How to Succeed in Your First Board Role

A comprehensive guide to preparing for, joining, and serving on a startup board

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Introduction to Startup Boards

Unless you've been a startup executive with regular interactions with a board and regular attendance at board meetings, you're unlikely to know what a startup board looks like, how it functions, and what you can do to make a big impact. A lot of people think of a board as a large collection of faceless notables, convening meetings around 20-person tables and agendas packed with legalese about corporate governance -- or worse, as nothing more than a boys' club full of grumpy old men in a smoke-filled, wood-paneled room, banging a gavel, calling for motions and votes generally following Robert's Rules of Order.

The more likely scenario for a startup is a founder CEO with one or two other people -- maybe a relative, an angel investor, or another business associate known to the CEO, and increasingly (though still not enough), not all men of roughly the same vintage who kind of look alike and went to all the same schools. Over the past 20 years, I have led 4 companies, including Bolster, where I'm a co-founder and CEO today, and I have served on about a dozen boards. I've learned that being a board director is one of the greatest ways to add value, help businesses thrive, and become an industry leader in your domain. The problem is -- if you've never served on a startup board before, there's not a lot of great information out there about how to get started. In this Ebook, I'll address just that.

> **"A startup board is more likely to be informal rather than formal, disorganized rather than organized, spontaneous rather than sticking to a defined agenda."**

For starters, a startup board is more likely to be informal rather than formal, disorganized rather than organized, spontaneous rather than sticking to a defined agenda. You're more likely to meet infrequently or sporadically, and to get a ton of emails with documents just before your meeting than you are to meet regularly (say, quarterly) and to receive a well produced board packet in advance of the board meeting. If the CEO has committed to hiring an independent director, that is likely their first step towards having a more formal and organized board -- so that's good news! If you're coming from the corporate world you might think, "Wow, can I ever provide a lot of structure here and help these people get organized," and while that's true, it's not necessarily the most important contribution you can make to a startup board when the company is still driving hard to define product/market fit, customer personas, and not run out of money.

What is the size and composition of a board? Corporate boards of private companies typically have three kinds of directors:

- **Founders/Management** – Sometimes just the CEO and sometimes more than one founder
- **Investors** – The angel investors or venture capitalists who back the firm
- **Independents** – People who are hired by the company and normally compensated with stock options (and in very rare cases, cash or consulting dollars) to be an outside voice representing all shareholders' interests

Boards can vary in size, but the typical pattern is 3 seats for a startup, 5 seats for a scaleup, 7 seats for a larger private company, and 7-9 for a company about to go or recently gone public.

What are those important things a board member in a startup can do? Often, it's not your direct experience with the issues that can be most helpful to the CEO and company, but a broader view of multiple situations and experiences that form a pattern in your mind. A great board member will be able to think, "I've seen this before and I know how it ends, so this is the moment to consider a course correction." So, it's not necessarily direct experience with a specific issue (although that always helps!), but the ability to understand the nuances, the gray areas, the opportunities, that a board member brings to their role, whether you're talking about product, financing, hiring talent, or anything else.

You can help a CEO see the forest for the trees because most startup CEOs are wearing every hat in the company and are totally focused on the day-to-day, if not the minute-to-minute. As a board member, providing some perspective that helps put the daily challenges into a context is incredibly helpful to startup CEOs. Related to that perspective is the cadence of board meetings. One of the key roles for a board is to advocate for regular meetings and provide a true accountability for startup CEOs and their team. Startups are often running at warp speed and a board meeting can often get lost, get pushed, or not be seen as the strategic asset that it is. By forcing startups to schedule and prepare for a board meeting you're providing a discipline that will be helpful as a company scales. The conversations you'll require the company's management team to have -- and the quality of the output required to be "board ready" will lead to meaningful thought and potentially some meaningful decisions.

Of course, one of the best things a board member can do is to provide honest, candid, and thoughtful ideas and advice to the CEO. Another is to figure out how to fit as a team member on the board (boards are teams, too!) and work with and help get the best out of all the other directors, too. There are chapters on how to make your voice heard and how to deliver difficult-to-hear advice. I also have a chapter on the critical function of a board: corporate governance. But, if you're on the fence, or unsure what a board member can do for a startup, the major things are providing advice and examples that form a pattern based on your experiences, providing accountability and regular discipline around deliverables, and providing honest and candid assessments.

> **"The best parts about serving on a board are the impact you can have by influencing the course of an organization's future, the professional relationships you'll forge, and the learnings you'll take from the experience for your own career."**

But to end where this section started, what do startup boards look like and how do they operate? Of course the answer is "it depends." It depends a lot on the CEO and the investor group and what all of them expect, need, demand from the board. It depends on how well run the board is. But the most important part of "it depends" is that it depends on the company's stage of life and specific situations. Boards have formal meetings that range from short, 1-hour meetings 10-12 times per year for a true startup to a more standard quarterly, 3- or 4-hour meeting for a scaleup or growth company. Board books, materials distributed ahead of a meeting, are all over the map in terms of format, but most of them will have a mix of financials, KPI dashboards, org charts, and discussion topics/memos.

Meetings themselves will be a wide range -- some will be "flip through the slides on the wall and read status reports" (I hate those, personally), and some will be more issue- and discussion-oriented. Some will have management team members present observing and being part of the discussion for the whole meeting, some will have individuals from the team come in to make a presentation here and there and answer questions, and some will just be with the CEO and CFO. When the company is "at peace," to borrow Ben Horowitz's metaphor, meetings tend to be scheduled, shorter, and non-controversial. When the company is "at war" or going through a major acquisition or financing or sale process, meetings can be ad hoc, long and loud.

The best parts about serving on a board are the impact you can have by influencing the course of an organization's future, the professional relationships you'll forge, and the learnings you'll take from the experience for your own career. Board seats are few and far between, and independent board seats even more rare, but I hope you have an opportunity to play that role at some point in your professional career if you so desire.

Book Overview

The remainder of this book is designed to help you land a board role and to equip you with the knowledge of how a board functions and how to make the biggest impact. I cover topics like how to prepare to get your first board role, how to interview for a board role, and how to be a great board member. Mastering these topics will help you to make a big contribution immediately. I also dig into critical topics like governance, dealing with issues that are complex and nuanced, and giving tough feedback or advice to the CEO or other board members. These topics may never show up on the board you join, but if they do it's important to be well-informed and prepared.

I believe that a Board of Directors can be the difference between a company stalling out in its growth or scaling up. A Board of Directors is a lot more than a governance mechanism--it can be a strategic advantage to CEOs and companies, and it can be incredibly rewarding to be a board member and help make a difference.

One of the reasons I co-founded Bolster, along with my colleagues, was to help startups scale and a board is critical to accelerating that. We're charting a new course for startup boards and we're creating a first-ever Board Benchmark Survey to provide solid data for better decision-making. I hope this Ebook helps you Bolster Up your own capacity to serve as an excellent board director.

Matt Blumberg

CEO and Co-founder, Bolster

Matt

CHAPTER 1

How to Prepare Yourself to Get on Your First Board

Short of someone calling you up and asking if you'd like to be on their board, or asking you during a networking event, you might be wondering, "Well, how do I get on a board?" That's a good question, because being a director on a board is often considered to be the pinnacle of American business, and many of the roles are filled with highly qualified people with extensive experience and strong educational pedigrees.

Board service can be incredibly rewarding in multiple ways -- financially, emotionally, and experientially in terms of your career growth. Because from a CEO and investor's perspective the role of an independent board member can be critical for a young company, the people who are usually targeted for board roles are the people who have prior experience serving on boards. From an outsider's perspective getting a board position seems daunting, clubby, and impossible. If you haven't served on a board and don't have those qualifications there are still plenty of opportunities for board roles. In this chapter, I want to share the things you can do in your career to gain the experience (and positioning) required to get and succeed at that first board position.

How to gain experience for your first corporate board seat

The baseline of your career. To be considered for a corporate board seat, even in a raw startup, you need to bring something to that board table that isn't already there. That means you need to be senior enough to have a breadth or depth of either functional or industry experience that is missing from the management team and other board members. It doesn't mean that you have to have been a CEO or board member elsewhere (although some CEOs unfortunately set that as a requirement). I've had board members who are senior product managers or VPs as well as those who have been CEOs or CFOs.

Regular interaction with a corporate board. There are a lot of people who have regular interaction with a board without ever being a member of the board. Most senior executives in companies with boards will, at some point, have interaction with their board and possibly be called into a portion of (or even most of) every board meeting. CFOs will be reviewing financials with their company's directors, CROs will be on the firing line to explain a soft quarter, and so on. This is valuable experience and even in those brief encounters, even though you're not officially on the board, I bet you've learned a lot about how a startup board operates, which is tremendous experience in and of itself.

Formal advisory board roles. Another way to prepare for board service is to serve on a formal advisory board (see the chapter about that later on). Advisory Board roles are more common and are found in all sorts of organizations--not just corporations. Although advisory boards are not as prestigious as corporate boards (since they typically don't have formal or legal responsibilities), the issues an advisory board faces can be every bit as complex, with large budgets, significant assets, and powerful stakeholders. And the impact you can have on a company and its management team can also be significant.

Informal advisory roles. Informal advisory roles are common and can be found in many organizations. While the "informal" and "advisory" nature of these roles implies that the role might be more figurehead than substantive, that's not always the case. Highlighting the context, the scope, and the actions taken in an advisory capacity can tell CEOs a lot about you, your work ethic, and values.

