticed is that founders who have the right support around them are far more likely to succeed than those who don’t.

The right board can play this essential role but many founders lack the experience required to form a board, and currently there isn’t a game plan. The role of a startup board is very different to that of a public organisation. There are different considerations and different skills needed among directors.

Today there is a limited pool of individuals who are sitting on startup boards in Australia, and this is not helped by a lack of diversity. Although women-led businesses are one of the fastest growing segments of entrepreneurship, only 38% of startup boards in Australia have female members. This barely hits the diversity quota set by the Australian Institute of Directors in 2016.

Research shows that women are not being referred to for board roles due to the lack of Women in VC (venture capital) and investment roles. This is something the VC’s are working hard to change and it highlights how vital this is to facilitate a thriving and diverse ecosystem.

It is also important to remember that diversity extends beyond skills and experience. As globalisation and the shifting demographics of markets and the workforce make startups more dependent on diversity, a board built on homogeneous relationships has the inherent risk of insularity.

What we need to do to support Australian startups is to re-write the playbook – by providing a guide and insight into what best practice should look like. As well as identifying ways to increase diversity, and set benchmarks for governance that enable founders to perform at their best.
Foreword:

Anthony Sochan & Jonathan Jeffries
Co-Founders, Think & Grow

Having spent the last decade helping startups overcome the challenge of growing their respective businesses, we have often been in the privileged position of observing many of the things that work and many that don’t. Our involvement in company growth has been largely through a lens of organisational design, executive recruitment and general people challenges. A few years ago we began testing the following hypothesis: does a better quality board lead to better businesses? The answer we came back was inconclusive as no definition exists on what a great startup board looks like.

Our mission is to see great businesses succeed but do so in a principled, ethical and smooth fashion. This means overcoming challenges and avoiding mistakes that others have already made.

The goal of this paper is to help founders make better decisions when it comes to the structure and make up of their boards. We are at an interesting tipping point of the ecosystem - with enough critical mass and traction, we are amongst a vibrant Australian tech ecosystem, flush with talent and cash. As we continue to scale and mature as a community, we want to ensure we are providing founders and their companies with the best advice possible.

This white paper will provide insight into best practices but hopefully create a template in which founders can learn from globally reputable board members on what “great” looks like. Crucially we have gathered hard data to tell us what is actually going on at the moment. We fundamentally believe the better a board, the more likely a business is to succeed. Focal to this, is re-defining what “great” actually means in this context.

Hundreds of hours have been taken to conduct this research and we are grateful for the efforts of all the board members and founders who took the time to help, our team at Think & Grow and the team at KPMG High Growth Ventures who have been amazing to work with.

Contained within this paper is the collective expertise of over 26 board members from around the world. As we were interviewing them we were left with a clear message - “you have an opportunity in Australia to do this far better than us, do not take this as an opportunity to be as good as us (in the US) but try instead to leapfrog us”. That is exactly what we are trying to do.
This report is based on in-depth qualitative and quantitative research. Think & Grow undertook deep dive interviews on best practice with over 26 experienced startup board members and founders in Australia, the United States and the United Kingdom and New Zealand. For a full list please see Appendix 1 of this report.

In addition, Australian-first research was conducted by High Growth Ventures, KPMG’s dedicated startup team with a sample of respondents working at Australian startups who have a board (either a formal board or an advisory panel). The survey was conducted between the 31th January - 13th February 2019. A total of 78 respondents completed the survey.
Who we spoke to

Serge Van Dam  Simon Yencken  Karen Appleton  Laurie Yoler  John Nicholson  Jean Sini  Sigal Pilli  Pat O’Sullivan  Katherine Woodthorpe

Wayne Baskin  Tanya Cox  Niki Scevak  Michael J Carden  Martin Dalgleish  Doug Snedden  Ajay Bhatia  Anthony Klok  Cliff Rosenberg

Kim Anderson  James Spenceley  Topaz Conway  Jared Kristensen  Ashik Ahmed  Dave Malcolm  Lauren Capelin  Helen Souness

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Entrepreneurship is key to the future of Australia’s economy. Australia’s startup eco-system has seen explosive growth over the past decade, with the success of billion-dollar startups or “unicorns” such as Canva and Atlassian demonstrating the wealth creation and employment potential of tech startups. Beyond the opportunity of Australian startups to become globally competitive companies in their own right, they also provide vital innovation to existing organisations and industries. They attract international investor interest and funding, putting the spotlight on the wider Australian economy.

When it comes to startups, there is a shift in the roles and responsibilities expected of a board of directors and the considerations of what makes a valuable board. Traditionally, a board of directors is elected to take on the responsibility of the overall governance and bear the legal accountability for actions taken by the company while offering strategic guidance. But the needs of a startup differ considerably from those of a longer-established organisation. Boards can have an even greater impact on establishing a baseline for the success at a young business such. They can bring vital experience and expertise, and play a far greater role in supporting, rather than governing founder CEOs to help them build a business.

Boards that bring the right balance of expertise, experience and access to senior global networks, can help founders build faster growing and higher performing startups.

But one issue that could prevent this happening is a lack of independent advice for founders on Australian boards. Just one in four Australian startup survey participants (26%) have an independent, non-executive directors (INEDs) on Australian startup. According to the AICD (Australian Institute for Company Directors), INEDs have a significant advantage in their independence and objectivity: “their ability to act in the best interests of the company is not compromised”. They can also bring an independent perspective, as well as external networks, which are particularly valuable for a startup.
Martin Dalgleish, Partner at Morpheus Ventures and NED KPMG Australia, adds that “independent non-executive directors can add value really quickly, but they need the right capabilities to match the needs of the Company.”

Laurie Yoler, NED of Zoox, Bose, Church & Dwight, and Noon Home and founding NED of Tesla says boards are more involved in strategy and innovation than before. “Previously their role was limited to financials and governance. “In Australia, there is a huge amount of vibrancy at the moment. Energy is palpable and it’s exciting to carve out a compelling growth strategy.”

Martin Dalgleish, Partner at Morpheus Ventures and NED KPMG Australia, adds that “independent non-executive directors can add value really quickly, but they need the right capabilities to match the needs of the Company.”

### Prevalence of independent directors on startup boards:

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<thead>
<tr>
<th></th>
<th>Total</th>
<th>Seed</th>
<th>Series A</th>
<th>Series B</th>
<th>Series C+</th>
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<tr>
<td>No independent directors</td>
<td>74%</td>
<td>79%</td>
<td>75%</td>
<td>71%</td>
<td>40%</td>
</tr>
<tr>
<td>1+ independent director</td>
<td>26%</td>
<td>21%</td>
<td>25%</td>
<td>29%</td>
<td>60%</td>
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### Key takeaways:

- Startups are an increasingly important part of Australia’s economy
- Boards play a critical role in helping startups scale, by providing key experience, perspective and access to individual board member’s personal networks
- There is a gap of independent advice on Australian startup boards, with only 1 in 4 Australian startups having an independent director
A private company is legally obliged to have a board with at least one director, while a public company must have at least three directors and a company secretary.

