Gramén, Ilkka; Kauranen, Ilkka

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Corporate Boards in Start-Up Companies
From Monitoring to Mentoring With Expert Board Members
Ilkka Gramén and Ilkka Kauranen
Aalto University, School of Science, Department of Industrial Engineering and Management, Aalto, Finland
ilkka.gramen@aalto.fi
ilkka.kauranen@aalto.fi

Abstract
Corporate boards in small and medium-sized companies are a neglected resource. Corporate boards could be used much more to gain access to external resources that are typically inadequately utilized at the initial stage of a company. Customarily, board members are nominated by specific external stakeholders to monitor a company, and as a result, the competences of the board members are not a point of focus during the selection process. It is well established that having complementary competences in the corporate board enhances the success of a company. This possibility will be impeded if the members are selected only with a monitoring aim in mind.

In this a multi-case study, six start-up companies are investigated in depth. Each of these companies contains at least one ‘expert board member’. We have coined the term ‘expert board member’ to refer to an individual who does not work in the company and who has not been selected to the company’s board to represent the interests of a specific external stakeholder or a specific stakeholder group, but rather because of the expertise that the individual possesses. The objective of the study is to increase understanding of the added value that an expert board member can bring to a start-up company.

Traditionally, the central role of a board member is monitoring, whereas the essential role of an expert board member is mentoring. Expert members help the start-up gain access to external resources via their social networks. Expert board members can considerably shorten the time that the start-up company needs in order to reach the stage of a sustainable business. Carefully chosen expert board members offer knowledge and objectivity that the company would not get otherwise. They bring sound judgement into the board room. Expert board members are important in building the credibility of a company in the eyes of external stakeholders. The corporate board is a social, collective structure where decisions are made to serve the company in order to secure the survival and success of the company in the long run. Expert board members who are independent of any specific stakeholder or any specific stakeholder group well serve this aim.

Keywords: corporate board, expert board member, governance, shareholder, start-up

Track: Governance

Word Count: 7,007

1. Introduction
Studies of corporate board composition have traditionally focused on large, public companies (Lynall et al., 2003). The role of corporate board composition is very different in small and medium-sized companies, on the one hand, and in large companies, on the other hand. Research on the role and contribution of outside corporate board members in small and medium-sized companies has only started to emerge (Huse, 2000).
Comparison between the corporate board composition of large companies and small and medium-sized companies indicates that the larger the company, the more effort is put into designing an appropriate composition for corporate board. Comparison also indicates that if the number of outside board members is larger, the role of the corporate board is more active (Gramén, Nyberg and Kauranen, 2018). In other words, the smaller the company, the less the corporate board has been seen as a resource. Small and medium-sized companies have less outside board members and in general their boards are less active. At the same time, small and medium-sized companies are resource poor and they lack internal resources (Daily et al., 2002).

One subgroup of small and medium-sized companies are start-up companies. Research on the evolution of boards in start-ups is new (Wasserman and Boeker, 2005). The corporate board composition may differ in start-ups because of their very nature. According to Blank (2012), a start-up is a “temporary organization designed to search for a repeatable and scalable business model”. Start-ups face high levels of uncertainty and high rates of failure. Start-ups also lack internal resources. Often they are very dependent on their external environment. Many are in need for larger financial resources.

Wasserman (2012) has studied the decisions of start-up founders. Most often, these decisions are related to people. We introduce a new term “an initial expert pool” in this article. An initial expert pool is an extension of the founding team by adding the pool the expert members of the corporate board and members of the operative management. Forming an initial expert pool may be a solution to increasing diversity in start-ups and helping the start-ups to make decisions about who to hire. We will highlight the importance of understanding that the corporate board can be a source of resources for a start-up company right from the start.

Kaplan and Strömberg (2004) found in their study that the quality of the management team was a major reason for investing in almost 60% of investments made to the start-ups. Beckman, Burton and O’Reilly (2007) have demonstrated that attributes of a good founding team for a start-up include heterogeneity of functional backgrounds and prior management expertise. These attributes make the start-up more likely to receive venture capital and to go public.

Start-ups confront the liability of newness (Henderson, 1999). This entails lack of credibility and social capital. The liability of newness emerges as the new firm needs to establish stable exchange relationships with its external environment. Start-ups also confront the liability of smallness. This entails lack of financial resources and managerial competences (Aldrich and Auster, 1986). Corporate board may be a resource for decreasing these liability challenges. Especially important here are expert board members that bring to the company complementary human capital.