Nonprofit board role. A board role at a 501c3 nonprofit corporation can be just as significant--if not more so--than a for-profit board role. Nonprofits can be local to global in population served, they can have budgets in the thousands or the millions, serve hundreds of people or tens of thousands or people. Depending on your experience, a nonprofit board role can be extremely valuable to startup CEOs. Board service is board service, after all. Unlike corporate boards, occasionally nonprofit boards (or community boards) require some level of membership or even financial support on your part to become a board member, but that is not true in all cases, and frequently they offer "give whatever is a meaningful gift to you" as guidance.

Community organization board or leadership roles. There are lots of significant experiences people have contributing to community organizations, either in a board role or a leadership position. Community involvement says a lot about an individual, about their commitment, about their values, and about their willingness to go the extra mile. Many contributions to community organizations make a big impact but often go unnoticed. Almost all of these boards -- from the local Little League or Girl Scouts to the town Library -- are working boards, where the volunteers on the board are both responsible for governance and some level of oversight but are also running programs.

Formal training around corporate governance. Finally, there are opportunities to learn corporate governance, board structure, and roles and responsibilities without holding a board-appointed seat. Many universities such as Northwestern, Stanford, Harvard, Wharton, Santa Clara and others offer courses and seminars through their executive education programs and there are specific programs such as **ACE**. Of course, if you have completed training in an educational program that would be something to highlight. I sometimes wonder whether these programs are truly valuable for startup boards, although it's useful to be able to say you've been to one -- I'll have some more thoughts about this in a subsequent chapter on corporate governance.

Not all CEOs will weigh all of these experiences the same. Some might be dismissive of nonprofit or community boards. Others won't. But you have to do what you can do and put your best foot forward regardless, and the right CEO or company who does value that experience will be able to notice it.

Once you have identified your experiences and placed them into the categories, then you can begin to articulate your involvement and impact in greater depth. Unlike a typical business resume with a list of bulleted points, a board-focused resume should provide more context in narrative form. So, instead of saying that you were on an advisory board at your local YMCA for five years, you'd say something like this instead:

> *"Advisory Member, YMCA, 2015 to present. Work with a local YMCA ($5 million budget) to promote the mission of "building a healthy spirit, mind, and body for all." Our local YMCA is the epicenter and foundation for serving a diversity of people in our community. When I joined the board our local YMCA had 20 employees and 100 volunteers. I started a New Initiatives Committee to expand our reach and we now have 35 employees and over 300 volunteers. I worked with local banks and state agencies to secure funding to build a greenfield residential program that houses 30 people in individual and community living arrangements. We started a shelter for battered women, and provide housing for people who are homeless or in transition. We created several onsite resource centers including a counseling center and legal resources center both staffed by pro bono professionals. We serve over 1,500 families and provide daycare and after school programs for 175 underprivileged children. Our facilities are used by Alcoholics Anonymous and other community groups. We work closely with other community nonprofits, local law enforcement, and social services."*

Providing a narrative of your board and leadership experience will help CEOs understand the skills that you can bring to their company, regardless of corporate board experience. It goes without saying that you should include the relevant details like your involvement with the organization (length of service, committees you served on), the scope of the work you did, and the results you achieved. Seeking out or responding to board opportunities that match your experience set -- where you know the organization will benefit from what you bring to the table -- makes the whole process a little easier. For example, my first few outside board seats when I was really early in my career were with community and educational institutions who needed help thinking about digital transformation and what the Internet could do for them, and I was one of the few people in 1995 who had hands-on experience running an internet business. It's certainly not required to create a different board resume from your normal resume -- but that's something I've seen a number of candidates do, and it's not a bad idea (and a modest investment of your time) if you're trying to get your first board seat, unless these suggestions also make sense to you to include in your regular resume. It's a great idea for your LinkedIn profile to highlight all these types of experiences, too, and LinkedIn gives you different categories of experience in which to put them.

Bolster makes it easy to showcase your board readiness, but there are other organizations you should look at, too, like **theBoardlist** and **Him For Her**. We're seeing that startups are increasingly turning to board-focused organizations in order to get help filling independent board seats with qualified, diverse candidates. If being a board member is on your bucket list, there's no reason not to join and build profiles with multiple organizations like these. As Willie Sutton famously said, you rob banks because that's where they keep the money!

> **"Providing a narrative of your board and leadership experience will help CEOs understand the skills that you can bring to their company, regardless of corporate board experience."**

Of course, even after you've decided that you'd like to pursue board roles, there will likely be a period of months (if not years) until your first interview or full board assignment. This waiting game can be the toughest part. A lot of board seats are referral-based, and unless your network is already quite extensive, you'll likely need to reach a little further outside of your immediate connections to get noticed. One thing that might be helpful here is to create a one-sentence goal statement that's easy to remember in different contexts. That way, when board conversations come up by people with influence over board placements, you'll stay top of mind. It might be something like, "I'm looking to join the audit committee on a late stage, pre-public board in the finance sector." Don't be afraid about making your intentions perfectly clear. Consider any groups of people in your extended network who might be in "board influence" positions — such as VCs, angel investors, or current independent directors — and learn about ways that you might add value to their companies. Last but not least, if you sit on boards already, consider how to be an advocate for potential independent directors looking for their first board seat.

Above all else, get started! Volunteer with groups you're passionate about, network with people who serve on boards and let them know of your interest. Getting a board position is entirely doable, and persistence pays off.

CHAPTER 2

Should You Serve on an Advisory Board?

I'm often asked by accomplished executives how to get on a board and I always tell them that one of the best ways to build your "board readiness" skills is to get in the game. An advisory board role is an excellent way to do that.

An advisory role is (usually) a low-risk way to understand early-stage companies, it's a way for you to hone your skills in pattern matching, and it opens doors for you to network more broadly within the ecosystem of the company you're dealing with. If you're ever invited to join a company's advisory board (however formal or informal it is), it's worth strong consideration. However, not all advisory boards are created equal and you'll have to do some digging to figure out whether an advisory role is good preparation for a Board of Directors role, or whether it's a waste of time.

What are the things you should look for?

One of the first things to look for are the telltale signs that the advisory board is taken seriously by the CEO, that it's not a figurehead group in name only.

- **Does it have a mission and list of roles to help the CEO achieve that mission?**
- **Does it function as a team, with regular meetings, minutes, and action items?**

If the advisory board doesn't have a mission and if it doesn't meet regularly, then it's likely that you'll be called on to advise on specific issues. That situation carries a risk that you won't hear the full story of what's going on and other advisors' perspectives. You can be very helpful to a CEO in this way, but it's not necessarily great preparation for a Board of Directors role. Instead, it's closer to an executive coaching role.

You should also look at the list of roles identified that will make up the advisory board. Is everyone on the advisory board a CEO or is the CEO looking to fill roles with functional or domain experts? You'll get a much richer experience with a diverse group of people on the advisory board, and the CEO who tries to fill their advisory board with people from multiple backgrounds--like technical, sales, industry, customer, or business experience--indicates that they are viewing the advisory board as a strategic asset.

Another way to understand whether the advisory board is taken seriously is to look at how you're recruited. Is it a formal process or informal? Did you receive an email or phone call with the informal "Hey, I'd like you to join my advisory board?" Or did the CEO reach out to you more formally by asking, "I would like to see if you have interest in joining my advisory board and if so, if we could schedule a time for an interview." On a side note, I have an upcoming chapter on how to interview for a board role which also applies to an advisory board role, but the main point is that asking to interview you for a spot is a sign that the CEO sees the advisory board as something they care about, something they want to build.

> **"In many cases, CEOs use their Advisory Board as a bit of a training or proving ground for appointments to their Board of Directors down the road."**

When I first started at Return Path, I asked a ton of people to be advisors and gave them some option grants hoping that they'd take my call when I needed them. I also hoped that they'd send talent or customers my way. It never worked out because I didn't do a great job of constructing advisors as a group or board, the advisors weren't able to provide value or gain experience as being advisors, and I didn't get the value I wanted from them in the end. At Bolster I'm doing the opposite: I have a small number of people on my advisory board, I have high expectations for them, I hold them accountable, and I spend a lot of time with each person, share a lot of communications and plans with them. I also periodically convene some or all of them for a group discussion. In some ways, this group is even more helpful than my board on strategy and operational details since they are all hand selected for very specific industry and functional experience and aren't burdened by governance or oversight issues. Hopefully my advisory board feels that they are adding significant value to the company, are learning from each other and me, and having a valuable experience.

Typically, there is limited interaction between a company's formal Board of Directors and its advisors (even a formal Advisory Board), but that will vary from one company to the next. It's also true that in many cases, CEOs use their Advisory Board as a bit of a training or proving ground for appointments to their Board of Directors down the road.