While most Australian startups aren't public companies, there is a strong rationale as to the value of forming a board, even at an early stage. There is a high benefit on a board using the collective experience and network around the table to strategically guide the company to success. Their role should be to support the startup's executive leadership team to achieve their goals, while holding them accountable.

John Nicholson, the former Chairman of Skyscanner, points out that strong board members know how to build a strategy while holding founders accountable. "They can move conversations along in a constructive way while empathising with founders."

Ajay Bhatia, MD Consumer at Carsales and NED at Stratton Finance, Tyresales and RedBook Inspect. Emphasises the board's role in providing wider perspective.

"Any company is unlikely to have a holistic vision. The board can complement this and challenge them to think more broadly. But it’s not the board’s mandate to come up with the execution plan or even the strategic plan."

- Ajay Bhatia
Companies go through different phases as they scale and reach maturity. The primary objective moves from basic survival to expanding and scaling. A different kind of board is needed at each of these stages.

Startups need support as well as governance. For an early-stage startup, for example, funding is critical. Having a director in place with the knowledge and networks to facilitate that will be a major advantage.

Martin Dalgleish, Partner at Morpheus Ventures and NED KPMG Australia, highlights agility as critical for directors on startup boards. "It’s very different in early stage vs corporate. You need the ability to be agile, to understand that forecasts are fluid, and direction of travel is often more important. In early stage companies, it is more about executing the opportunity rapidly and keeping up with market movement than detailed business planning, forecasts and weighty board papers."

The majority of startups surveyed feel supported and challenged by their boards and don’t feel that having a board has limited their creativity. However, board members are only moderately satisfied with their board’s effectiveness, with an average satisfaction score of 7.1 out of 10.

Advisory boards offer a different perspective altogether. They consist of a hand selected, informal committee of people with no legal responsibilities to the company, and with no voting rights.

Because there are no legal requirements that govern advisory boards, they can be easier and quicker to assemble. The burden of fiduciary duties, that might otherwise dissuade an individual from taking a formal board role, is removed. It’s therefore a lower risk way to select highly qualified people who can bring specialist knowledge and influential networks, without having to concern themselves with the governance and operational side of a business.

While companies aren’t required to follow their advice, their core role is to complement the strength of the existing board of directors.

Jean Sini, Investor and Advisor to Canva, People.ai, Grove and Mindkick, is aware that the companies he advises will eventually outgrow his expertise.

"As an advisor, I lend operational perspective. Based on my specific experience, I can help entrepreneurs untangle problems and think about what hypotheses we are making that needs to be proven. Hopefully, all the companies I advise will eventually outgrow my expertise. An advisor has very little decision-making power, for instance in replacing a CEO, fundraising, making an acquisition etc. Advising is a much more informal relationship."

- Jean Sini
"Being on an advisory board allows directors to spend their time on purely strategic questions such as where is our future growth coming from? Do we need an end game exit strategy? Can we broaden our sectors or geography? What are our core strengths, and what are our competitors doing?" Tanya Cox, Chairman/non-executive at Equiem, BuildingIQ, CSIRO, OtherLevels and Green Building Council says.

Niki Scevak, Partner at Blackbird Ventures and Co-Founder of Startmate, believes mentorship advisory boards can provide greater value to founders than a board of directors. Scevak also advocates having advisory boards for specific teams, as opposed to only supporting the founders, as is the practice at Canva.

"Canva has an advisory board for specific teams. The current head of international at Pinterest acts as a mentor and consultant to the team via Canva’s Internationalisation Board. I always heavily recommend one-on-one mentoring versus group meetings. A collection of advisors where the founder or team lead meets each of them in an individual capacity has a more immediate and positive impact on the business," Scevak says.

With lines starting to blur, it can cause uncertainty as to where an advisor’s role begins and ends. These blurred lines could result in advisors playing the role of a pseudo executive or director, burdening them with responsibilities and liability that they weren’t aware of or prepared to accept.

Without clear lines of separation between the roles of the advisory and main board, a court might be led to believe that the main board takes the advice of the advisory board without a separate analysis, leading to accusations that advisors are acting as a de-facto or shadow director. If so, they’ll also be held liable for breaches of directors’ duties, negating the low risk that drew them to the role.

John Nicholson suggests calling advisory boards by a different name.

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Advisory boards are a good thing, but people need to stop calling them 'boards'. It’s a complete misnomer, they should be called panels. They aren’t a statutory board of directors, they have no fiduciary rights. There are no requirements on a company to follow advice from an advisory panel, it’s just input.

- John Nicholson

Nicholson also cautions about the limitations of advisory boards. He advocates having no more than four to five people on an advisory board, holding quarterly meetings, and working to keep them engaged.

"Their core role is to complement the strength on the existing board: specialist knowledge and networks. But they should be light touch and should exist in parallel. They’re designed to get expert advice you might not be able to source in any other way, but they aren’t cheap one-to-one consulting. If you want a coach or a mentor, get one of them," he says.

The AICD\(^2\) says it is advisable to confirm the role of advisor board members in an agreement that states the scope and limitations of their authority and the non-binding nature of their advice to avoid.

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The roles a startup board can play:

There are different roles a startup board can play, and our interviews highlighted differences of opinion as to what these roles should include.

**Strategy setting**

The board can provide strategic direction to the organisation and decide upon the organisation’s strategies and objectives in conjunction with the CEO. This includes assuring a prudential and ethical base to the startup, with regard to the relevant interests of its stakeholders.

**Governance (stress testing the numbers)**

A board should monitor the operational and financial position and performance of the organisation generally. This is particularly important for startups who may lack experience and skills in this area and are unlikely to have appointed CFOs or chief risk officers. The board also reviews and approves internal compliance and codes of conduct.

**Founder support and mentoring**

The board oversees and evaluates the performance of the CEO, which in the case of many startups will be one of the founders. While the average age of a startup founder is not as young as popular perceptions, with US and Australian studies\(^1\) putting the average age at around 40, it is likely to be their first time running a company, and they may not have the wider corporate experience required as the startup scales.

**Connectivity and network**

Board members will have their own extensive networks that a startup can leverage. This can include investor connections, specialist areas of support such as marketing and communications, as well as professional and industry networks that can help startups develop new business.

**Helping CEO assessing their leadership/succession planning**

CEO succession planning is an important aspect of the board’s role. The needs of an organisation will change over time and a founder/CEO may not be the best person for the company’s future trajectory. As a startup scales and enters new markets, it may benefit from a CEO with relevant skills and experience that the founder doesn’t have.

Martin Dalgleish admits it can be tough having this conversation with a founder/CEO. “It needs to be done with a lot of communication and collaboration and the chair needs to navigate that in a sensitive and transparent manner. Some founders make great CEOs in later stages, some don’t – and handing off can be hard if that is the right outcome for the Company.”