According to the agency theory, outside board members represent external stakeholders having an important monitoring function. In addition, outside board members have an important value-adding role to play in the development of start-ups. Start-ups are resource poor. The corporate boards of start-ups can thus make a difference.

Zahra and Pearce (1989) define three critical roles for a corporate board: service, strategy and control. Eräkangas and Tainio (2007) state that in its service role, the corporate board can create useful connections and help operative management by mentoring them. The service role may be the main function of the corporate board for start-ups during their entire lifecycle. The corporate board may have a larger role in mentoring the operative management of the
start-up in case that corporate board members are experts in various business sectors (Huse, 2007).

Various descriptions of an outsider on a corporate board are related to the amount of independence of the company: whether they serve as an outside board member, an external board member or an independent board member. We introduce the term “expert board member” to refer to an individual who does not work in the company and who has not been selected to the company’s board to represent the interests of a specific external stakeholder or a specific stakeholder group, but rather because of the expertise that the individual possesses.

The objective of the study is to increase understanding of the added value that an expert board member can bring to a start-up company. To understand the added value, longitudinal research is needed that traces the evolution of the corporate board composition. We execute a case study in the empirical part of our study via a sample of start-ups operating in Finland.

2. Corporate board members in start-ups
Corporate boards have received more attention among scholars than before (Monks and Minow, 2001). This wave of interest holds true for developing and empowering boards that are characterised by diversity instead of homogeneity. The introduction of independent members to the corporate boards is seen to be a solution for developing boards (Gabrielsson and Huse, 2005).

In research about boards, board composition is often related to company performance. Huse (2000) highlights the need to understand the contextual conditions under which small companies adopt outside board members. He also emphasises the need to understand the relationships between the lifecycle of the company and its board members.

Small and medium-sized companies in general lack internal resources. The resource-dependency perspective suggests that external board members are typically recruited to gain new resources for the company and to enhance the diversity in the board (Hillman and Dalziel, 2003; Pfeffer and Salancik, 1978). It has been considered important to have a board with experienced outside members to overcome the internal lack of resources and complement the management with experience, knowledge and skills (Castaldi and Wortmann, 1984). An outside board member has the potential to be a vehicle to obtain access to such resources (Lynall, Golden and Hillman, 2003). Resource-dependency theory recognises that outside board members add value to a small and medium-sized company by helping it to get and maintain control over critical relationships, assets and contacts with the external environment (Gabrielsson and Huse, 2005).

The social-networks perspective suggests that board members often are attracted from the social network of the founding team or the external stakeholders. This perspective may limit the diversity in the board. The threat of losing diversity may be avoided by expanding the founding team and by forming an initial expert pool.

Human capital is a function of education, expertise and reputation (Becker, 1975). The human capital of outside board members may be an important resource in helping companies overcome liability challenges (Hillman and Dalziel, 2003), namely the liability challenges of smallness and newness, because such human capital may enhance the credibility of the company (Certo, Daily and Dalton, 2001).

Wasserman (2012) has described the most critical decisions start-up founders face. These
decisions determine the founders’ approach to attracting resources for the start-up. What type of human, social and financial capital the founders seek and how they place that capital into the start-up are crucial. Wasserman (2012) classifies different types of dilemmas: founding team dilemmas, hiring dilemmas and investor dilemmas, on the one hand, and relationship dilemmas, role dilemmas and reward dilemmas, on the other hand. Our focus is on the founding team dilemmas, the hiring dilemmas, the relationship dilemmas and the role dilemmas. These are crucial and they are intensively related to our interest in investigating the possibility that corporate boards may be an effective resource of human and social capital for a start-up.

At the early stage of a start-up, the founding team typically constitutes the entire management of the company. An initial expert pool can offer new insights on the challenges of who to include on the team. Decisions concerning who to include to the pool by the founders are not binding. The functions of the start-up may vary a great deal over time and different competences and compositions of them will be needed during the various start-up development stages. Corporate board members can make the initial expert pool composition flexible and responsive to the often rapid changes that the start-up will face. The initial expert pool composition may have a great effect on the future financing opportunities of the start-up and on how investors perceive it.