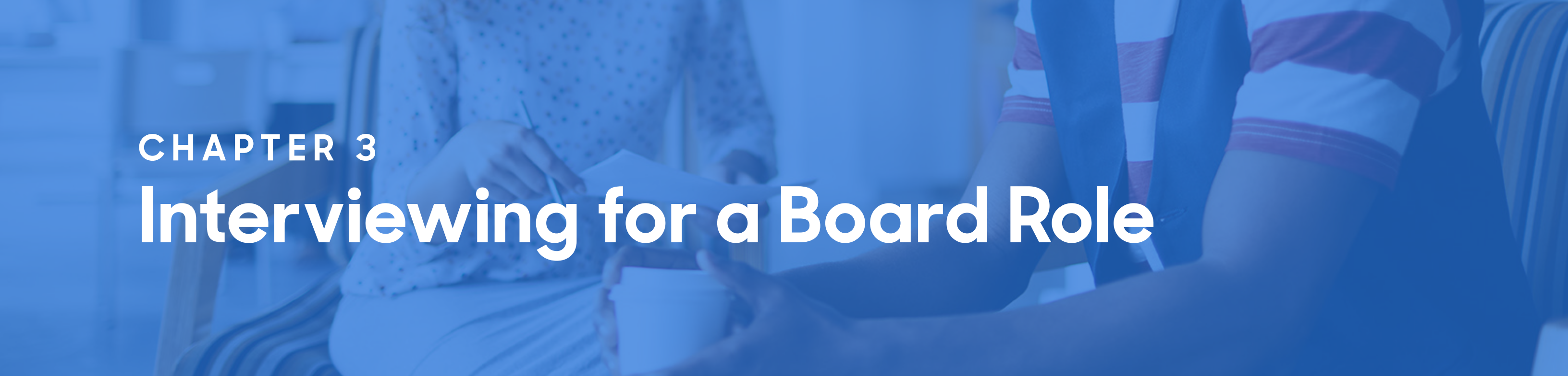
How do you find advisory board opportunities? Besides being a member of Bolster, there are other websites that help companies connect with advisors and form advisory boards, such as **Advisory Cloud**. You can also seek them out proactively by looking on websites of companies you like and see what kind of profiles are included on their advisory boards and getting in touch with them directly or via your network.

Become a Bolster Member Today

Whether you're looking for your first board role, an advisory role, or other fractional work, our marketplace connects you with CEOs looking for on-demand executives. Bolster understands your key skills, interests, and availability and matches those to companies who need your expertise on an interim, fractional, advisory, or project basis, or as an independent board member. We also offer software and services to help you manage your back office so you can focus on your work.

How to participate:
Click here to start your application to become a Bolster member today.

So when it comes to building skills to be on a Board of Directors, don't overlook an advisory board, but don't immediately say "yes" when asked to be on an advisory board. They all take time, and you want to make sure you're investing your time wisely. There are good and bad advisory boards and the good ones are very much like a Board of Directors. They meet as a team on a regular basis, they have responsibilities, they're held accountable, and the CEO takes a genuine interest in the advisory board and actively manages it for greater impact.



CHAPTER 3

Interviewing for a Board Role

By the time you get to the interview stage for a board role, you've already been vetted to some degree. Your references have been contacted (and presumably had only good things to say about you), your resume has been confirmed, and the CEO and other board members have a file on you, your accomplishments, and what skills you would bring to the board. So, if you get called in for an interview, it's a big deal--but that doesn't mean that all you have to do is show up and answer a few softball questions. You should expect that you're one of several finalists and that how you do in the interview is weighted pretty highly in the overall metric. So, like other high-profile jobs, you should take the interview for a board role seriously, and you should be as prepared as possible.

> **"Like other high-profile jobs, you should take the interview for a board role seriously, and you should be as prepared as possible."**

You should also expect that you'll have to interview several times with several people before being selected. As a CEO, I always interviewed prospective board members at least twice, including one long-form in-person interview (preferably over a meal). I ask every existing board member to interview finalists and have a couple people from the management team do an interview as well. You're joining a team that's just as serious and important to the company as its executive team…that's how the process is likely to work.

It's not necessarily a red flag if the company's process doesn't work this way, but you shouldn't be shy about asking to meet with additional people as well if you need that for your own diligence.

Obviously, the more you know about the company, the executive team, the market, products, challenges, finances, culture, values, the better off you are and it's more likely that you'll be able to have a candid, thoughtful conversation with the CEO, members of the management team, or other directors.

In terms of representing your own experience and what you bring to the table, think about all those experiences I wrote about in the chapter on preparing yourself for your first board seat and figure out how to best showcase them with some quick sound bites. What other organizations have you had an impact on in an advisory capacity, and what was the impact? Make sure you can answer the question of why you're interested in joining a board in general, and this board in particular.

And as with all good interviews, it's important to have some questions in your back pocket that you can pull out if you're asked, "Do you have any questions?" rather than sit there in silence trying to think of something smart to ask. What are those questions that you'd want to ask?

Questions to ask before joining a board

- **Getting on a board is as much about fit as working in a company. Start by asking why you're a good candidate to join the board. What is it about your experience set that the CEO is looking for?**
- **How does the board operate? Do they socialize outside of board meetings and if so, are you expected to attend or is it optional?**
- **Do they talk about issues or problems or scenarios offline?**
- **Are they formal or informal in their meetings?**
- **What do they see as the greatest need of the company over the next 12 to 18 months?**
- **What are the strengths and weaknesses of the board?**
- **What is the CEO like to work with?**
- **What are their values? Do you share the same ones?**

As I'll address later in the book, there are a couple of key questions you can ask to see if you and the board have some level of philosophical alignment or disconnect on governance. A disconnect on governance could be good as long as everyone realizes it, and different directors play different voices when it comes to the topics at hand. One question concerns the role of the board with respect to day-to-day operations of the company, and the other concerns shareholder value vs. stakeholder value. It's worth reading or re-reading that section (in chapter 8) in full for the details.

The interview with the CEO (and possibly executive team members) and board members is important, but it's actually the half-way point: you may also be invited to a board meeting as a trial run or audition. If so, you should expect to get the same materials as everyone else and possibly even a pre-briefing with the CEO, and you'll be expected to participate just as you would if you were on the board. I have an upcoming chapter on "Your First Board Meeting" that goes into some of the details, but there's really only one cardinal rule: Be yourself. Don't hold back. Engage with the people, issues, and processes. Challenge others if you feel like they need to be challenged. Have a point of view.

> **"There's really only one cardinal rule: Be yourself. Don't hold back. Engage with the people, issues, and processes. Challenge others if you feel like they need to be challenged. Have a point of view."**

Landing a board role might be the pinnacle of your career, the capstone to a life in business, but acting in ways that you *think* the board or CEO wants you to act is a recipe for disaster. It's inauthentic, at best.

I asked my executive team what qualities they looked for in a board member and I'm not saying that you should present these qualities if you don't have them, but if they describe you then I would certainly highlight them. A few of them are included in this table.

Qualities of a great board member

- **Ethical and high integrity in their own jobs and lives**
- **Comes with an opinion on areas where they have expertise that is otherwise missing from the table (but not afraid to discuss or debate an area where they're less informed)**
- **Thinks about what will happen next in the business and gets management to think ahead**
- **Calls out the blind spots**
- **Offers tough love…unfettered, constructive guidance – not just what the CEO or board wants to hear**
- **Has colorful and memorable stories and metaphors**

It is also completely and entirely appropriate for you to do your own due diligence on a company before joining its board. Here are some things to look at and in some cases some red flags to look for in your research:

Red flags to look for before joining a board

- **Financials:** You should understand the financial state of the company before you join its board. Most VC-backed startups are losing money by definition, but understanding cash runway and the next financing timing and plan is important; a runway of less than 6 months (without a term sheet in hand) can be a big red flag
- **Glassdoor:** Understanding the culture of the organization is critical. Poor Glassdoor ratings and poor CEO ratings in particular are worth digging into
- **Media:** Pay attention to stories and blog posts about the company, but be skeptical and use what you read as a means of asking the CEO questions rather than making judgments
- **Board turnover:** It's ok to ask if the board has had other independent directors over time who are no longer on the board. A lot of board turnover is unusual, so it's worth digging in on it by understanding the CEO's perspective and also potentially talking to a former director
- **Board interviews:** If the CEO doesn't have you interview with all of the other board members before making a decision on you...you should ask to do at least one or two meetings with other directors before making your decision

If after a complete interview process, you feel like something is amiss, if something doesn't seem right, if it doesn't seem like you can have an impact on the company, you shouldn't pursue the board seat. There's no need to force it, to try to make a square peg fit a round hole. It's a lot better to reject a board position early in a process than to start, make a multi-year commitment, and either not keep that commitment or not be able to make the impact you want.

What to expect as an independent director

One final important thing you need to be clear about with the CEO in your interviews is what job they expect you to do as their new independent director. Some CEOs think when they're getting a board member, they're getting a director, a consultant, a consiglieri, a coach, a mentor, a headhunter, and a fundraiser. You may or may not be able to do all of those things, but that isn't a standard job spec for what an independent board member does. At most, as an independent director, you will be a board member and a mentor. You can expect, for the equity grant the company provides you, that you should spend a handful of hours every month:

- **Time to travel to and from, prepare for, and debrief after board meetings (the number and length will vary depending on the company's stage)**
- **Ad hoc time between meetings to work with the CEO, the management team, or other directors on issues that come up**
- **Occasional 1:1 mentoring sessions with the CEO (but not regular coaching)**

If the company is looking for more -- for specific help that matches your qualifications -- they can always invite you in to be a paid consultant, say, to help you develop a marketing plan, or help you raise money. Generally those things are best handled by others either inside or outside the organization who aren't also responsible for oversight and governance, but you as a board member potentially could do them as a paid consultant. The one thing to be wary of, though, is becoming the CEO's coach. If the CEO needs or wants a coach, you absolutely should NOT do that job as a board member. CEOs need coaches to be people to whom they can vent and brainstorm and ask for guidance in a way that does not in any way conflict with that person's responsibilities for management oversight. That role is very different from the role of a CEO mentor, which you as an independent director could absolutely do, helping the CEO learn the craft of being a CEO and sharing your experience on that front with them if you have it.

CHAPTER 4

What You Need to Know About Board Compensation

Independent directors in privately held early-stage companies are compensated for their board contributions, just like they are in publicly traded companies, although the numbers and currencies are not the same. In this chapter, I will talk about the compensation package so that you'll have an idea of how things work at startups. As always, there may be quite a bit of variation in the details, but the broad categories of compensation, what you should expect, and what to negotiate for are fairly similar across most situations you'll find in the startup world.