Laurie Yoler has gone through this process several times.

> With one founder/CEO, I acknowledged that while he was a great CEO for the first stage of growth, the board concluded he wasn’t the right person to continue to lead the company. The board needs to de-risk the company at its different stages to ensure continuity.  

- Laurie Yoler


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Meet The Board

Role of the CEO

The CEO is head of the executive team and reports into the board. They are responsible for managing the organisation and its operations, including leading the executive team, reviewing budgets and strategically directing the company. Not all CEOs sit on their board and not all CEOs are founders.

Role of the Chairman

Runs the board, making sure it functions properly, and identifies the skills and attributes needed around the table to foster growth and success. The Chairman also holds the key relationship with the CEO and sets the agenda for the board.

Role of the Directors

Board directors contribute by bringing their experience and expertise in specific areas and introducing the founders to their extensive networks. Directors also have fiduciary responsibilities to govern and protect the interests of the company and its shareholders.

Difference between an:

- executive director,
- non-executive director (NED) or
- independent non-executive director (INED)

- An executive director is usually employed by the company in a managerial or operational position.
- NEDs are not employed by, and don't have a managing or operational role with, the company. If they have any connection or relationship with the organisation, such as being a previous employee or having a business relationship with the organisation (including as an investor) or related to someone who has they won't be considered independent.
- An independent NED doesn't have any connections to the organisation or other members of the board that could impact their ability to provide an independent opinion.
Agility is particularly critical for directors on startup boards. The board will play more of a mentorship role for a startup. Directors need to understand risk and obligations.

Each director should conduct their own due diligence on the company, its activities and the other directors on the board. Being a director can be a rewarding opportunity, but there are personal consequences to the decisions, or lack thereof, that are made and the actions the company take. Directors can be sued for failing to take reasonable steps to do something that was expected of them which caused real harm, or taking unreasonable action that they shouldn’t have, causing harm. They can also be held personally liable for any harm caused by their action or inaction.

There are numerous laws that apply to the actions of companies which hold individual board directors liable. These range from ensuring the person conducting the business complies with WHS (work health and safety) obligations, to avoiding anti-competitive arrangements, misuse of market power and exclusive dealing. Where there are serious breaches, a director may be found personally liable and could be required to pay a significant fine in addition to the company’s fine, or face imprisonment.

Even if each director honestly carries out their responsibilities, a court could find that they failed to take all reasonable steps required of them. If they took action in their duty as director without exercising the degree of care and diligence the law requires of them, they may be found liable.

Mike Carden, Founder of Joyous, Chairman/non-executive of AskNicely and vWork, advises due diligence before joining a board. “You must ensure fit and be aware of all the risks. Does the business have unique insight on what they are building, and does it have the ability to be a big scalable business?”

As Martin Dalgleish puts it: ‘Pursuing a NED portfolio is an incredibly stimulating career if you value diversity, agility and thought leadership. You need to understand and be comfortable with the risks (technology, market, execution and solvency in particular), and recognise that the remuneration, particularly in earlier-stage companies, will be modest’

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**Key takeaways:**
- Agility is particularly critical for directors on startup boards
- The board will play more of a mentorship role for a startup
- Directors need to understand risk and obligations

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Australian startup company boards are generally compact compared to the boards of longer-established organisations. On average, startup companies have four members sitting on their formal board of directors, whilst advisory panels have an average of three members.

Boards are typically composed of executives and investors, an average of two board members are executives and investors. A smaller proportion of boards also have independent non-executive and other non-executive members, one member on average respectively.

The majority (64%) of board members indicated that their board did not have any "professional" board directors - i.e. holds a relevant qualification. Boards with professional directors tend to have one such member on average.

Q. How many are "professional" board directors? E.g. qualified

- 64%
- 15%
- 13%
- 4%
- Unsure
Views on best practice

**Size**

On average, start-up companies have four members sitting on their formal board of directors, whilst advisory boards have an average of three members.

![Bar chart showing the distribution of members on formal and advisory boards]

<table>
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<tr>
<th>Number of Members</th>
<th>Formal Board</th>
<th>Advisory Board</th>
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<tr>
<td>1-2 members</td>
<td>14%</td>
<td>35%</td>
</tr>
<tr>
<td>3-4 members</td>
<td>35%</td>
<td>53%</td>
</tr>
<tr>
<td>5-6 members</td>
<td>19%</td>
<td>10%</td>
</tr>
<tr>
<td>7-8 members</td>
<td>4%</td>
<td>3%</td>
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**Q. How many members sit on your separate company’s advisory board (if any)?**

When it comes to the optimal size, there is a need to balance diversity of opinion with the ability to reach consensus. Anthony Klok, Fund Manager at Ellerston Ventures and Chairman of Betfair Australia, Friendsurance Australia, Zoom2u and OpenAgent recommends five directors as being able to offer sufficient diversity of opinion.

Mike Carden agrees with five as a good number, but cautions that boards can often get too large too soon. "You want to construct a board with a long-term view. Don't appoint people for long periods of time. If you have a 12-month old business that has taken on investment and has five board members (two investors, two execs, one independent), the business can then start to do really well.

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"Once a company raises more money, two more investors typically think they should come on board. You should at this point review the board and make changes rather than just enlarging it. For this to work you need to make sure shareholders don’t have too many appointment decisions. Plus each member should be appointed for 12 months and then "re-hired" upon evaluation."

- Michael J Carden

**Who**

For a startup board, it’s important to consider the ratio of executives to independent directors and this ratio may need to evolve over time. The length of term is important and there is general agreement that boards benefit from new input. Some directors are best suited for very early stage companies, whereas others have more to offer listed companies. Recommendations for length of term vary from three to six years. For Australian startups, where there is a narrower talent pool, there may not be the luxury of changing out as frequently as larger companies.

Simon Yencken, CEO of Fanplayr Inc & board member and former Chairman of Aconex, investor and advisor to Redbubble and investor in Moda Operandi and Blackbird VC, observes that US startups have it easier. "If you look at early VC fund companies in the US it's similar to Australia. Mostly the boards are comprised of founders and investor representatives. The difference is there are more investors in the US than in Australia. So you don't get as many of the same faces on as many boards." He recommends that given the much smaller pool of investors in Australia, it would be smart to start adding independent NEDs earlier on.
Doug Snedden, Chairman/non-executive at iSentia, OFX and Frisk, says the emphasis should be on board directors with experience in management, plus functional expertise. "It’s important to have a clear separation between management and board. Directors should have domain experience and understand the investor mindset very well. You need people who have strong expertise in governance (corporation laws, conflicts of interest, delineation between management) and keeping situations under control."

Karen Appleton Page, non-executive director at Deputy, former executive at Apple and Box, notes that startups need active directors, not just advisors.  

“For a CEO to bring on advisors could be positive in some ways but building a savvy board of directors will yield a committed, engaged, empowered team who will have greater impact on the company over time.”

