

Seat at the Table:

What Would YOU Do?

You are on the Board of an early-stage technology company. If the company is to grow, the Founder's role needs to change.

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You have been asked to join the Board of Directors of an early-stage robotics company that has been operating for ten years and helps caregivers and hospital nurses move obese patients into and out of beds.

The company was founded by Jerry Marks with his own capital. It has continued to exist through its growing base of hospitals, nursing homes, and assisted living facilities. But it now faces financial instability.

As the company prepares for Series A financing, the board gathers to discuss and resolve the role of the founder to ensure sustainable growth and operational stability.

Key Players:

- **Founder:** Jerry Marks is an MIT-trained engineer who is the largest shareholder. He lacks administrative skills, hasn't created anything new for years, and sees himself as a Steve Jobs visionary. He recently divorced, has financial obligations to two households, and relies heavily on the company's modest income. Despite his significant shareholding, the founder has not provided the board with requested plans, including an updated product roadmap and additional research proposals. He has also exploited family members for unpaid work and refused to share equity with them.
- **CEO:** Deborah Vartis is a dynamic co-founder hired as a professional manager when the company began gaining traction. She shares equal equity with the founder on a

fully diluted basis but has faced numerous challenges due to the founder's lack of follow-through and administrative inefficiencies.

- **Board Members:** Two venture capitalists and a family office observer representing diverse investment interests and strategic perspectives.
- **Board Chair/Lead Independent Director:** Provides leadership to the board, ensuring effective functioning and governance. That is your role.

Market and Growth: The company operates within the enormous health and wellness marketplace, growing its revenue from \$200k in 2017 to \$5.3m in 2023. With 60,000 devices deployed globally and customers in over 50 countries, the company is on a solid growth trajectory. Recently, the company secured a new manufacturer in China, which will significantly lower production costs. The device has attracted inquiries from insurance and wellness partners and distribution channels, including Amazon, Best Buy, and Walmart.

Additionally, the company has launched a companion app that is rapidly gaining traction, necessitating further investment in content and infrastructure to meet growing demand. Ten high-profile venture capital firms have invested in the device, the CEO, and the potential of the installed base for future products.

Challenges: The company has faced repeated cash crises, affecting its ability to hire and retain talent. There are six employees and outsourced customer service reps in Central America providing a nimble cost-effective solution. To prepare for a successful Series A financing round the company needs to hire an experienced CFO. The founder's administrative shortcomings have further complicated operational management. Despite his significant shareholding, the founder's inability to handle day-to-day responsibilities necessitates a strategic reevaluation of his role. The founder has also exploited family members by having them create content without compensation and has refused to share equity with them. His personal financial situation, following a divorce, makes him reliant on the company's income. Furthermore, the founder has not provided the requested plans from the board, including an updated product roadmap and plans for additional research to build on the successful efficacy studies.

Discussion Questions for Seat at the Table Members:

1. Stabilizing Finances:

- How should the board deal with the situation to stabilize its finances to attract and retain talent and investors?

2. Repurposing the Founder's Role:

- Should the founder's role be repurposed to focus on innovation and public speaking, and if so, what specific responsibilities should he retain?
- How will he be incentivized to perform?

3. Ensuring Compliance:

- How should the board handle the founder's failure to provide the requested product roadmap and plans for additional research?