> **"Asking for cash compensation is a clear indicator that you don't understand startups and also don't value the alignment that comes with equity."**

I'll tell you right now that you won't be compensated in cash, and asking for cash from a private, early-stage company is a red flag to CEOs. What are you likely to get as compensation in lieu of cash? Equity, of course! If you ask for cash a CEO is likely to quickly respond with "no," or respond that they'll consider a consulting or independent contractor relationship not directly tied to the board seat. But you'll be shooting yourself in the foot by asking for cash if what you really want is a board position. Why is that? Nearly all startups are strapped for cash--even companies that have received significant funding--so spending money on the Board of Directors is out of the question. Asking for cash compensation is a clear indicator that you don't understand startups and also don't value the alignment that comes with equity.

The standard equity instrument for directors is Non Qualified Stock Options priced at fair market value. Some companies may offer Restricted Stock or Restricted Stock Units instead. You could negotiate for the instrument that optimizes your tax liabilities, if you can and if it matters to you, but otherwise there's no good reason to negotiate or care about the equity instrument. It is what it is, and most CEOs will only offer one type of stock unit to all board members equally.

The other component of equity is the vesting period. I touched on this topic briefly in the introduction of this Ebook. There is a little bit of wiggle room on the vesting period so this is a point that you'll want to address during your due diligence process. I am a strong proponent of doing smaller, shorter vest option grants, at least for early stage companies whose needs are very dynamic, but there are other approaches, too. I like grants of 1-2 years because it allows me more flexibility in building my board. I can always renew a director's term and give a new grant down the road. If it turns out that a director is adding a ton of value, or my company is at a later stage, I'll consider a 4-year grant, but the flexibility of short vesting periods is incredibly valuable in the very early stages of building a company. So, as a director I think you have some flexibility yourself to negotiate on the vesting period as long as you're aware of what stage of growth the company is in and what your own preferences are for the term of your commitment.

> **"As a director, you have some flexibility yourself to negotiate on the vesting period as long as you're aware of what stage of growth the company is in."**

With vesting comes vesting terms and here, too, there are options available to CEOs. I always give directors 100% vesting on Change of Control. While this can lead to a windfall sometimes, directors will get fired 100% of the time when you sell the company, so from my perspective there's no reason not to be generous with them on this point. However, other CEOs may differ and this is another point that you'll want to figure out and possibly negotiate as part of your compensation package.

Once you figure out the equity instrument, vesting period, and vesting terms you're left with the big question: How much equity will you get? What should you negotiate for? Can you even negotiate this point? There's bad news and good news on actual board compensation. The bad news is that no one really knows what's going on because private companies don't share that information. The good news is that Bolster is conducting a first-of-its-kind Board Benchmarking survey with a range of survey questions that will shed light on private company board practices, including compensation. I'll circle back to the important topic of director compensation once we have some data to share but for now we'll have to look at general approaches to board compensation.

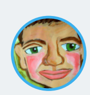
Fred Wilson is a long-time VC and has served as a director on many, many boards (including my board at my prior company, Return Path). He wrote a blog post on **Independent Director Compensation** and the highlights are below:

*“For compensation, I like to use an annual amount of $100,000. That is substantially less than public company directors make (which is more like $200,000 per year**) but being a public company director is more time consuming and exposes a director to more liability. So I feel like $100,000 a year is reasonable compensation for a private company director. The spread between private company board compensation and public company board compensation narrows as a Company gets closer to being public.*

*** [Note from Matt - I have heard this number can be as high as $400,000/year, although the difference from Fred’s post might be the difference between cash-only and cash-plus-equity value]*

I like to use the following approach for stock based compensation:

- *For companies valued below $40mm enterprise value, pay an independent director 0.25% of the Company per year served on the Board.*
- *For companies valued above $40mm of enterprise value, pay an independent director a percentage of the Company per year served equal to ($100k/enterprise valuation). For example, if your Company is worth $100mm, then you would pay 0.1% per year served ($100k/$100mm).*
- *It is typical to make a "front-loaded" grant of four years of value and vest it over four years. So in this second example, where the Company is worth $100mm, the independent director would be granted an option for 0.4% of the Company, worth $400k, and vest that over four years.*
- *However, for very early stage companies where the annual grants are quite large (0.25% per year), it is more common to make those grants annually so that the dilution from these grants comes down as the Company’s value increases. That said, front-loaded four-year grants are made for directors of early-stage companies as well.”*



Fred Wilson

My major takeaway from Fred’s post is that there are some rough guidelines on how much equity board directors receive in compensation and it’s possible as an independent director to negotiate this point. But don't be surprised if you're met with a non-negotiable response by the CEO, especially in later stages where stock dilution comes into play.

One other related topic to the compensation package is to make sure the company has appropriate Directors & Officers (D&O) insurance. You want to ensure that you have current and ample insurance and you should ask to see the policy and go through it in detail to see what's there, what the terms are, what the coverage is, and what liabilities you may be exposed to. If the company already has venture capital board members, you can be almost certain this box is already checked, but it never hurts to ask.

> **"The best question you can ask when the CEO makes you an offer is, 'Is this fair in the context of how you're compensating other independent directors either today or historically?'"**

As a first-time director on a board at a startup, you may have some flexibility to negotiate certain variables in your compensation package, but the main point to understand is that your compensation will be in equity, not cash, and that it will vest over time. Besides understanding what "market" is for this (in our forthcoming research), the best question you can ask when the CEO makes you an offer is, "Is this fair in the context of how you're compensating other independent directors either today or historically?" You shouldn't have a specific earning target in mind here so much as you want to be fairly treated. Remember also that you're getting hugely valuable experience and a career step out of this, too.

CHAPTER 5

Preparing for Your First Board Meeting

Depending on your situation, your first board meeting might actually be your second board meeting because in a future blog post, I strongly encourage CEOs to be just as thorough in interviewing and onboarding a new board member as they would an executive hire. Part of that onboarding includes having them attend a board meeting in a trial run. If you're not in that situation, if you're basically onboarding yourself, then there are a few things you can do to accelerate your impact. It's especially critical to get up to speed quickly as a board member because you don't meet every week. Your board might only meet a few times a year and you can't take the time to "learn the ropes." You have to hit the ground running and become a fully functioning and contributing board member right away.

The key to being able to have an impact in your first meeting (and every meeting after that!) is to be as fully prepared as possible. While you can't know everything walking in the door for the first time, you can know a few things really well. Here are my Top 6 things to make sure you know or do before your first board meeting.

Six things to do (or know) before your first board meeting

01. **Understand the company's financials.** Probably the most important thing to know is the financial situation of the company. Foundry Group partner and long-time CEO Chris Moody has written some best practices for getting a board member up to speed and financial acumen is a key.

> *"Make sure the new person is fully ramped on the financials before attending the first meeting as an official board member by walking them through the financials line-by-line. This isn't just about reviewing the board deck in advance, but giving the new member an opportunity to ask dumb/basic questions before the first meeting."*

Chris Moody

It would be best to get the financials, and to go over the financials, and to be comfortable asking those dumb questions, with a knowledgeable person (ideally the CFO or CEO) before the first meeting, but if you're unable to do that you can still catch up quickly. While a full course of "Startup Financials 101" would be enough material for a whole book, make sure you're paying attention to cash burn, cash runway, understanding the cash flow dynamics of the business, revenue and/or bookings growth, and key customer adoption and retention metrics. Hopefully the company's CEO and CFO are strong enough in their board presentation development that the most important things are easy to spot and understand.

02. **Find a board buddy.** I suggest that you find a "board buddy" during or before the first meeting and ask if someone will help you learn what's going on and answer questions you might have and help teach you board member best practices from their perspective. Any existing board member could work for this, but try to pick someone who has been on a lot of boards over time like a VC so you can also get the benefit of that person's longitudinal experience about the best and worst independent directors they've seen over time.

03. **Learn the corporate structure and governance.** You'll also want to meet with the company's corporate counsel (or CFO) to understand the legal structure and capitalization of the company. Which decisions require board approval? Which ones require shareholder approval? If the company gets acquired, how does the liquidation waterfall work? If you're a first-time board member and haven't gone to any formal training programs, make sure that you can spend some time with the company lawyer to get some training or materials on governance so that you understand the director's fiduciary duties.

04. **Meet the team.** Another thing you can do, if it didn't happen already during the interview process, is ask if you can meet briefly with each board member or senior executive in the company, or at least the people the board has regular interaction with. By building personal relationships with the other directors and with the executives, you'll be able to understand multiple perspectives on the company and you'll be a more informed and better board member. Like all relationships, these take time to build and cultivate, and like all teams, sometimes the collective work and thinking of a board happens in smaller group or 1:1 interactions between formal board meetings. You should also ask for any org charts, bios of executives and other directors, along with their contact information. Get copies of past board minutes and read those before your first meeting. At some point (it doesn't have to be before the first meeting) ask if you can even spend a day or two at the company's office wandering around, meeting other employees and sitting in on various meetings like an executive team meeting or an all-hands meeting (or remote equivalents).

05. **Get to know their product.** Unless the product is something you already use and are familiar with, have the product leaders give you a detailed demo and tour of the product.

06. **Schedule extra check-ins with the CEO.** I recommend calendaring pre- and post-game meetings with the CEO around your first 2-3 board meetings. Even quick, 15- or 30-minute informal chats to make sure you're fully briefed before your initial meetings and have a chance to get and give feedback afterwards can go a long way to making your first few meetings successful.

It would be great if every board orientation had a well thought-out process for bringing new board members up to speed quickly and before their first meeting, but the reality is that not all companies have this in place. If you find yourself in a situation where you have to onboard yourself, don't despair! Get as prepared as possible before your first meeting and be proactive in reaching out to the company executives and legal team to meet with you and get the quick overview and training that you need to make an immediate impact.