In terms of hiring dilemmas, founders need to solve the challenge of gaining needed human capital and social capital that the founding team lacks (Wasserman, 2012). Attracting capable employees and managers are among the dominant problems in founding and growing the new venture (Kazanjian, 1988). Corporate boards can provide a useful opportunity to help solve hiring dilemmas. Instead of hiring an experienced employee, the company can invite a person with the desired competences to be a member of the board.

Corporate boards can offer an opportunity to avoid relationship and role dilemmas. The dilemmas include questions as to how the roles should be defined. A corporate board is perhaps more neutral with respect to this question since the board members are not necessarily owners and they can be changed more easily than the original founders.

Corporate board members can act like mentors. In this case, their central role is in asking questions and challenging the operative management. In this way, they can facilitate better decision making. From the agency theory perspective, the contribution of outside board members is their ability to introduce independent considerations to decision making (Fama and Jensen, 1983).

In the case of start-ups, the mentoring role of the board is especially important (Fiegener et al., 2000; Wasserman and Boeker, 2005). Huse (2007) highlights the advisory role, cooperating with the operative management by mentoring them.

We understand the service role of the corporate board to be equal to the mentoring role of the corporate board. The service role occurs via mentoring. Expert board members on the corporate board make themselves available to co-operate in various operations.

3. Expert board members in start-ups
Deakins, O’Neill and Mileham, (2000) have listed important aims of board formation in start-ups. Such are, among others: counselling, legitimacy building, networking and facilitating access to external resources. Gramén et al. (2018) investigated 290 small and medium-sized
companies and identified a positive impacts of using outside board members. Companies that had outside board members had grown faster and the governance of these companies had been more conducive for favourable over-all development. Boards with outside members had held meetings more frequently. The meetings were held more regularly. The board members had prepared more carefully for the meetings. The working processes of the corporate boards had been more efficient and activities within the boards had been more consistent. The corporate boards with outside members also had used more time for discussing strategic issues. An external board member brings a new, broader perspective and complementary competences to the corporate board (Gramén et al., 2018). In order to decrease the risk of being too subjective, start-ups need to call for an objective viewpoint and to rely on independent persons. Critical evaluation of the company’s operative management is needed. When a start-up wants to break into new markets, expertise on networking is especially important (Huse, 2007).

An active board can add value. Start-up companies can increase their credibility by including experienced and professional members on their boards (Van Osnabrugge and Robinson, 2000). When a company faces extreme situations, such as a crisis or rapid growth, the meaning of sound judgement increases and new perspectives are needed to see the situation of the company objectively. An outsider can see the situation with different eyes and is not blinded by company issues. Different kinds of members complement each other and they can contribute by having different roles in the board (Leino, 2009). Outsiders often bring many benefits, such as new knowledge, a broader vision and contacts to additional networks (Tricker, 2009). The company board can also add value through guiding the CEO in how to establish practical working procedures between the board members and the CEO.

Among others, Erma, Rasila and Virtanen (2009) have pointed out that definitions that have been used of different kinds of corporate boards are often ambiguous or no explicit definitions are given. When discussing different kinds of corporate board members, the following attributes are typically used: internal, dependent, external, and independent. In the context of corporate board members, the terms external board member and outside board member are often used interchangeably. According to the definition by Erma et al. (2009), an external corporate board member is a person who does not work in the company. Huse (2007) points out that an independent corporate board member is even less associated with the daily operations of the company than an external board member is. Huse (2007) defines that an independent corporate board member is economically and psychologically independent of the CEO and of the operative management. Members cannot be independent if they are relatives or friends of the top management of the company or if they have business connections with the company or with the top management of the company. Hannula (2003) defines an independent corporate board member in the same way, but adds that an independent member cannot have a significant amount of shares in the company.

In this research study we introduce a new term: “An expert board member”. An expert board member is even more independent of the company than an external corporate board member or an independent corporate board member when using the definitions given above. According to our definition, an expert board member is an external, independent corporate board member who has not been selected to the corporate board to represent the interests of a specific external stakeholder or stakeholder group, but rather because of the expertise that the individual possesses.

4. Research method
4.1. Sample and data collection
Huse (2000) highlights that longitudinal research on corporate boards should take place in such a way that it traces and then tries to explain the evolution of a board’s composition. Such studies pose high requirements on the design of the study, especially as regards to direct observations and case construction. We have adopted Huse’s view.

