

# **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](http://launchpadventuregroup.com)
- Angel Healthcare Investors - [hcangels.com](http://hcangels.com)
- CommonAngels - [commonangels.com](http://commonangels.com)
- Hub Angels – [hubangels.com](http://hubangels.com)
- Investors Circle – [investorscircle.net](http://investorscircle.net)
- Walnut Venture Associates – [walnutventures.com](http://walnutventures.com)
- Boston Harbor Angels – [bostonharborangels.com](http://bostonharborangels.com)
- Beacon Angels – [beaconangels.com](http://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
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- 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

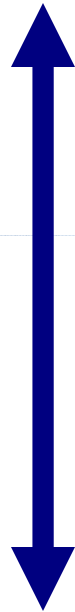
- Strong management with a deep understanding of their market
- Large market opportunity
- Barriers to entry, initially through IP
- Product is in Beta with one or more customers
- A combination of customer revenue and the funds raised from investors will lead to cash flow positive situation
- Reasonable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

Industry Knowledge Dominant



Sales  
Marketing  
Engineering/Development  
Ops  
IP/Counsel  
IT  
Finance  
HR

Functional Knowledge Dominant



# 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

LAUNCHPAD  
venture group



# 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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