CHAPTER 6

Corporate Governance as a Board Member

I've always believed that there is a sliding scale of board member duties that changes dramatically as companies grow in size. The ratio of time spent on company strategy and coaching management to time spent on corporate governance and financial oversight for a large company board may be as much as 20:80. For a raw startup, it's likely the reverse -- 80:20 (or even more tilted away from formal governance). The reality of startup boards is that the job isn't fundamentally about governance and oversight. It's probably also true that on the unusual occasions a startup board is dealing with a governance or oversight issue, they have outside counsel present to help guide them through the specifics. If they don't, it's easy enough to demand that counsel as a startup board member.

So while you can attend one of a number of corporate director training programs across the US, be aware that most of them are extremely expensive and time consuming (think multiple full days and $5,000-$10,000). Besides the expense and time commitment, very little of what you learn is relevant day-to-day as a practical matter in your role as a startup board member.

> **"It's important to develop a philosophy of governance and oversight for yourself so you have a framework for engagement on boards -- and so you can make sure you and the other directors (and the CEO) are aligned."**

That said, it's still important to understand the basics of board governance. It's also important to develop a philosophy of governance and oversight for yourself so you have a framework for engagement on boards -- and so you can make sure you and the other directors (and the CEO) are aligned. You'll need to have a sense of what's important to pay attention to and you need to know when to call counsel for help, if nothing else -- for example:

- **An inside financing where investor directors are negotiating with the company**
- **Any major conflict between directors**
- **An inbound offer to buy the company or an outbound sale process**
- **A major ethics concern with respect to management**
- **A major security or data privacy breach**

Brad Feld and Mahendra Ramsighani have a pretty definitive passage defining the basics of governance in **Startup Boards** which is much better to reproduce here in full rather than to recreate it:

> “***Legal Duties of a Board Member.*** *The state laws in which the company is incorporated along with the company's charter documents (the articles of incorporation, bylaws, and shareholder rights) establish the legal duties of a board member. For public companies, the Securities and Exchange Commission (SEC) adds some bonus rules. A fiduciary duty is an obligation of a board member to act in the best interest of another party. Every board member has a fiduciary duty to the shareholders. A fiduciary duty is the highest standard of care, and a fiduciary is expected to be extremely loyal to the person or entity to whom she owes the duty (the "principal"): she must not put her personal interests before the duty and must not profit from her position as a fiduciary, unless the principal consents.*
>
> *Board members are bound by two formal legal obligations: the duty of care and the duty of loyalty. These are defined as follows:*
>
> ***Duty of care:*** *A board member is to conduct all actions in a manner where they see no foreseeable harm. A board member needs to be attentive and prudent in making board-level decisions, act in good faith, and conduct sufficient investigations to provide a logical basis for decisions. A board member breaches his duty of care when he acts in a negligent manner or knows that the consequences of an action could be harmful to the company.*
>
> ***Duty of loyalty:*** *A board member should ensure that interests of the company are always first and foremost in his mind and that loyalty to the company supersedes any other vested interests they might have. Duty of loyalty is breached when a board member puts their personal interest ahead of the company, conducts inappropriate transactions that benefit the board member (known as self-dealing), or benefits personally from confidential information shared in the boardroom.*

Since investor board members are also trying to make a financial return, conflicts of interest can arise at every step. As True Ventures managing partner Jon Callaghan puts it, "As long as you are a board member, you have to focus on what is best for all shareholders. This can be difficult for VCs. Afterwards, you can go home and fret all you want about your fund not making a better return."

There are additional duties referred to as the duty of confidentiality and the duty of disclosure. While these are linked to the duty of care and duty of loyalty, they are just as important. They are defined as follows:

Duty of confidentiality: *A subset of the duty of loyalty, this requires a director to maintain the confidentiality of nonpublic information about the company.*

Duty of disclosure: *A director, pursuant to the duties of care and loyalty, is required to take reasonable steps to ensure that a company provides its stockholders with all material information relating to a matter for which stockholder action is sought. While these duties may sound good conceptually, in practice they are subject to judgment and interpretation based on the specific situation.*

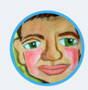
A legal construct, referred to as the business judgment rule, governs the specific interpretation. The business judgment rule is used to test whether the director acts in good faith, in an informed manner, while putting his personal interests below those of the corporation. Specifically, the director is following the business judgment rule if he: Does not have any personal interest in the outcome. Has reviewed all information prior to making a decision. Believes that the decision is in the best interests of the company. This rule helps protect a director from personal liability for allegedly bad business decisions by essentially shifting the burden of proof to a plaintiff to demonstrate that the director did not satisfy his fiduciary duties.”

 **Brad Feld**  **Mahendra Ramsinghani**

You can see from Brad and Mahendra's description that "governance" is more than being the boss of the CEO and it involves a number of duties and obligations. If you're not familiar with the principles of governance for your state, I'd suggest spending some time with the legal counsel at your company and do a deep dive on the specifics.

Fred Wilson brings some of the issues of governance to life in a **post about director responsibilities**:

> *"About ten years ago, I was in a board meeting when management told the board that they had uncovered significant accounting issues in a recently acquired company. This was a public company board. And these accounting issues had flowed through to several quarterly financial statements that had been reported to the public. Every board member who was also a material shareholder (me included) knew that the minute this information was disclosed, our shareholdings would plummet in value. But there was no question what we had to do. We had to hire a law firm to investigate the accounting issues. We had to immediately disclose the findings to the public. And we had to terminate all the employees who had an involvement in this matter.*
>
> *Things like fiduciary responsibility seem very theoretical until you find yourself in a moment like this. Then they become crystal clear. Directors often must act against their own self interests. They must do the right thing for the company, its shareholders, and its stakeholders. There is no wiggle room on this rule. For directors, it is the golden rule."*



Fred Wilson

My board at Return Path had a few moments over the years that tested our mettle a bit when it came to good governance. More than one time we were negotiating the terms of an inside financing where the VCs on the board had to wear two proverbial hats -- as directors trying to look out for the best interests of the company and its common shareholders, and as investors trying to look out for their own interests and those of their limited partners. To cut the tension in a board meeting where we were conducting this somewhat awkward negotiation, I brought in Return Path logo hats for the directors to wear during the conversation...and gave each of them two such hats in different colors -- their director hat, and their shareholder hat. It was a little goofy, but I think they all appreciated that they literally had to put on the hat that represented whatever point of view they were sharing at a given moment. The conversation had a very friendly and successful outcome, I think at least in part as a result of being explicit about what "hat" a person was wearing.

There are two important areas in which you should understand your own point of view as an independent director and be able to articulate that to the CEO and other directors of a board you're considering joining -- then act accordingly once you're on the board.

I've found that a lot of people don't think about these two important areas before joining a board and so we address them specifically in our board needs assessment and board screening process at Bolster. There's no right or wrong answer for either one, but some level of alignment across a board is important -- or at least a conscious understanding around a lack of alignment, as in "you are here to play X role on this board."

Two important considerations of board participation

01. **Level of participation.** The first important area concerns the role of the board and how active directors are in company operations. Popularized by Reed Hastings, a long-time member of the Microsoft Board, some board members believe that a board's role is to hire/fire/compensate the CEO, and not much more, other than obvious areas of governance and financial oversight. Other board members believe that a board's role is to engage deeply with a company's strategy, their management team, and operations. For this second, more active model, think about a private equity-owned company where the CEO and CFO are sending weekly cash reports and KPI decks to their board members and then receiving comments back from the firm's associates. Of course, many board members are somewhere in between those two extremes, but you should think about your own approach to a board--hand's off or more active participation?

02. **Interests.** The second important area concerns the question of whose interests do directors need to keep in mind first and foremost when making governance decisions. There are directors who believe in the letter of Delaware law for C Corporations and LLCs that "The responsibility as a director is to maximize shareholder value" and others who have a broader view that "The responsibility as a director is to maximize the value of all stakeholders," which is basically the B-Corporation definition of fiduciary responsibility. A C-Corporation board making decisions using B-Corporation rules runs a significant risk of a shareholder lawsuit -- but board members also have to live with their own consciences, and in startups, there are times when the interests of employees and customers (and less often, suppliers and external stakeholders like the environment) do need to be factored into a decision.

The majority of venture-backed company boards tend to live somewhere in between the two extremes in terms of how active the board is, and they probably tilt more to the "shareholder value" perspective, but that doesn't mean you need to live in the same place. Pick the spot on those two spectrums where you're comfortable, articulate the reason why to yourself and others, and act accordingly in the boardroom.

CHAPTER 7

How to be a Great Board Member

A board role differs from other roles in business and no matter how accomplished you are in your professional career, being a "great" board member is not just a continuation of what worked for you before. I'm writing this Ebook because I believe that a Board of Directors, especially for a startup, can be an incredibly powerful and impactful tool, but the effectiveness of the board depends on the board members. So I wanted to provide my thoughts on what makes a great board member, which I think will be helpful to first-time and seasoned board members alike.

> **"A Board of Directors, especially for a startup, can be an incredibly powerful and impactful tool, but the effectiveness of the board depends on the board members."**

I've had a Board of Directors since the beginning of Return Path over 20 years ago and have also served on about a dozen other boards of different kinds so in total have seen hundreds of board members. That's not as many as a VC, but it's a decent sample. I have seen the good, bad, and ugly when it comes to board members. One of the big differences between a board position and other positions is the infrequency of meetings and with just a handful of opportunities to meet as a board and make your contribution, it's best to hit the ground running.