The companies that we investigated are all based in Finland. The case construction consists of six different start-up companies. They all had had expert board members on their boards. All the companies had moved through the entire start-up’s lifecycle and they had reached the last stage of development, namely the sustainable business stage. When categorising the stages in a start-up’s life cycle, we modified the models provided by Dodge and Robbins (1992), Peter Witt (2007) and Lebrasseur, Zanibbi and Zinger (2003). Dodge and Robbins (1992) developed four general stages model that appear common to organizations: a formation stage, an early growth stage, a later growth stage, and a stability stage. To point out the importance of pre-organizational stage in start-ups, we added Peter Witt (2007) to our modified model as well as Lebrasseur et al. (2003). Lebrasseur et al. (2003) made their classification based on the differences between the stages that may necessitate major changes to how the organization manages strategy, resources and its internal structure in which we are also interested.

Table 1: A start-up life cycle model

<table>
<thead>
<tr>
<th>Life cycle stage</th>
<th>Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre start-up</td>
<td>Turning a venture or idea into a business entity</td>
</tr>
<tr>
<td>First steps of a start-up</td>
<td>Building credibility</td>
</tr>
<tr>
<td>Expansion</td>
<td>The business establishes itself through positive growth</td>
</tr>
<tr>
<td>Strong expansion</td>
<td>How to make the firm grow rapidly and how to finance this growth</td>
</tr>
<tr>
<td>Sustainable business</td>
<td>The advantages of size, financial resources, and managerial talent</td>
</tr>
</tbody>
</table>

There are also other models regarding a start-up’s lifecycle like Churchill and Lewis (1983), Naffziger et al. (1994), Beverland and Lockshin (2001), Dettwiler, Lindelvf and Lvfsten (2006), Deakins and Freel (2003), Bessant, Phelps and Adams (2005), but we considered them not to be relevant here. In our study, we pay attention to the different requirements that different stages in the start-up’s life cycle set to the board composition.

Altogether ten people were personally interviewed from the six start-up companies. This always included the CEO and the chairman of the board in each company. In all cases, the major founder was interviewed. Three of ten interviewed people were expert board members. To ease the conversation and retain a certain structure, preliminary questions were used, but the interviewed persons were free to expand on their answers during the interview if they felt the need to do so.

Within-case analyses and cross-case analyses were conducted. Comparisons between the cases were made to find possible similarities.

We measured the success of the board primarily by the time spent improving the business ideas during the whole lifecycle of the start-up. Success was also measured by the company’s turnover, by the number of personnel and by the amount of external investments that the company had received. These measures will highlight the added value that an expert board member may bring to a start-up.

A feature of research on how to build theory from case studies is the frequent overlap of data
analysis with data collection. Glaser and Strauss (1967) have argued for joint collection, coding and analysis of data. We used field notes, personal observations during interviews, structured inquiries, and writing down whatever impressions emerged. Overlapping data analysis with data collection makes it possible for researchers to take advantage of flexible data collection (Eisenhardt, 1989).

We also made some additional adjustments to the data collection instruments, like adding questions to the interview protocol after the interviews had commenced, as recommended by Harris and Sutton (1986). Once the questions had been established, we needed to ask whether it was legitimate to alter or even add data collection methods during a study. In line with recommendations by Eisenhardt (1989), we answered ‘yes’ because we are trying to understand each case individually and in as much depth as is possible.

5. Analysis

5.1. Within-case analysis

First, we used within-case analysis. Within-case analysis typically involves detailed case study write-ups for each case. These write-ups are often simply pure descriptions, but they are central to the generation of insights (Pettigrew, 1988).

We provide here a summary of the conclusions made by the researchers based on the observations during the interviews. We also list condensed comments made by the interviewees that backup the conclusions.

Earlier literature has pointed out that external board members have a role in providing access to external resources (Lynall et al., 2003).

R Oy (Founder): ‘We have not been expanding very fast since we have lacked resources and board work has not been very active and consistent. Expert types of members need to bring social networks and connections so that the company is able to make global reach possible - open the doors, so to speak.’

M Oy (Expert board member): ‘The board needs to have complementary competences, to understand the vision and strategic choices and to commit to the vision, to look to the future. I was appointed to the board for that purpose.’