Karen Appleton Page
The Startup Board Report

Roles

The Chairperson

The chairperson is the most important member of the board. When an organisation’s CEO is also the chair it removes the independence and quality control and isn’t considered good practice. It also robs the CEO of the support from a key mentor. The chair is generally seen as the “employer” of the CEO, guiding the decision-making process, mentoring and developing them.

As John Nicholson, former Chairman of Skyscanner, puts it:

“The chair makes sure the board functions properly and can step back from day-to-day issues and look at historical performance and future projects. It’s the chair’s role to ensure the CEO/Founder isn’t lonely. Their role is to identify which skills and attributes need to be around the table that aren’t there. The more old-school a chair is, the more rooted they are in the traditional ways of doing things, such as reading papers, turning up to meetings and departing. This is not the way to do it.”

Tanya Cox, Chairman of Equiem, views the chair as a sounding board, confidant and adviser to the CEO. “They need to have a very deep and trusting relationship. The chair also needs to maintain professionalism to efficiently guide the board. If the chair is the strongest personality in the room, the company may suffer from a lack of cohesion and underperform.”

The Independent Non-Executive Director (NED)

A non-executive director is one who is not employed by the organisation. An independent director is not only not employed by the organisation, but also has no relations with it other than being a director. AICD current good practice recommends⁵ that a majority of directors on listed company boards be independent non-executive directors.

NEDs and INEDs still have to comply with basic legal requirements under the Corporations Act 2001. There is no distinction between non-executive directors and executive directors in the duty of care: understanding company’s financial position and being in a position to monitor the company’s affairs.

The AICD warns that “it must be emphasised that there is no room for any sleeping director on a board - a person who is there just to make up the numbers and takes no active role in the board’s work. The courts have emphasised that they will be liable for breaches of directors’ duties.”

Simon Yencken highlights a potential clash of interests with independents and investors. “You need to introduce independents to VC backed companies but the VCs see it as having more to deal with to get your own way.’

Mike Carden agrees that it’s critical to have an independent director. “If not, you have two groups with different objectives (executives and investors). If you reach a disagreement, there would be an impasse. The value of an independent is simple - to ensure you have momentum by resolving these differences of opinions. It is also to ensure you don’t fall foul of the shareholders’ agreements - the independent director is responsible for protecting shareholder value and generating a return.”

**The Investor as Director**

Investors bring invaluable experience in one of the key functions of a board: funding. It is very common for startup and early stage boards to largely comprise investor directors.

Tanya Cox says this can be problematic.

*Although a board comprising investor directors helps to guide fund raising efforts, secure follow on-funding and ensure an alignment of interest with other investors, the risk of weighting a board with a single skill set is that investor directors may not have traditional executive backgrounds, CEO experience or experience establishing or scaling a business. They are also often not 'professional' directors, so may not be aware of the important board/management divide, related party conflicts of interest, the benefit of an audit or good risk management practices.*

- Tanya Cox

Niki Scevak from Blackbird Ventures agrees that there can be issues with boards comprised wholly of investors: "A board is representative of the company's ownership. The truth is when you raise a round, you appoint an investor as a board director. Then another raise, another investor comes on board etc. It's sad when boards gets bigger and bigger as it becomes ineffective. Where would you fit any independent NEDs into this already big table? Typically people with money have their own opinions and egos and can over-estimate their ability to help a company."

**The Founder/Executive/CEO Director**

CEOs are not always board members of their organisation, but typically a Founder/CEO will sit on the board. When this happens, it's even more important for the Founder to surround themselves with directors of different skills and experiences.

Sigal Pili, COO at Assembly Payments and NED at RateMyAgent, is currently an executive whilst holding a NED role elsewhere. "It is important that boards will have a mix of experience and skills. What I bring to the board is the commercial acumen, and knowledge gained in tech startups in regards to topics such as online payments, compliance, and US expansion. Also, I am used to dealing with founders who are very entrepreneurial, and prefer to deal with the big picture than these areas of the business."

Helen Souness, CEO at RMIT Online and NED at Sendle, is an executive in digital who is also on a fast growth digital company board. "I believe there are huge benefits to be gained in my work as a CEO from also performing a board role, where I can compare notes on ways to scale growth rapidly, how to run an effective board and share key learnings in building a digital business."

**Key takeaways:**

- Diversity of skills and experience on a board is critical
- Investor directors can run into clashes of interest with independent directors
- Having a CEO as Chair is generally unwise
Ideally, a board should have a broad mix of skills, knowledge and experience, with directors from different backgrounds. When selecting a new board member, the board should consider the attributes needed to govern the organisation at the current time as well as in the future.

Choosing wisely is vital. As Wayne Baskin, Deputy CEO at Booktopia, independent NED at Car Next Door and Advisor to AfterPay puts it, "When putting the boards together as a founder, you are picking your boss. You need someone you get on with and who is experienced."

However, getting it right from the outset is a challenge for most startups. Only 55% of respondents to our survey are content with the composition of their board, saying they would choose the same board if they could go back in time and start over. Close to one in four (24%) said they would not choose the same board again, with startups who have completed Series A, Series B and Series C+ funding rounds much more likely to change their board if they could go back, relative to seed stage funded start-ups (30% vs 15%).
The key reason identified by those surveyed was relevant experience in the industry of their existing board members.

Q. If you could go back in time, would you choose the same board?

How are Australian startups building their boards?

Board appointment process

Most start-up boards (65%) don’t appoint members via a formal process, according to survey respondents. Instead, board members are predominantly sourced via personal and professional networks, with limited use of professional recruiters. Many also do not use an intentional or strategic recruitment approach whereby a knowledge gap in their current board is identified and potential candidates are proactively approached. Only 3 in 10 (29%) members were recruited formally.

Q. When recruiting board members, do you use an intentional/strategic recruitment approach? That is identifying a skillset or knowledge gap in your current board and actively researching and proactively reaching out to potential candidates.

Recruitment strategy

More than half (54%) of all boards do not approach recruitment by identifying a skillset or knowledge gap in their current board and actively reaching out to potential candidates. Only 17% said that they use this approach when recruiting new board members, whilst a similar proportion (18%) mentioned that they used this approach when recruiting some but not all members.

Most board members mentioned that suitable board members are usually sourced via the start-up Founder’s network (professional 58% and personal-27%), followed by Venture Capitalist referral (33%) and via referral from other board members (28%).

Only a small minority (8%) use a formal recruiter to search for candidates. Limiting the pool of suitable candidates within a founders contacts could have a negative impact on the start-up’s ability to grow.
Recruitment frequency and cause

New members are recruited infrequently, with funding rounds predominantly driving recruitment. One in five (21%) members confirmed that their board recruits new members every 0-2 years. A similar proportion (23%) confirmed that recruitment occurs every 2 or more years.