And while every board differs (because every company differs, every CEO differs and every situation differs) there are still some things you can and should do as a board member that are consistent, regardless of the situation you're in.

In this chapter, I'll include some tips on how to be a great board member.

Tips on how to be a great board member

☐ **Be prepared.**

This means more than glancing at the materials moments before the meeting starts, for starters. You might only get the materials a few moments before the board meeting starts, but if that's the case then I'd suggest you propose a "reading period" at the start of the meeting for everyone. It's a lot better to spend 15 minutes reading the materials--even if it cuts in to "board time"--and have a meaningful conversation rather than to go into a meeting blindly without any preparation. But if you get materials a few days ahead of time, there's no excuse for not reading them thoroughly, taking notes, and jotting down questions you'll want to ask in the meeting. Even better -- share those questions with the CEO ahead of time.

☐ **Practice good meeting hygiene.**

This should be an easy one, but everyone is busy. A great board member attends all meetings, they show up on time and don't leave early. They don't multitask during the meeting by texting or working on their phone. They are fully present at all times. If they can't be (life does interrupt sometimes), they ask to be excused and leave the table until they can return and be fully present.

☐ **Have a point of view and speak your mind.**

Yes, it's tough and sometimes uncomfortable to be a contrarian or to raise thorny issues, but that's one of the best things that a board member can do. (Note: In Chapter 9 I talk about "how to make your voice heard"--and I don't mean speak louder!) One of the mental frameworks that will help you speak your mind is to know that your role on the board is to represent the interests of the company, and there are a lot of people you are representing. Almost all of them are absent from board meetings. So your role is to speak up for those who can't speak for themselves. I've been in situations where there are issues with other board members and those are addressed in the board meeting. I also once had a board member tell me that I could be better at firing executives more quickly--and there were executives in the meeting at the time!

The best board members are fearless in speaking their mind. They'll bring up tough and uncomfortable (and personal) topics and they won't work backroom deals or tell you "what they really think" outside of the meeting.

☐ **Don't speak to hear the sound of your own voice.**

Not every director needs to weigh in on every discussion. If you don't have something to add to a particular conversation, either don't speak or simply say "I agree with what's been said," or "I agree with what Sally said."

- [ ] **Vary your input.**

I have had several board members over the years who had amazing advice in their first meeting or two…and then continued to repeat the same advice and the same stories in every subsequent meeting. You didn't get on a board by only carrying around a hammer, so make sure you occasionally use your wrench, screwdriver, level, and tape measure.

- [ ] **Hold the CEO accountable.**

This may sound silly -- of course boards should hold CEOs accountable -- but it's easy for first time directors to fall into the trap of being afraid to do that part of the job. The really great board members ask consistently about hard / important things, and as a CEO, I can tell you that it's great to know my board is paying attention and challenging me!

- [ ] **Connect with the CEO outside of the boardroom.**

Board members are more effective when they have ongoing relationships with CEOs outside of meetings. Whether semi-regular email exchanges, periodic calls, or the occasional meal or coffee/drink, make an effort to spend time getting to know your CEO as a person -- just as you'd want someone who is your "manager" to do with you.

- [ ] **Build independent relationships.**

You may come into a board role not knowing anyone but you should work to change that dynamic immediately. The board is a team like any other team and it works best if board members know each other and know others at the company. You want a board that has high levels of trust so that they'll be candid and transparent. Board members should work well together and a good way to do that is to encourage them to interact, socialize, and seek each other's advice. A great board member takes the initiative in building relationships and they do that without any prodding from the CEO.

- [ ] **Leverage your network, always be recruiting.**

Some people seem to be naturally inclined to create open networks, to look for ways that they can introduce people who can help each other. If you're not naturally inclined to do that you'll have to learn to become more so because one of the best parts of being a board member is being able to connect people and resources to your company. This could be as simple as providing the name of your lawyer, or some other professional that could be helpful in a situation, but it could also mean being creative with the resources that you have, and it definitely includes always being on the lookout for other great people to join the company. So, welcome to being a part-time recruiter! A great board member will be looking at every situation through the lens of, "Who do I know that can help us?"

- [ ] **Look at situations strategically.**

You don't need an MBA to be able to help a company think strategically, but you do have to invest some time learning about the drivers of the company, their strengths and weaknesses, and the industry dynamics. To make an impact a great board member will have a deep understanding of the economics, competition, ecosystem, customers, and core values, and they'll know how all of those work together in the business model.

- [ ] **Be operationally aware.**

Related to thinking strategically is the idea of being operationally aware. Usually operational issues are highly context-dependent, and a great board member will work to have significant understanding of a functional area, engage with the leader of that function, and develop a solid awareness of the day-to-day activities. This is one area where independent directors often outperform investor directors, who often focus on high-level pattern matching since they sit on numerous boards, and don't always have depth of operational experience.

- [ ] **Think outside the box.**

Good board members are able to understand all the pieces on the chess table; great board members are able to go a step further and pattern match to other situations and environments and provide advice, history, context, and anticipated consequences of actions. A great board member will be able to see the proverbial forest for the trees, which can be an enormous benefit to CEOs focused on the minutia of the day-to-day. As a CEO, a lot of the time you've never seen something before or you just can't see what's happening. It reminds me of the game where the name of a famous person is placed on your forehead--like George Washington, or Ruth Bader Ginsberg, or Oprah--and then you have to ask questions of others to get clues to solve your personal riddle. When you finally guess it, it's like "Oh, of course." Same thing with a business: once things become clear it's easy to take appropriate action, but getting that clarity is tough on your own. A great board member brings that critical "outside the box thinking" to their role.

My friend Heidi Roizen wrote a **blog post** on building a diverse Board of Directors, which I think ought to be a top priority for every startup company. She outlined some ideas for board members to follow and although some of the ideas double up with mine, they're worth emphasizing anyway.

- [ ] **Understand your legal responsibility.**

Yes, unlike most other roles in a company a board member has legal responsibilities and in a nutshell they involve acting in the best interests of the shareholders at all times--even if it poses a conflict of interest for you or favoritism to your business or associates. Make sure you read the specific chapter on corporate governance for more details on this.

- [ ] **Know who you serve.**

You serve the shareholders, right? Not the CEO, Chair of the board, or other directors. But who directors serve is evolving and expanding and now (can) include things like the environment, social responsibility, customers, employees, vendors, channel partners and others in the ecosystem. All of these constituencies could impact shareholder value, but they're not always in alignment, so the role of the board member is challenging. While this is also covered in the prior chapter on governance, the best way to think about this is that you serve the business, not any one stakeholder. At any given fork in the road, what is in the best overall interests of the business?

- [ ] **Be an independent thinker.**

Don't rely on the CEO or other board members, form your own opinions...independently.

- [ ] **No surprises.**

How much do you like surprises at work? Not very much. Neither does the CEO/Chairman of the board you're serving on. If you have a strong negative reaction to business results, if you are particularly skeptical about a path the company is going down, if you are deeply concerned about the performance of an executive on the management team -- speak up early, ideally ahead of a meeting, so no one is surprised by what you have to say.

- [ ] **Understand the board dynamic and what role you play.**

Boards are teams, and teams have different kinds of teammates on them. If you are the quiet one on the board, make sure you save up your input until you have something high impact to say, then say it -- your words will mean as much as if you'd spoken 10x the number of them. If you are the financial hawk on the board, make sure you're looking at every decision through that lens and giving that kind of input, since no one else will. If you're the only marketing professional on the board, make sure you are thinking about the impact of decisions on the company's brand and funnel. You get the idea.

- [ ] **Remember that it's not your job to solve the company's problems.**

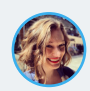
It's the management team's job. It's your job to hold them accountable and to provide ideas. As my Bolster colleague Bethany Crystal **blogged** a couple of years ago in *What does it mean to be on a board?* it can be tough to resist fixing a problem that you know how to fix.

“It’s quite common for the highest performing individual contributor (IC) to get promoted to manager but this doesn’t mean they will "crush it" the same way. How could they? The skillsets are completely different. As an IC, you derive all of your satisfaction and energy around getting things done yourself. As a manager (and I’d add as a director), you relish in the collective success and output of the team around you.

It’s not a switch you can flip overnight. Morphing from "high personal output" mode to "high team output" mode is a slow and (often painful) process. There are dark periods where you might wonder, "Why am I here? How am I motivated? Why did I say yes to this? What am I supposed to do? Why can’t I just do it all myself?"

This is a little bit about how I’ve felt in the first couple of board meetings: "What am I supposed to care about? What’s the thing I can do that offers the biggest impact? How can I show my value? Why am I in the room at all?"

I’m trying to fight the urge to "jump in and do something" whenever I hear a problem. Truly, this is difficult for me. Sometimes I feel like I need to handcuff myself to the table just to stop myself from raising my hand to volunteer for something.”



Bethany Crystal

A great board member will resist the temptation to get in there and “fix” things, they will resist telling the CEO what to do. Great board members offer context and advice, they don’t dictate solutions.

If I had to sum up all of this advice into one line -- it would be this: be a team player. Again, boards are teams, and teams are high functioning when their members have a high degree of trust, cooperation, and alignment. If the team needs something from you, you need to make sure you deliver it.

CHAPTER 8

When Things Aren't Black and White: How to Deal With Murky Areas

There's a pretty good chance if you're on a Board of Directors, you're not great at holding your tongue. And that if you're on any given board for any length of time, you'll feel compelled to give difficult feedback either to the CEO, senior management, or the other directors. I can also say with certainty that having difficult conversations can lead to much better results than avoiding difficult topics altogether.