Mi Oy (Founder and CEO): ‘Expert board members have played a significant role in getting investors right from the start. This happened when appointing an expert to our board.’

P Oy (Founder): ‘Expert types of members need to have strategic, visionary thinking, to look ahead and to create connections with their networks. Expert board members have played a significant role in getting investors right from the start.’

R Oy (Founder): ‘A board should have or gain resources that the company doesn’t have. Visionary thinking and strategic guidelines, we have not had enough time for this. All members need to have a specific competence, complementary to each other.’

In this study, we introduced a new concept that we termed “the initial expert pool” and point out that corporate board members can make the initial expert pool composition flexible and responsive to the often rapid changes that the start-up will face.
M Oy (Founder and CEO): ‘It is evident that the board composition and the needed competences vary a lot during the entire start-up’s lifecycle. Boards need to be dynamic, capable of adjusting themselves in order to add value in various stages of a start-up.’

R Oy (Founder): ‘Our board composition has changed during different stages, but the amount of change has maybe not been adequate. [There is a] need to replace board members: to have less founders and more professionals on the board.’

M Oy (Founder): ‘It was quite brave (from expert member M) to take it up with me that I am not the best person to be the CEO and I should be replaced. That change happened as well.’

M Oy (Founder): ‘We would have needed more general business competences, business field competences and social network competences on our boards. Expert board members would have brought these competences and personal qualities in the different stages of the start-up lifecycle.’

Mi Oy (Expert board member): ‘Founders can be a real barrier to expansion. Then the board can make a difference, start looking for partners to expand faster. Founders may prevent growth and the company may lose totally its market opportunity. The board’s composition has changed during different stages, but that has maybe not been adequate. The founders should have been replaced in the board earlier.’

E Oy (Expert board member): ‘The board adds value by being active. The board’s composition has changed during different stages quite rapidly.’

Outside board members are considered to have an important value-adding role in the development of the start-ups. The human capital and networks of outside board members may help start-ups overcome the liabilities of newness and smallness. Outside board members can also increase start-up companies’ credibility.

M Oy (Founder): ‘The most critical actions to make this start-up alive and capable of achieving a mature business phase were to appoint outside board members to the board. They both were expert members. The most valid competence that the experts had was general business experience. That brought credibility to the start-up. The expert (R) had a major role when we got our first big investors in. The expert members did boost the company with their social networks and with their personal qualities to increase legitimacy of the company.’

Mi Oy (Founder): ‘An expert member had a major role in getting [our] first ten investors. He had a huge network, since he has been a board professional for a long time. A good reputation, that brings credibility in.’

P Oy (Founder): ‘Expert board members have brought credibility and [a good] reputation to the start-up. This has played a significant role, since we got investors right from the start.’

R Oy (Founder): ‘Expert types of board members have increased legitimacy and credibility with good marketing competences.’
We have proposed that the role of an expert board member may need to be of a mentoring type.

Mi Oy (Founder): ‘The role of the board needs to be of a mentoring type. Sometimes you just need to put yourself outside and evaluate the company with the eyes of an outsider.’

E Oy (Founder): ‘The most important task of an expert board member is to challenge the CEO via mentoring types of actions. The goal is to strengthen the board with very experienced professionals. Expert types of members need to look ahead and create connections with their networks.’

M Oy (CEO): ‘Diversity in the boardroom is important. The board is capable of challenging operative management and enhancing performance by mentoring them.’

R Oy (Founder): ‘There should be more than one outsider on the board, and the board should challenge the management by mentoring.’

5.2. Cross-case comparison
All of the companies that were interviewed were born global companies and expanding in the global market, and experiencing strong expansion tensions as a consequence. Expansion requires a great deal of money and investors to be able to move from one stage to another in start-up’s lifecycle.

We asked the interviewed persons to point out a single need that the company had had and an expert board member had brought in with his/her competence that had played a significant role in the success of the company. In addition, we asked the interviewed persons to describe what personal qualities are related to the competences mentioned above. Chart 1 and Chart 2 indicate how many out of the ten interviewed persons mentioned a particular competence or quality.

Chart 1. Expert board member competences in start-ups in a certain start-up stage that had contributed to the success of the start-up
The fact that financial competence was mentioned only once is also an indication that the mentoring role of an expert board member is more important than monitoring. Control is needed, but service is the main aspect of the value added by an expert board member.