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>0-6 months</td>
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<tr>
<td>6-12 months</td>
<td>3%</td>
</tr>
<tr>
<td>1-2 years</td>
<td>15%</td>
</tr>
<tr>
<td>2 years +</td>
<td>23%</td>
</tr>
<tr>
<td>Other</td>
<td>31%</td>
</tr>
<tr>
<td>Don't know</td>
<td>26%</td>
</tr>
</tbody>
</table>

Q. How frequently do you recruit new board members?

Funding rounds are the biggest driver of new board member recruitment, followed by the need to access specialist knowledge (26%). About 1 in 3 boards have not yet had to recruit members - these are typically Seed and Series A staged start-ups.

<table>
<thead>
<tr>
<th>Cause</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funding round</td>
<td>64%</td>
</tr>
<tr>
<td>Need to access knowledge</td>
<td>26%</td>
</tr>
<tr>
<td>Opportunistic based on talent</td>
<td>23%</td>
</tr>
<tr>
<td>Need to access networks in key area</td>
<td>22%</td>
</tr>
<tr>
<td>Other</td>
<td>6%</td>
</tr>
<tr>
<td>Don't know</td>
<td>12%</td>
</tr>
</tbody>
</table>

Q. What usually prompts recruitment of new board members?

Where do successful board members come from?

In Australia, most startup board members are informal appointments, which can obviously limit both the effectiveness and diversity of boards. Most of the directors interviewed had been approached through their own networks, and many were appointed to their first role after directing in a company.

Tanya Cox says that every single board she has joined was through a contact or personal recommendation. "I sought and was appointed to my first non-executive board in 2003, and since then have worked on very diverse boards. By the time I decided to transition from a full-time executive role in 2014 I had many years of non-executive experience behind me. I also have 25 years’ experience in domestic and international, private and public, unlisted and listed, small and large multinational companies. I also completed an MBA and chartered secretary studies."

Mike Carden entered from the investor side. "I had worked in global corporations and also founded my own SaaS business which grew successfully and was later acquired. I learnt how to get investors in and what to expect from a board. After I left, my main interest was in investing. I’ve since picked up board roles - from listed businesses to those with $2m ARR. I play an active role in the ecosystem so I’m often sought out for board positions. Some I have chosen to join, others I have not. I want to spend my efforts building iconic companies."
Having a separate Chair and CEO

There's agreement that having the founder in the dual role of Chair and CEO is problematic, because you are rooting governance in one person.

John Nicholson, former Chairman of Skyscanner, warns that having the CEO as the chairperson is particularly bad practice, as you are rooting governance in one person. "You can do it but it could be horrendous".

“If a CEO/Founder has such ego that they need the title of 'CEO & Chairman', then you need a senior NED to actually do the job of the chairperson without the title.”

- John Nicholson

Avoiding conflicts of interest with investor board members

The value of an investor on the board usually lies in their ability to guide the CEO and board through a fundraising strategy. However, conflicts of interest can arise when investors’ interests no longer align with the founder’s and business’s long-term needs. The general consensus is that startups need to move away from shareholder boards to boards that can offer more governance and independent guidance.

Katherine Woodthorpe, Chair of Fishburners and former CEO of the venture capital association AVCAL says, "a lot of VCs would struggle to understand the "conflict of interest" argument as they only consider their interests as an investor. For VCs/investors, the best thing to do for the company may not actually align to your short-term goals as an investor. VCs are acting in the interests of their investors. Their whole industry is driven by different metrics and approaches. This may not align with the founder and business long term needs."

Topaz Conway, Chair/non-executive director of StartupAUS, Cicada and Biothoughts agrees, saying the risks of conflicts of interest are serious: "I have seen investors destroy companies," she said. "Even an independent director on a board doesn't always have the leverage to counteract it."

Pat O’Sullivan, Chair/non-executive director of Marley Spoon, Health Engine and Carsales doesn’t support investor-led boards as they often lead to mixed messages for the founder/CEO. "When there are multiple shareholders’ representatives on the board, despite fiduciary responsibilities, you will always have to answer to your boss. If you are the investor, your boss is the boss of the investment company. In an investor heavy-board, some early investors also have a different view than later investors. Some may have made a huge return, while some have not made any and want them to be more aggressive."

Ashik Ahmed, CEO/Founder at Deputy believes that independence on a board is key:

“A board member that is also an investor will always be responsible to their fund first and then to the company, that is something founders need to be mindful of. Different people have different perspectives but my board exists to support me. I work for everyone that is employed by or is a customer of Deputy. If I'm not doing that, I am not setting myself up for success.”

- Ashik Ahmed
Increasing professionalism

Chairmen and boards hold the responsibility to ensure that new directors are given proper support in learning their role so that they can get up to speed as quickly as possible. A mandatory induction program tailored to each new director might allow them to explore certain areas of the business in greater depth.

There are corporate governance courses available for directors but these may focus on the obligations of a listed company board and those traditional risk management frameworks may not work for startups. Directors report not understanding startup issues until faced with practical examples. There is a view that startup-specific courses would be of value to the startup ecosystem.

Anthony Klok from Ellerston Capital recommends the AICD course. "Of the AICD course, 65% is useful, 35% is not applicable to smaller companies. There are definitely some things about tech startups that are unique, such as working with founders and understanding these relationships and personalities a lot more carefully. Cash flow, the importance of capital and burn are also important. A startup focused course would get some good interest".

For individuals seeking to get their first board seat, reaching out to a company who specialise in coaching directors might be beneficial. More boards today are formalising mentorship in the form of a “board buddy”. First time and younger directors are valuing this practice and directors that took it upon themselves to provide mentorship, as opposed to being assigned to a new director by a third party, had the greatest impact.

Board remuneration

While startups clearly do not have the capacity to offer the same remuneration as publicly listed companies, paid directors are arguably more incentivised to deliver value to an organisation. There is no legal requirement to pay directors: it is up to the individual company and their shareholders if and how pay them. For startups, there are main two forms of compensation offered to directors: equity and cash.

One in two (50%) of Australian startups surveyed said they provide no remuneration for board members. While this also reflects the fact that many board members will be investors, if startups wish to attract the independent board directors, there is a case to be made that they are worth investing in.

Q. How are board members remunerated?
Tanya Cox says that in an ideal world, non-executive directors should be paid fees in cash to maximise independence. “This is often very difficult for early stage, cash strapped companies, which leads to equity-based remuneration for directors. In theory equity should increase alignment between investors and management, but particularly in listed businesses it is very difficult for management to focus on business performance, rather than share price performance, so at least some of the board need to be independent to focus on this for them.

Martin Dalgleish says that many directors have chosen serving on a board as a career path and expect to be compensated for their time, which is challenging for startups.

“I know that startups need to attract the best talent, but they can’t always offer the appropriate compensation and choose to apply a generous pay-it-forward mentality. Often, people on boards have already made their wealth. If a company needs to, they can pay them less cash with plus equity. Structuring these arrangements carefully is important and ideally, you want Directors who are believers, have skin in the game, and are adequately remunerated to help drive shareholder value, and will be rewarded if doing so.”

