

Building Superior Management Teams

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Gregg Stone

- **Lawyer turned Venture GP turned Angel Investor**
 - Hemenway & Barnes 1980-1986
 - Pell, Rudman & Co, 1986 -1998
 - Kestrel Management, 1994 - present
- **Angel Investor**
 - Personally invested in 14 companies over past five years
 - Member of Launchpad Venture Group
 - 65 Members, 22 Investments, \$7.5M+ Invested in past 5 years



Profile of an Angel

- Typical Angel
 - Prior success as entrepreneur, manager or counsel
 - Invests close to home
 - Patient capital with a value add
 - Works in groups
- 350,000 business angels in the US
- 250+ organized groups of 20+ people

How Much Do Angels Invest?

- Angels invest approximately \$25B per year in over 50,000 businesses
- Angels focus on the seed and startup round
 - \$100K to \$2M
 - Raised from 2 to 40 investors

Boston Angel Groups

- Launchpad Venture Group - launchpadventuregroup.com
- Angel Healthcare Investors - hcangels.com
- CommonAngels - commonangels.com
- Hub Angels – hubangels.com
- Investors Circle – investorscircle.net
- Walnut Venture Associates – walnutventures.com
- Boston Harbor Angels – bostonharborangels.com
- Beacon Angels – beaconangels.com



What should entrepreneurs look for from Angels?

- Access to start up capital
 - \$250k - \$1MM of seed finding
- Experience/Support
 - Expertise and contacts needed to make the company a success
- Control of their business
 - Continued control of the business
- Alignment with long term vision and exit timing

Goals of Angels

- Investment Returns
 - Look for 5 – 10X, know that many will fail
- Psychic Returns
 - Ability to actively help entrepreneurs make their businesses a success
 - Visibility into new technologies, applications, ideas
- Networking
 - Meet and work with like minded men and women



Angel Investment Criteria

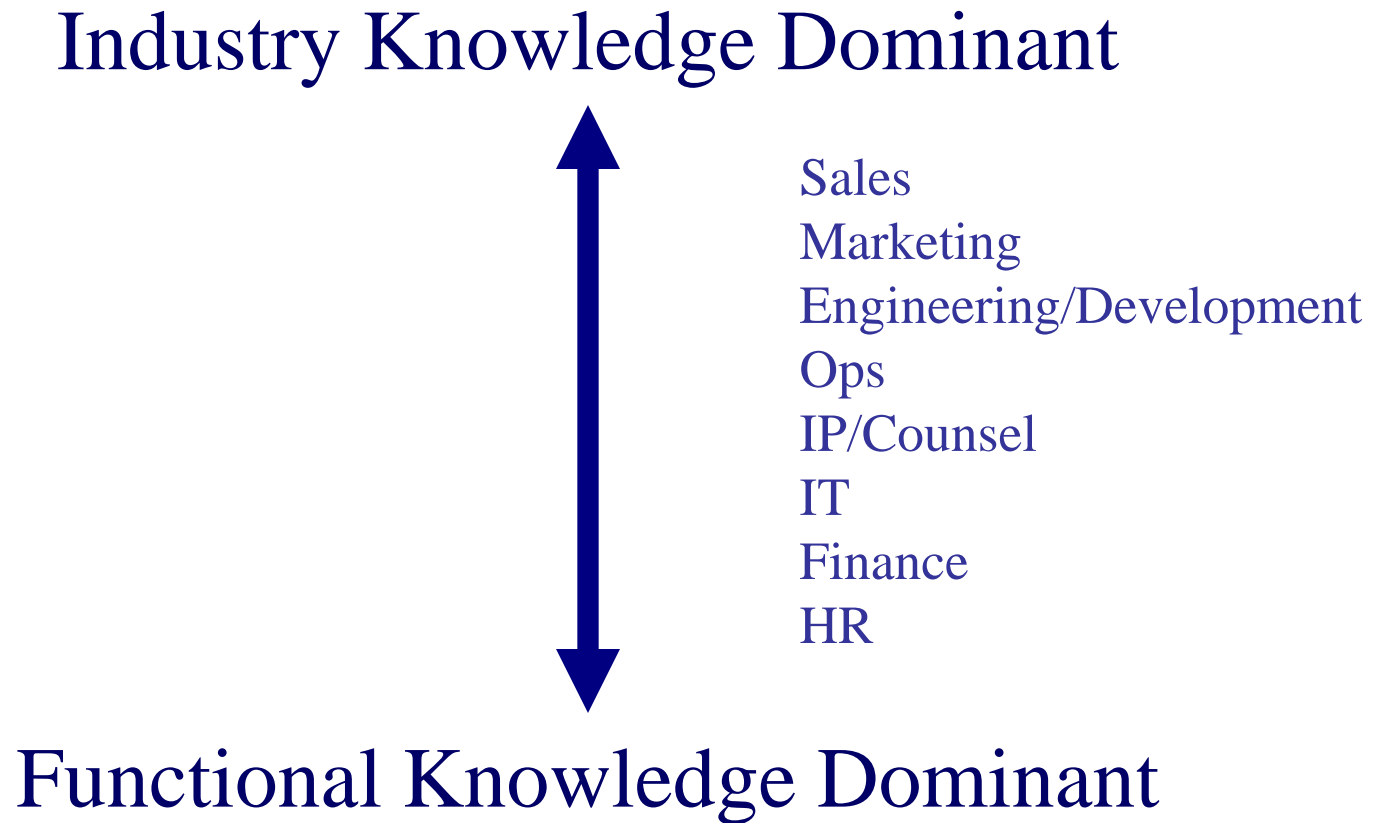
- **Strong management** with a deep understanding of their market
- Large market opportunity
- Barriers to entry, initially through IP
- Product is in Beta with one or more customers
- A combination of customer revenue and the funds raised from investors will lead to cash flow positive situation
- Reasonable expectation on valuation of the company