But when should you step in as a board member to address issues? Or an even more basic question to ask is, should you step in? Yes, you have a fiduciary responsibility and legal duties as a board member, but what about areas that are beyond the financial and legal realms? What are your options as a board member to delve into less defined areas, murky areas, or areas that are not clear-cut?

> **"Is it the board's role to shape the culture of a company? Sometimes yes, and sometimes no. It's murky."**

One of the tricky parts of being a board member is the grey area where you'd like to address something but it's not quite something that a board has to address, it's not quite a board responsibility. For example, I had an interesting conversation the other day with a friend who sits on a couple of boards. We talked about some challenges one of his boards was having with their CEO and the dilemma to some extent boiled down to this: a board is responsible for hiring/firing the CEO and for being the guardians of shareholder value, but what does a board do when it doesn't like the CEO's leadership style? Is there a situation where the board can suggest to, or nudge, the CEO to a different leadership style, or is that beyond the scope of the board's responsibilities?

There are lots of different kinds of CEOs and corporate cultures. Some are command-and-control, others are more open, flat, and transparent. When I was CEO of Return Path I strived for the open, flat, and transparent leadership style and culture and I'm doing the same thing as CEO at Bolster. That's my preference and I'm biased that open and transparent cultures lead to a more successful company. But I've worked in environments that are command and control, authoritarian, closed, and hierarchical. While that culture is less fun and far more stressful (to me, anyway!), it can also produce very successful outcomes for shareholders and for employees as well.

So what do you do as a board member if you don't like the way a CEO operates, even if the company is doing well? I find myself very conflicted on the topic, and I'm glad I've never had to deal with it myself as an outside board member since for the most part, the CEOs on whose boards I've served have been philosophically compatible with me. I certainly wouldn't want to work in an organization again that had what I consider to be a negative, pace-setting environment, but is it the board's role to shape the culture of a company? Sometimes yes, and sometimes no. It's murky. It's not grounds for removal to dislike someone's style. It might be grounds for feedback, or to make sure the Board is doing a 360 on the CEO to make sure there isn't a deeper problem, especially if a CEO's style is driving away talented executives. In the grey area of a CEO's style versus substance it's likely that the only situation in which a board can step in and act is if performance is negatively impacted. But, you don't have to sit by idly and see how things play out if you are concerned about the CEO's leadership style. You can be proactive in tackling a difficult topic like leadership style or any other topic.

As a CEO I always appreciated getting candid ideas and advice from my board members, but I realize that not everyone likes to get tough news and as a board member you could have a real fear of giving a CEO negative feedback, especially if you're a first-time board member. Will you be fired as a board member? What if you're the least-experienced person on the board--are your ideas still valid, still worth bringing up?

> **"You're on a board because you are qualified, because your experience is relevant, because your ideas, advice, and suggestions need to be heard. You got hired to be the CEO's boss, so you should feel like you have license to do that job!"**

Let me state right here that you're on a board because you are qualified, because your experience is relevant, because your ideas, advice, and suggestions need to be heard. You got hired to be the CEO's boss, so you should feel like you have license to do that job! But there's a time and place for everything, and while it might not be appropriate to blurt out something during a heated discussion, it's still worth bringing up. Most CEOs will appreciate you bringing up feedback directly, 1:1, and in person wherever possible.

There are two additional spots available to boards to tackle thorny, sensitive, or murky areas: the Executive Session and the Closed Session. Not every board does both of these -- some do a combination of the two -- but I believe it's a best practice for boards to do both at every meeting.

Places to tackle thorny, sensitive, or murky areas

- **Executive Session.** An Executive Session is a meeting of the board, and sometimes some observers, where the only member of the management team present is the CEO. You might have other people on the board (as observers but non-voting members) and you may have other people in the board meeting. It's common for members of the senior executive team to attend meetings when their area is being addressed, whether that's legal, finance, or any other function, or in general, which is my personal preference. An Executive Session is closed to all those people, and it's a time for you and the rest of the board to have a frank discussion that's usually more direct because board members are less worried about what they say when you're the only person from the management team in the room. It's like taking the meeting "offline" and provides a forum for discussion among the core board team members. Usually, this is when the CEO will give an update on how members of the management team are performing, especially if there are new team members or ones with performance issues. But for you as an independent director, this is an opportune time for you to raise issues and concerns in a smaller forum.

- **Closed Session.** The Closed Session is a meeting of all directors, and sometimes some observers, where no one from the management team is present, not even the CEO. Although Closed Sessions are normally used to discuss CEO performance and compensation, they can be a good forum for you to raise any issue you're concerned about without the CEO hearing it right away -- for a first-time independent director in particular, it's a good place to get counsel from other directors who may have more board experience. Closed Session topics usually get summarized by a lead director for the CEO after the fact, but that can be done anonymously. You might also find that raising an issue in Closed Session highlights something that other directors who don't have your perspective missed.

Although the example I gave above of leadership style is a very situation-specific topic, there are other situations that are in grey areas that board members have to grapple with. I believe the best boards tackle the murky issues head on and quickly, and they use Executive and Closed Session to do that in a way that allows for open and honest debate.

CHAPTER 9

Giving Difficult Feedback and Making Your Voice Heard

Two common communication challenges that board members face, particularly first-time board members, are making sure their voice is heard and giving difficult feedback

> **"If you're serving on a board, you've been chosen to be there for a reason and your views are as important as anyone else's so it's important -- it's crucial -- that you make your voice heard."**

Your ability to make sure your voice is heard during a board meeting has a lot to do with your own communication preferences and style, but it is also inversely proportional to the number of people on the board. With three people on the board you should have no problem making any point, but with five, six, or seven, you may find that speaking time is at a premium. It also depends on the nature of the board itself and if you find yourself in a room stacked with ego-laden people demanding to be in the spotlight you might be constrained. You may also be acutely aware that you're the new person to the group, or that you're the first woman, the first person of color, the first of anything, which may make you feel a little intimidated. I mentioned in the last chapter that if you're serving on a board, you've been chosen to be there for a reason and your views are as important as anyone else's so it's important, it's crucial, that you make your voice heard.

Hopefully your board's CEO or Chairman or lead director is a skilled meeting facilitator who makes sure to call on every director to speak in discussions and who also knows how to read a room and ready body language to draw comments out of directors. But if not, here are a few suggestions for making your voice heard:

Seven ways to make your voice heard in board meetings

01. **Communicate issues in advance.** No one loves to be surprised, so if you have a tough issue you want to raise at a board meeting, mention it ahead of time to the CEO. It's a good way to set an intention ahead of time and be clear that there are issues about which you want to weigh in.

02. **Be direct.** It's ok to interrupt, especially if the group is moving on from a topic you wish to address. "I haven't had a chance to address the situation yet."

03. **Be polite.** Go back to your elementary school days and raise your hand and keep it raised until you're given a chance to speak (or on a Zoom call, use the Chat function). I promise you, even the most scattered or egocentric meeting leader person cannot ignore a raised hand forever!

04. **Be true to your style.** I've had every kind of board member stylistically over the years. Some express an opinion on everything. Some are more introverted and hold back their comments until a discussion is well underway and they have had a chance to hear from others. Some are incredibly colorful with their use of language and metaphors. It doesn't really matter what style you pick -- just pick one that is comfortable and natural to you.

05. **Find a communication niche and stick to it.** One of my most effective board members at Return Path, former Oracle CFO Jeff Epstein, played a very specific role in our board discussions. While he would on occasion have a comment or express an opinion in the middle of a debate, he almost always provided the last word in a debate by saying "let me summarize what I've heard" and trying to crystallize or distill the board's discussion, recommendation, or the next action for the group. Jeff would invariably inject some of his own point of view into that summary, too, but I could always count on him to play that role. I had other directors with other niches, too -- "from the product perspective," or "first to comment," and the like.

06. **Engage in between meetings.** There are certainly times I've seen topics come up that are then followed up 1-to-1 or individually between a CEO and a board member. That can be a helpful way to dig into something at a deeper level without eating up valuable board meeting time, and it is a good way to continue building rapport and trust with your CEO.

07. **Ask for feedback.** After board meetings, especially your first few, ask your CEO, board buddy, and even other directors for micro feedback on your participation. "Was that line of questioning helpful?" "Was that the kind of discussion you wanted to have with the group?" "What else didn't we have a chance to cover?" Of course, once you ask for feedback…you have to be willing to learn from it.

The second common challenge is in giving difficult advice, either to the CEO, to the other board members, to the executive team, or other people in a board meeting. My preferred technique, to borrow from some communication training we did years ago, is to favor inquiry over advocacy. That means instead of jumping in with your feedback -- "Well, I think…" -- start by asking questions and getting the other party to speak first. "What do you think about…" or "Have you ever considered…" is often a much better way of broaching a tricky topic.

Related to this is the criticality of using data to frame the conversation. Also borrowed from this training was a great lesson from the **Ladder of Inference framework**, that data provides an objective sense of the reality of the situation and in many cases people are not aware of the current situation, of how they're perceived, of how their words or actions might impact others. For example, I have a friend whose first job out of college was as a professor and one day after class a student came up and said, "you did pretty good today." And the next sentence by the student was, "you only said 'um' 93 times today." While that's probably not what anyone wants to hear, it was helpful information! By starting the feedback with a set of data that can create a common understanding of the situation, the actual feedback can be much more natural to take in.

> **"If you're wondering whether something should be addressed by the board, you're probably not the only person in the room having those thoughts and I believe that it is worth raising concerns. A critical role of a board member is to give advice or feedback that is difficult to hear."**

A final technique I've found to be helpful in raising a difficult topic is to ask the person, "Are you open to hearing something?" This is very different from the more direct and common approach of, "We need to talk." By asking someone if they're open to hearing something you're giving them a choice, you're giving them control, and the result is much better than telling someone you need to "talk." They might say "no" or "not now," but most times they'll be ready to hear what you have to say in the moment. It's interesting how asking someone if they're open to hearing something is like inviting them, and I've found that by framing your conversation in this way you'll get a greater willingness from people to have that conversation, rather than put up walls and barriers.