- Martin Dalgleish

Anthony Klok notes that some early startups have no directors’ fees. “In others in scaleup mode, the chair may receive around the $50k mark. A director may be paid $30-40k. So that’s $200k out the door when you have five directors.”

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Q. Are all board members equally compensated? Asked of respondents who are remunerated (n=38).

![Diagram showing compensation distribution]

Yes 34%

No 63%

Cash

Equity

<table>
<thead>
<tr>
<th>Bracket</th>
<th>Cash</th>
<th>Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0-$20k</td>
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<td>0%</td>
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<td>$40k-$60k</td>
<td>33%</td>
<td>11%</td>
</tr>
<tr>
<td>$60k-$80k</td>
<td>1%</td>
<td>3%</td>
</tr>
<tr>
<td>$80k-$100k</td>
<td>62%</td>
<td>23%</td>
</tr>
<tr>
<td>$100k+</td>
<td>8%</td>
<td>0%</td>
</tr>
</tbody>
</table>
James Spenceley, Chairman Airtasker and Founder MHOR Investments chose not to accept equity as chairman of Airtasker so he could remain independent. "I do get paid a fee. Too many people try and get away with not paying their board members."

Diversity on Boards

Diversity is important for all boards, but the majority of startup boards do not have any diversity targets in place for board recruitment and selection. As Facebook COO Sheryl Sandberg formerly expressed it, "I don’t just mean racial, national, age, gender. All of that diversity is super important. In addition to that [consider] cognitive diversity, which you get from all those backgrounds, [and] personality diversity."

This view is echoed by those surveyed. Helen Souness, CEO at RMIT Online and NED at Sendle says that there needs to be a mix of skills and mindsets around a table, more than particular genders and cultural backgrounds.

"Diverse ways of thinking are vital to ensuring we as a board can support our CEO to view things from different angles, which hopefully helps the CEO to develop stronger risk and growth strategies. In my experience the broader the perspectives on a problem, the better quality the final decision."

- Helen Souness

Despite this, 76% of boards surveyed did not have any diversity targets in place. Personal life experience (37%) and values and beliefs (36%) are deemed to be the most important components of diversity, with only 19% recognising gender as the most important. There was very little recognition of ethnicity or age as important components of diversity.

Klok argues that no one is talking about diversity when the company is in startup phase. "It’s more about survival and it isn’t practical to start with a list of skill sets. Only when you achieve solid traction do we see board diversity factor onto the agenda."

Karen Appleton Page, NED at Deputy, disagrees. "A huge majority of founders are men and approximately 90% of investors are men. Smart startups will recognise the need for diversity in addition to the core skills and experience an organisation requires as they build their teams. We know that big problems require unique perspectives."

Lauren Capelin, Head of Venture Community at Reinventure believes that overall "the Australian startup ecosystem has worked very hard in a short space of time to design for more diverse outcomes when it comes to who is starting and building the companies of the future. But an ecosystem needs to improve diversity at all levels for the shift to be truly sustaining, and have a generational impact. Right now we have a problem, akin to the frog in boiling water, when it comes to the diversity of those governing these companies at a board level. The effect of this will only compound over time without conscious effort to move the needle."
The Startup Board Report

Q. Do you have gender diversity targets through the recruitment/selection process for your board?

Q. Do you have other diversity targets through the recruitment/selection process for your board?

Q. Aside from skills and professional experience, what components of diversity are important to the board? Please rank from 1-6 in order of importance on the below:

These factors may be related to the fact that only 38% of boards have female members, and these only tend to have one female member on average. Seed stage funded start-ups are more likely to have female board members, relative to Series A, Series B and Series C+ Start-ups (47% vs 35%).

Q. How many of your board members are female?

The absence of female members on boards is partly driven by a shortage of investors who are female and lack of referral of female candidates. Two in five (40%) board members indicated that the shortage of female investors is an issue. This is problematic as start-ups in their early stages tend to consist of founders and investors. One in four (25%) recognised the issue as being a lack of referral of female candidates. This issue may be correlated with the fact that the majority of boards recruit within their own networks and thus limiting the potential pool of suitable candidates.

Q. If there are no female board members, what were the reasons why?

No referrals were female candidates
Unable to find female candidate with required skills
Potential candidates included females but were not successful
Other (not an investor or founder)
Don't know
Q. During the recruitment process for board members, what proportion of potential candidates were female?

Board members who identified as being female (15%, n=12) were asked if they would consider a board role at another start-up business. Half (50%) said they would not, with only 25% confirming that they would consider it. The remainder were unsure (25%). Lack of time was considered to be the main barrier limiting consideration of other board roles.

This research shows that Australia’s startup boards are currently being formed through the referral networks of founders and investors, most of whom are men.

Sigal Pilli grew up in Israel and points out some key differences. “Everyone enlists in the army regardless of gender and this promotes equality early on in the culture. The economic situation is very different to Australia. There is a tighter welfare structure in Israel and the stress on the individual is higher. Both partners need to work and this increases the number of females in the workforce and as a result, the proportion of females in senior positions.”

There is also a lack of age diversity on Australian boards. The average age of non-executive directors in ASX 100 companies in 2015 was 61.9. There is recognition that this may lead to a gap in particular expertise that is required to future proof an organisation - skill sets that are more likely to be found in a younger director. As such, some ASX 100 boards have recruited younger directors who have led technology firms, to enhance their understanding of digital disruption. However research does not indicate that young director age does necessarily correlates to better company performance.

CEOs run the risk of getting inexperienced advice on important matters if their board members don’t have years of experience under their belt – success and failures included. Vinod Khosla, founder of Khosla Ventures, sees the immense value of diversity in a board and when a company can engineer the gene pool to better suit the risks and opportunities unique to it, first-time founders really reap the benefits. In his experience, most VCs are ineffective when it comes to assisting companies and having them on the board if they haven’t had the experience of starting a company or seeing one be built from the inside can do more harm to startups than good. In his view, many if not most of them haven’t done enough in their careers to earn the right to advise founders.

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Lauren Capelin  
Head of Venture Community, Reinventure

On the topic of diversity

“The Australian startup ecosystem has worked very hard in a short space of time to design for more diverse outcomes when it comes to who is starting and building the companies of the future. But an ecosystem needs to improve diversity at all levels for the shift to be truly sustaining, and have a generational impact. Right now we have a problem, akin to the frog in boiling water, when it comes to the diversity of those governing these companies at a board level. The effect of this will only compound over time without conscious effort to move the needle.

Research shows that Australia’s startup boards are currently being formed through the referral networks of founders and investors, most of whom are men. When it comes to recruiting an independent board member, these referral networks are not extending effectively to the talented and qualified women looking to take on startup board roles. Diversity is not a conscious factor in the board-building process until much later, but by this point, women are also dealing with an experience gap when it comes to early-stage startup board governance, making it a lot more difficult to access these opportunities. If things don’t change, another generation of women risks missing the boat on having an equal stake in the wealth creation, decision-making power, and equity of these businesses of the future.