We noted that during a start-up’s lifecycle, the number of expert board members increased in all of the companies. All companies had at least two expert members on their boards at the end of the start-up’s lifecycle. In addition, the relation between the number of experts in the board and the length of start-up’s life cycle can be seen in Table 2.

### Table 2: The number of expert board members during the start-up’s lifecycle

<table>
<thead>
<tr>
<th>Company</th>
<th>Number of experts of the total in the beginning</th>
<th>Number of experts of the total in the end</th>
<th>% experts of the total board members in the end</th>
<th>Total life cycle time (years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>M Oy</td>
<td>1(2)</td>
<td>5(8)</td>
<td>63</td>
<td>5</td>
</tr>
<tr>
<td>E Oy</td>
<td>0(4)</td>
<td>5(5)</td>
<td>100</td>
<td>5</td>
</tr>
<tr>
<td>S Oy</td>
<td>1(3)</td>
<td>2(4)</td>
<td>50</td>
<td>5</td>
</tr>
<tr>
<td>P Oy</td>
<td>0(4)</td>
<td>2(4)</td>
<td>50</td>
<td>5</td>
</tr>
<tr>
<td>Mi Oy</td>
<td>1(4)</td>
<td>2(4)</td>
<td>50</td>
<td>6</td>
</tr>
<tr>
<td>R Oy</td>
<td>0(3)</td>
<td>2(5)</td>
<td>40</td>
<td>9</td>
</tr>
</tbody>
</table>

Table 3 shows the competences that the interviewed persons identified as being important for expert board members in different stages of a start-up’s lifecycle.

### Table 3: Expert board member competences identified during the start-up’s lifecycle

![Expert board member qualities in start-ups](chart)

Chart 2. Expert board member qualities in start-ups in a certain start-up stage that had contributed to the success of the start-up.
The most identified competences for an expert member was that of large social networks, business field experience and general business experience. Each of these competences was mentioned in all stages of a start-up’s lifecycle.

### 5.3. Validity and reliability of the study

Case study research is an iterative process. While the researcher may focus on one part of the process at a time, the process itself involves constant iteration backward and forward between steps (Eisenhardt, 1989). The researcher may move from cross-case comparison, back to redefining the research question and out into the field to gather evidence on an additional case. Creative insights often arise from juxtaposing contradictory evidence (Cameron and Quinn, 1988). Building theory from case studies centres on this kind of juxtaposition, including, for example, attempts to reconcile evidence across cases. One weakness of case study analysis is that the conclusions from cases possibly are narrow and idiosyncratic.

Internal validity refers to whether the researcher provides a plausible causal argument and logical reasoning to defend the research conclusions. Internal validity refers to the data analysis phase (Yin, 1994). Construct validity refers to a clear chain of evidence on the one hand and adoption of different angles by using different data sources on the other hand (Denzin and Lincoln, 1994; Yin, 1994). External validity is concerned with the extrapolation of particular research findings beyond the immediate form of inquiry to the general. Case studies rely on analytical generalisation, whereby particular findings are generalised to some broader theory. (Riege, 2003). Eisenhardt (1989) suggests that a cross-case analysis involving four to ten case studies may provide a good basis for analytical generalization. This study involves six case studies.

Reliability refers to the demonstration that the operations and procedures of the research inquiry can be repeated by other researchers and result in similar findings. In a case study, this often presents problems because people are not static, and even if researchers are concerned with ensuring that others can precisely follow each step of the research process, the results of different studies addressing the same research question may still differ (Riege, 2003).

<table>
<thead>
<tr>
<th>Competences identified</th>
<th>How many all together</th>
<th>In how many phases</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large social networks</td>
<td>25</td>
<td>5</td>
</tr>
<tr>
<td>Business field experience</td>
<td>24</td>
<td>5</td>
</tr>
<tr>
<td>General business experience</td>
<td>24</td>
<td>5</td>
</tr>
<tr>
<td>Experience from start-ups</td>
<td>15</td>
<td>4</td>
</tr>
<tr>
<td>International</td>
<td>15</td>
<td>4</td>
</tr>
<tr>
<td>Sales ability</td>
<td>7</td>
<td>2</td>
</tr>
<tr>
<td>Marketing</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Verbal communication</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Governance</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Ability to represent several investors</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Legal</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Finance</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