As a board member there may be situations where you'll think," I'm not sure this is the responsibility of the board," or you might think, "I'm not the CEO so I'm just going to let this play out." If you're thinking that, you're probably not the only person in the room having those thoughts and I believe that it is worth raising concerns and that the role of a board member is to give advice or feedback that is difficult to hear. Very few things in life self-correct. Instead, I'd approach difficult conversations by using an "open" and inviting approach rather than lecture or ignore the situation. And I know that data--even anecdotal--can be helpful to people in a lot of situations.

Above all else, you should model the behavior you'd like to see in other people. Don't speak over others, don't cut people off, don't repeat exactly what others have said with only a minor modification or your own personal flare. Respect the people in the room, give them your full attention, and you'll get the same in return.

CHAPTER 10

How to Know You're Doing a Good Job as a Board Member

On many boards there isn't a formal review process for board members although I advocate for CEOs to institute some type of feedback process. It doesn't have to be formal or scientific, but some measure of the board's effectiveness and individual performance is a welcome thing. My sense is that most CEOs are reluctant to do this, in part because the board is their "boss" and evaluating the board goes counter to our ideas about reviews. But part of it is also because many CEOs haven't thought about the board as a strategic asset, haven't managed it, and don't have a real plan for growing and developing it.

So, as a board member, if you're on a board that doesn't have a review process, how do you know if you're doing a good job as a board member? Self-evaluation is rarely accurate and, unless you've served on multiple boards and can somehow judge your effectiveness, is almost always biased. But there are a few key areas, a few key roles (or deliverables, if you want) that every board member takes on and I suggest that you create your own scorecard with a scale of one to five for each task and try to evaluate yourself on each one.

Your board scorecard

(Create your own scorecard with a scale of 1-5 for each task and try to evaluate yourself on each one)

01. **Engagement.** Do you participate fully in the board meetings? Do you contribute ideas, do you challenge the room, do you seek to drive the conversation to get a better understanding of issues and to make better decisions? Along with engagement in the board meetings you can also measure your engagement with the materials, with the broader industry in which the company operates, and you can measure your engagement with the other board members.

02. **Constructive Feedback.** Are you giving feedback that's constructive or are you mostly repeating what others have said, or providing summary comments of what's been discussed? Are you willing to "speak the truth" when you see it or do you hold back and wait for others to speak up? Constructive feedback is not always about providing a novel or insightful idea; sometimes it is raising the difficult topics, it's bringing up the elephant in the room.

03. **Connectivity and Perspectives.** This one is similar to "engagement" above, but are you working to connect with others? Are you inclusive? Do you work to understand other perspectives that you don't agree with? Do you try to bring in outside perspectives, raise topics based on similar experiences you've had? Are you making introductions to the CEO as one of the company's main ambassadors?

04. **Governance.** Do you act as a fiduciary, as an advocate for shareholders, or for your own interests? Have you read the state laws that pertain to your company, along with all charter documents including articles of incorporation, bylaws, and shareholder rights? Are you being rigorous in your oversight of management and financial performance?

These four broad areas are the main ones that board members are responsible for, and the self-assessment, though not ideal, will help you understand your own strengths and weaknesses. Once you've created it you could share it with the CEO or other board members and have them fill it out for you. Who knows? Maybe a little scorecard will be all you need to start a board performance process.

Beyond a formal performance process, though, I can tell you from my experience that the most impact that board members have on a CEO or on a company can come in many shapes and sizes. Just for fun, I'll write down here the top impact that each of a number of long-time board members I've worked with has had on me and my companies over the years:

My top impact from a number of long-time board members

- **Secret Weapon for Scaling:** Director A pushed me to hire a coach. I never would have thought that was useful. It led to one of the most meaningful professional relationships of my career and a two-decade long run with someone I refer to as my "secret weapon" for scaling.
- **Personal Connection:** Director B became a true personal friend as well as a board member. We had a large number of meals, workouts, and travel together over the years. He really got to know me and care about me as a human and has pushed me as much on personal things as on work things.
- **The Challenger:** Director C kicked my ass once when I really needed it and helped me drive a major course correction. After a couple of really challenging quarters in a row, after a board meeting in which I presented a series of excuses and rosy pictures of the

future, he held up a metaphorical mirror and made me realize that the problem lay with me, not with exogenous factors -- but also that the solution lay within me as well.

- **Mutual Advisory:** Director D always asked me for advice on his business as much as he gave me advice on mine. We had -- and continue to have many years later -- a mutual advisory relationship. The fact that I know so much more about his business than I otherwise would gives his advice to me an important layer of context that makes the advice richer and more impactful.

- **The Storyteller:** Director E had amazingly colorful metaphors and examples and expressions that resonated with me and our management team AND became part of the language we used to run the business and make decisions day-in, day-out.

Having said all of that, the simplest way to know if you're doing a good job as a board member, if there is no formal board review process, is to ask. There's no reason you, especially as an independent director or even moreso a first-time director, can't ask the CEO and all of the other board members if they think you're doing a good job -- even in a structured way (what are you doing well, what could you be doing better, are you getting what you expected to get out of me, etc.).

Since part of the reason for being on a board is to gain experience, it's critical that you get feedback along the way to ensure that you are building skills that help you be a more effective board member.

Conclusion

I began this book with the subtitle, *"A comprehensive guide to preparing for, joining, and serving on a startup board"* and like every guide I touch on a lot of topics in a fairly short and compact way. This doesn't mean that I don't believe the Board of Directors topic doesn't deserve far more detail than what I've provided (it does, and there are substantial works and research on boards), but mostly stems from my belief that a primer on **startup boards** needed to be written.

I wanted to open up the black box of boards and shed light on what they are, how they look, and how they function. I wanted to help people understand the basics of board governance, compensation, and structure so that they would have enough information to determine if a board role is something that interests them. I wanted to dispel the notion that a board role is out of the reach of people who are not CEOs or executives from Fortune 500 companies.

I wrote this book and a companion book on building a board (from a startup CEO's perspective) because I believe fundamentally that a Board of Directors is a huge strategic asset to any company but especially to startup companies. Startups need the advice, wisdom, and pattern matching that board members bring, but many startups are so focused on the day-to-day that a Board of Directors seems like a luxury they don't need. The corollary to that is, many talented business people aspire to be a board member in much larger companies and overlook startups. I wanted to share how startup boards work so that talented people and companies could benefit from each other.

I also wrote this book to reach a much larger talent pool for a Board of Directors seat than what most companies have had in the past: white, male, current or former CEO. The research on diversity and company performance is compelling, as is the research on board diversity and company performance. That diversity in established companies is likely to take years or decades to flip--if ever. But startup boards are a different story altogether. Startups don't have to inherit the practices of the past and they can start afresh, with a clean slate. Startups can create a diverse board on Day One and reap the benefits of diversity.

One of the primary reasons we started Bolster was because we envisioned a new way for startup CEOs to scale their leadership teams and boards. Hopefully these two books, *How to Build Your Board* and *How to Succeed in Your First Board Role* will alter the practices of the past and unleash a new era of startup board opportunities for a broader talent pool.

About the Author

My name is Matt Blumberg. I am a technology entrepreneur and business builder based in New York City who started a new company called Bolster in 2020.

Bolster is an on-demand executive talent marketplace that helps accelerate companies' growth by connecting them with experienced, highly vetted executives for interim, fractional, advisory, project-based or board roles. Bolster also provides on-demand executives with software and services to help them manage their careers as independent consultants and provides startup and scaleup CEOs with software and content to help them assess, benchmark and diversify their leadership teams and boards. We are creating a new way to scale executive teams and boards.

Before that, I started a company called Return Path, which we sold in 2019. We created a business that was the global market leader in email intelligence, analyzing more data about email than anyone else in the world and producing applications that solve real business problems for end users, commercial senders, and mailbox providers. In the end, we served over 4,000 clients with about 450 employees and 12 offices in 7 countries. We also built a wonderful company with a signature People First Culture that won a number of awards over the years, including Fortune Magazine's #2 best mid-sized places to work in 2012.

Early in my career, I ran marketing and online services for the iconic MovieFone/777-FILM. Before that — I was in venture capital at General Atlantic Partners and a consultant at Mercer Management Consulting. And I went to Princeton before that.

I write a blog called OnlyOnce, named after the phrase coined by my long-term board member and friend Fred Wilson, "You're Only a First-Time CEO Once," and I turned that blog into a book called Startup CEO: A Field Guide to Scaling Up Your Business, which was published by Wiley in 2013 and updated in 2020. *Startup CEO* has a lot of board-related content that goes deeper than what's in this Ebook around specific best practices for leading a board.

I've served on about a dozen boards -- corporate, nonprofit, advisory, and community. This Ebook, and the related one for executives looking to get on their first board, represent a lot of the learnings I've gotten from those board experiences over the years.

About Bolster

Bolster is the marketplace to connect high-growth companies with trusted and flexible executive talent. Our platform matches executives with startup and scaleup CEOs based on each company's unique needs and each executive's unique experience. Our services engage our communities of executives, give executives the tools they need to manage their business or consulting practice, help CEOs understand the scalability of their executive teams and boards, and enable investors to seamlessly connect their networks to their portfolio companies. We have established Membership Partners with many diverse professional organizations, many of which may also serve as references or resources to you. Visit bolster.com for more information.

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