Strong Management

- Many formulas for success
 - Cape Cod Potato Chips
 - National Mentor
 - Health Dialog
- Fill largest gaps first

Filling Gaps



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Develop a Profile

- Goals
- Skills
- Experience
- Attributes
- Expected Compensation
- Age

Develop a Profile

- **Goals**
 - Assess financial team and establish plan to address weaknesses
 - Assess ERP system
 - Develop control and operating systems and metrics for all aspects of business
 - Develop with SVP Sales and CEO methods for better forecasting
 - Strengthen relationship with commercial banks
 - Supervise HR
- **Skills**
 - Broad based financial skills: financial planning, accounting practices, tax and treasury functions, financial reporting, relationships, (bank,investors,board), etc (must have)
 - Communication – written and verbal (must have)
 - Computer fluency, including ERP implementation (must have)
 - Business development (must have)
 - Human Resources (preference)
 - Ability to lead a team and communicate up and down the organization (preference)
 - Strategic Thinking -- ability to assess the market/partnership opportunities
 - Manufacturing, oversight and metrics
- **Experience**
 - Record of success (must have)
 - MBA or CPA (must have)
 - Small company experience - less than 100 employees (must have)
 - Institutional investors (preference)
 - ERP implementation (preference)
 - Running hosted/SASS solutions (preference)
 - XYZ's industry (preference)
 - Offshore operations
- **Attributes**
 - Displays urgency
 - Presence (including communication skills)
 - Enthusiasm
 - Team player
 - Energy
 - Creativity
 - Confidence
 - Sense of humor
 - Highly moral and ethical
- **Expected Compensation:** \$180 base, 20-40% bonus opportunity
- **Age:** Preference to youth (under 35)



Search Committee

- Who
- Scheduling – weekly
- Process
 - Screening resumes
 - Initial interviews
 - Committee interviews
 - Company “interviews”
- Always selling and buying

Methods

	Mgt Time	Calendar Time	Cost
•Networking	H	M	L
•Industry associations	M	M	L
•Online	H	L	L
-Monster			
-Hot Jobs			
-Industry Specific			
•Executive Search			
-Non-exclusive	M	H	H
-Retained	L	H	VH

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Compensation

- Salary
- Bonus
- Equity
- Get aligned!

On Boarding

- Establish written goals for rest of year
- 360° Reviews
 - Weekly
 - Monthly
 - Semi-annually
- Meet socially and meet family

Angels' Roles

- Angels typically work with and in support of management.
- Activists have taken line jobs on a part time basis.
- Most help with connections and advice, but have other interests/careers
- Many are silent and look to their group representative. This is a good approach.



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