How many all together here means how often interviewed persons mentioned a competence in different stages.
In this study, all of the start-ups that took part in the inquiry were born global companies. They all faced the same challenge of getting financial resources for expansion right from the start. They were also resource poor and looked for external resources to complement their own competences. All start-ups also went through the entire lifecycle used in this study. In this sense, the start-ups that took part in this study were homogeneous. We were able to compare their paths during their lifecycles under the same basic assumptions and reveal similarities or differences in their outcomes. On the other hand, all of the start-ups came from different business fields. We also interviewed two different persons in each start-up, mainly the owners and expert board members, to obtain different angles and a broader perspective from which we could make generalisations.

This study was based on personal interviews, wherein the respondents were asked to evaluate themselves. This means that evaluations of a board’s performance were based on self-assessment. Observations concerning expert board members were partly based on the self-assessment made by the expert board member themselves and partly based on the evaluations made by the company owners. Expert board members also evaluated other expert board members.

The measurement of the success of the companies was triangulated by using, in addition to the prime measure, other measures. The prime measure of success of the board was the time spent improving the business ideas during the whole lifecycle of the start-up. The other measures were: the company’s sales volumes, the number of personnel and the amount of external investments that the company had received. Using several different measures, helped the researchers to reassure that the results were reliable and valid.

6. Results and discussion

Start-ups are resource poor. It is vital for start-ups to look for different ways to gain external resources. Corporate boards were expected to be a viable way to retrieve external resources. In our study, this was confirmed. There was also evidence that the further a start-up had progressed in its lifecycle, the more an expert board member could bring in new complementary resources or access to such resources via his/her social networks. An initial expert pool leads to larger social networks and enhances the possibilities of the company to acquire new resources faster.

The need to change board members in the course of different stages of the lifecycle was given strong support in the interviews. Corporate board members make the initial expert pool composition flexible. We found evidence that the board’s composition is often adjusted to match the ever changing needs of the start-up. All of the interviewed companies had increased the number of expert members in their boards during the entire lifecycles of the companies. This had led to increased diversity and to complementary competences in the corporate boards.

We also found evidence to support the argument that the human capital and networks of expert board members help start-ups overcome the liabilities of newness and smallness. Expert board members also increase start-up companies’ credibility.

Both within-case analysis and cross-case analysis indicate that expert board members need to have a mentoring role in relation to the other members of the initial expert pool. This is a way to use the expert members’ resources in favour of the start-up. The most often mentioned role of an expert board member was that of mentoring the CEO. This supports the view that expert board members’ role is more important in mentoring than in monitoring.
In cross-case analysis when asking the interviewed persons to point out a single need that the company had had and an expert board member had brought in that had played a significant role in the success of the company, everybody mentioned broad connections as most important. Connections are important in attracting investors. Connections also help in bringing in new competences that are valuable and reliable.

Based on the interviews, start-up companies look for experts that have strong social networks, general business experience and experience with the start-up business environment. As regards to personal qualities, start-ups look for an ability to create social networks and credibility through experience. This enhances the possibility to attract new external competences to the benefit of the company. The credibility of an expert board member increases the credibility of the company. This is especially important for bringing in new investors.

In this study, all companies had nominated expert board members to their boards. Comparison between companies indicated that increasing the number of expert board members led to larger financial investments to the company and shortened the time to reach the stage of sustainable business. In addition, all interviewed persons shared the view that without expert board members, it would have been unlike to reach the sustainable business stage.

7. Conclusions
Our findings indicate that expert corporate board members can add value by their commitment to the company. Extending the founding team to form an initial expert pool will increase the credibility of the start-up with investors. Social networks, experience and access to external resources are attained by having expert board members in a start-up.

The board can be an asset in providing expert external resources to the company in order to speed up the development of the start-up’s business. The role of the expert board member is of a mentoring type. The need for extra external resources stems from the fact that start-ups are resource poor.

This study indicates that expert board members have a positive impact on the development of start-ups. Our findings indicate that the sooner a start-up had invited expert members to its corporate board, the sooner the company had been able to attract external investors, making it possible for the start-up to move from one stage to the next in the start-up’s lifecycle.

References