We need to speed up the process of designing diversity into our country’s startup boards at a much earlier stage, not only to avoid the systemic challenges that will arise from the current dynamics at play but also to give our startups the best chance of success through access to independent guidance and valuable diverse perspectives. This is about more than incrementally increasing representation of women in technology and start-ups. It’s about the huge opportunity to shape the future of Australia’s traditional industries and create the next generation of public companies, with the benefit of a diverse board at the helm from the outset.”

Key takeaways:

- It’s more effective to have a formal process yet only 29% of Australian board members have been appointed
- It’s important to plan ahead as board building is cyclical – more attention needs to be paid to the compensation on the board
- Diversity is important and involves much more than just gender
Best practice board meetings

In terms of process, most board meetings typically last 1-2 hours, with the average being 2.5 hours. Seed stage funded startups are more likely to have shorter meetings on average, relative to Series A, Series B and Series C+ startups (two hours compared to 3 hours). Setting an agenda before the meeting gives the directors the awareness of whether the board needs to offer approval on a matter or whether there’ll be discussion with the CEO seeking advice.

Mike Carden emphasises the need for instructive board papers to be sent out the week before the meeting. “The CEO should report the good, the bad and the ugly and state what they need help on. This will then inform the agenda which will be worked out beforehand.”

Kim Anderson, Chair/non-executive director of Beem It, Marley Spoon, Carsales and WPP ANZ, says board meetings are to discuss areas of concerns and an opportunity for everyone to discuss specific issues, “Having digested the papers properly already. These issues then inform the strategy and ensure everyone is on track to achieve the goals.

“The CEO needs to get into the habit as early as possible for board meetings.”

- Kim Anderson
This means understanding what needs to go in a board pack, and communicating the content in a consistent manner.”

Ajay Bhatia, NED at Stratton Finance, Tyresales and Assembly Payments advises avoiding wasting time on lengthy presentations. "Preparation needs to be there but stay away from PowerPoints. Executives can often go into a mechanical mode of presenting rather than solving. Send papers to read in advance and use the meeting time for discussion only."

Jared Kristensen, Founder & CEO of Audience Republic says that keeping board meetings on track can prove to be challenging. "The challenge for me is making sure the directors are looking at the board meetings as a strategy session vs a CEO performance update. A lot of investor directors want to dig into that. That should be done ahead of time." We advise that a CEO's performance should be a separate agenda item during the year.

Jean Sini, investor/advisor to Canva, Grove and Mindkick finds novice founders can easily mistake a board meeting gone smoothly for a successful one. "Instead, a great board meeting tackles tough questions about the business, and goes deep into key topics, the CEO working with the board to further their own thinking. More experienced CEOs prepare the board for a productive meeting by sharing a few discussion items in advance, along with information to dig into. The most valuable meetings happen when board members have done their homework and come prepared to brainstorm solutions."

It’s also the sign of an effective board to take minutes of the meeting. They serve as an official record of the decisions made in the meeting and a reference for directors to revisit decisions made.

Care needs to be taken when recording the minutes and while they aren’t a transcript of the meeting, a court can use them to decide whether the directors have fulfilled their fiduciary duties.

Q. How many hours do your board meetings typically last on average?

Board meetings are run relatively frequently with monthly and bi-monthly meeting being most common. Close to two in five members (37%) indicated that their board has a formal meeting every month, 24% say that meetings are conducted bi-monthly, whilst one in three (31%) mention that it is held quarterly. Only a very small proportion (1%) revealed that meetings are organised annually.

Cliff Rosenberg, Non Executive Director at Afterpay, TechnologyOne, Nearmap, A2B and IXUP, knows that a well-functioning board requires all Directors to be on the same page and running by the same agenda. "Directors are in

“We need to highlight the importance of business rhythms and routines that having regular board meetings and agendas will bring to a scaling business. For founders, taking time out to think through what’s going well and not so well via a formal and regular review enables them to plan the coming months in a more structured way.”

- Jonathan Jeffries
Think & Grow
**Board member communications**

The vast majority of board members (99%) communicate amongst themselves in between board meetings. 71% say that this is ‘all of the time’ whilst 28% say it is less frequent. Board members of Series A, Series B and Series C+ startups are communicating more frequently than their seed startup counterparts (78% say ‘all the time’ vs. 65%).

**Appointing New Directors**

Boards also need a flow of fresh ideas and need to be constantly thinking about the mix of skills available on the board and when to bring in new board members. All Directors need to continue to add value as the company scales and grows. It is an ongoing and evolving discussion.

Serge Van Dam, Chair/non-executive director at Common Ledger, Montoux, CoGo, Wipster and Raygun acknowledges that the process is natural and healthy. ‘A startup needs to understand the importance of appointing different board members at different phases. I am only suitable for the very early stage.’

Dave Malcolm, MD & Co-Founder of Marley Spoon Australia appreciates the value the independent NEDs on his board bring.

*Our independents are powerhouses in Australian business. They have a wealth of experience in the industry and in specific skill domains. They give us feedback and provide a view that we may not have considered ourselves. – Dave Malcolm*

**Q. How often do you have formal board meetings?**

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<thead>
<tr>
<th>Frequency</th>
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<tbody>
<tr>
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<tr>
<td>Bi-monthly</td>
<td>24%</td>
</tr>
<tr>
<td>Quarterly</td>
<td>31%</td>
</tr>
<tr>
<td>Annually</td>
<td>1%</td>
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<tr>
<td>Other</td>
<td>6%</td>
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</table>

**Q. Do you typically communicate with board members in-between board meetings?**

<table>
<thead>
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<tr>
<td>Yes – all the time</td>
<td>71%</td>
</tr>
<tr>
<td>Yes – sometimes</td>
<td>28%</td>
</tr>
<tr>
<td>No</td>
<td>1%</td>
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</table>

Key takeaways:

- Meetings must remain focused, with preparation carried out in advance
- Keeping accurate minutes is critical for legal reasons
- Board composition will need to change over time
Conclusion

There is the potential for boards to play a transformational role in the development of startups. The challenge is that startup boards require a different approach and face unique responsibilities and challenges compared with the boards of larger and more established organisations.

Some of the key issues identified in our research include:

1. Investor-heavy boards

Founders believe that having investors dominate their board is and will always be "the norm" and at the same time, investors believe they are best placed to advise and would be reluctant to give up a formal seat. However, as Tanya Cox expressed earlier, while having investors as directors can help to secure funding, investors might not always have traditional executive backgrounds or have actually scaled a business before and therefore do not have the first-hand knowledge that founders require.

2. Limited board talent pool

Due to very small number of exits/founders who have successfully scaled globally and are ready to enter a NED career - the overall number of people who truly understand startups is low. We need to define what a good NED is and how we can help to create this standard. Given that the AICD is largely aimed at listed companies, there is scope for a new governing body specialising in startups.
3. Need for more independent NEDs

There is a very clear case for appointing an independent NED once a startup has raised seed funding and are looking to start Series A. Particularly when multiple investors are about to be introduced, it’s vital to have an independents to manage this effectively and safeguard the long-term interests of the business and founder.

4. Improve diversity across the board

All companies know that greater diversity results in better decision making, despite this there’s still a diversity issue on the boards of startups. Only 38% of startups in Australia have any female representation, a figure which is only just above the quota set in 2016 by the AICD. Startups have an opportunity to set the bar when it comes to equal and diverse governance and should implement diversity targets immediately. Setting diversity quotas for the startup industry will help to address this problem.

5. The Chairperson’s evolving role as the CEO’s mentor and boss

When founders reach Series C+, the company has often scaled beyond their experience. This causes a lot of dysfunction and there is a need for someone to hold the CEO accountable, who goes beyond “support and mentoring” to driving high performance. For this reason, having a dual CEO and Chair is extremely problematic, inadvisable and not best practice.

We believe we have an opportunity here to truly impact the Australia of tomorrow. Given the importance of innovation to Australia’s future, it is critical that startups and their directors are not set up to fail from the outset. Given the limited talent pool and the propensity of investors to request a seat on the board, selecting the right board is no easy task.

How can we broaden this talent pool? People learn more by doing and first-time directors can get a lot of guidance from sitting on an advisory board and by being a board observer, forcing a revisit to the age-old debate of traditional classroom versus internship-style experience. Companies such as Khosla Ventures and a16z set their partners up for success by first having them participate in board meetings as an observer to learn from more experienced directors.

Ultimately, it is clear that more support in sourcing the best global talent and experienced directors for startups is key to success, not only for the startup but the Australian startup industry. We need to foster an ecosystem that encourages executives, leaders and directors from all walks of life to engage with startups by reaching out, sitting on advisory boards and being an observer.

Pushing the boundaries comes second nature to startups so let’s shake up the status quo and experiment with board structures that facilitate rapid, sustained growth.

— Anthony Sochan & Jonathan Jeffries
Co-Founders
Think & Grow

— Amanda Price
Head of High Growth Ventures
KPMG Australia
Think & Grow

At Think & Grow, we act as growth partners to bold businesses. We build and grow high calibre teams that can compete globally in a world of rapid change. Since the dotcom bubble we have been building a community of successful entrepreneurs, investors, technologists and digital innovators who want to change the world.

Service

- **Global executive search**: we bring a track record of executing assignments globally in Europe, North America and Asia Pacific, enabling international companies to expand into new territories and local companies to grow by making key c-level executive hires.

- **Organisational design**: we provide specialist consulting including board assessment, organisational design, talent strategy, and skills benchmarking, to help businesses scale in a sustainable way.

- **Board services**: through our board advisory, board assessment and director recruitment services, we help businesses build and evolve high performing boards through different phases of growth. We are passionate about building balanced, diverse boards with relevant operational and leadership experience complemented with skills and broad thinking.

KPMG High Growth Ventures

High Growth Ventures, KPMG’s dedicated startup team helps founders achieve sustained high performance.

We’re a team with startup backgrounds and as a result have established networks within the industry and are active members of the ecosystem.

Our unique placement allows us to unite founders with KPMG’s global connections and capabilities, guiding you to the right resources within KPMG to provide you with advice and support to help your business achieve rapid and sustained growth.

Our consultative approach, experienced team and founder focus sets us apart.
Appendices

Appendix 1: List of interviewees

**Anthony Klok:** Investment Director at Ellerston Capital. Chair/Non-Executive Director of Betfair Australia, Friendsurance, Temando Zoom2u and OpenAgent. Former CEO of Betfair Australia

**Jared Kristensen:** CEO/Founder, Audience Republic

**James Spenceley:** Chair/Non-Executive Director of Airtasker, Indoor Skydive Australia and Silver Heritage Group. Co-Founder MHOR Investments

**John Nicholson:** Chair of Interact, NCE Computer Group. Former Chairman of Skyscanner and VirtenSys

**Dave Malcolm**, MD & Co-Founder at Marley Spoon

**Pat O’Sullivan:** Chair/Non-Executive Director of Marley Spoon, Health Engine, Carsales. Former COO of Nine Entertainment

**Sigal Pilli:** COO at Assembly Payments, Non-Executive Director at RateMyAgent

**Cliff Rosenberg:** Non-Executive Director of AfterPay, TechnologyOne, Nearmap, A2B Australia and IXud. Former Managing Director, South East Asia, Australia and New Zealand at LinkedIn

**Niki Scevak:** Partner at Blackbird Ventures. Co-Founder at Startmate. Former Founder of Homethinking.com

**Jean Sini:** Investor and Advisor at Canva, People.ai, Grove and Mindkick. Former CTO of Cadre

**Ashik Ahmed:** CEO and Founder, Deputy (Australia)

**Kim Anderson:** Chair at Beem It, Non-Executive Director at Marley Spoon, Carsales.com.au and WPP ANZ. Former CEO, Entertainment at Southern Star Entertainment

**Karen Appleton Page:** GP at B Capital Group, Non-Executive Director at Deputy and Plastiq, former executive at Apple and Box

**Ajay Bhatia:** Managing Director Consumer at Carsales. Non-Executive Director at Stratton Finance, Tyresales, Redbook Inspect

**Wayne Baskin:** Deputy CEO at Booktopia. Independent Non-Executive Director at Car Next Door. Advisor to AfterPay

**Mike Carden:** Founder of Joyous, Chair of AskNicely, Non-Executive Director at vWork. Former CEO/Founder of Sonar6

**Tanya Cox:** Chair/Non-Executive Director of Equiem, BuildingIQ, OtherLevels, Green Building Council of Australia. Former COO of DEXUS Property Group

**Topaz Conway:** Chair/Non-Executive Director of StartupAUS, Cicada Innovations, Biothoughts. Former Founder of Vine Tales

**Martin Dalgleish:** Partner at Morpheus Ventures and Chair/Non-Executive Director of KPMG Australia, Ratesetter, ActivePipe and Hometime.io

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**Doug Snedden**: Chair/Non-Executive Director of iSentia, OFX, Frisk and Chris O'Brien Lifehouse

**Helen Souness**: CEO at RMIT Online, Non-Executive Director at Sendle. Former Managing Director, Australia & Asia at Etsy

**Serge Van Dam**: Chair/Non-Executive Director of Common Ledger, Montoux, Wipster, Raygun and Landlord Studio. Former VP at Fiserv

**Katherine Woodthorpe**: Chair of Fishburners and former CEO of the venture capital association AVCAL

**Laurie Yoler**: Non-Executive Director of Bose, Zoox, Church & Dwight, and Noon Home. Advisor to Accenture. Former Board Director of Tesla and Former President of Qualcomm

**Simon Yencken**: CEO of Fanplayr Inc & board member and former Chairman of Aconex, investor and advisor to Redbubble and investor in Moda Operandi and Blackbird VC

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Thank you